Joe (00:01.016)
So James, last week, Fed Chairman Powell made some comments at Jackson Hole that seemed to be capitulating, of leaving the door open to higher or lowering interest rates. And this was part of the predictions that you made that the Fed was going to bend the knee and start doing this. Do you think the writing's on the wall and this is gonna happen?

James (00:20.824)
First of all, I just appreciate that you say chairman. It's like a courageous act now to use a word that has gender in it. So yes, he is the chairman. I think he even calls himself now the chair, because we don't want to be offensive to anybody. Yeah, mean, you know, we used to write about that stuff. It's like, what was it they decided the

Joe (00:28.855)
Right.

Joe (00:37.614)
Well, I still call it the master bedroom, so I'm way behind.

James (00:49.08)
was like San Francisco or LA or somebody decided to change manhole covers to like, was it like utility covers? mean, can't like anything with a word, anything that has man in it, you're not allowed to, not allowed to use anymore. anyways, yeah, look, we talked about this a couple of weeks ago and you know, I said, maybe, even we could edit this in and just kind of show like what that clip was, but we basically said,

Joe (00:54.499)
right.

Joe (01:00.44)
Right.

James (01:18.456)
Politics is a dirty business. the whole point is we were talking about how the White House and the Treasury Department, they really want to get interest rates down. And it's not hard to understand why interest rates are only four-ish, 4 to 5%, which is, the grand scheme of things, is not very high. mean, were, that's high based on a couple of years ago when rates were 0%.

But in the context of like what rates were in the 70s and 80s and 90s, I 4 % really low, really, really low. There was some bureaucrat from the Treasury Department who had like a time machine and could come back from the 1990s and see interest rates with a four handle. They go, oh my God, that's so cheap. Right. But when you got $37 trillion national debt, 4 % is really expensive. And so they're already spending $1.2 trillion a year. And so the White House has realized like, we got to get interest rates down.

Treasury Department says, we got to get interest rates down. The Treasury Secretary has says, we're going to get interest rates down. And here's how we're going to do it. We're going to get into the Fed and we're going to start cutting rates. mean, this is not some wild conspiracy theory. This is what the Treasury Secretary has said very recently. so based on that, based on Treasury Secretary saying, we're going to come into the Fed, we're going to take over, we're going to cut these rates, it's just obvious that they're very interested in getting their own people onto

the Federal Reserve's Federal Open Market Committee, the Interest Rate Setting Committee within the Federal Reserve. And so we talked about that in a couple of weeks ago, we said, politics is a dirty business. I wouldn't be surprised if, you know, all of a sudden we woke up one morning and like on the front page of the Wall Street Journal, there was some news about something happened, you know, some impropriety, some misdeed by a Fed official. And I think you were the one who kind of joked, it's like, yeah, maybe they'll, they'll, some one of these guys will end up on the Epstein list or something like that. And, and so

Joe (03:11.17)
Yeah.

James (03:13.656)
I was even surprised at how fast it happened. It happened really, really quickly. so, I mean, it was like a week and a half later after we said that, woke up in the morning, front page of the Wall Street Journal, key Fed official is, you know, is now they found this, this person, you know, has violated, you know, any number of statutes related to mortgage fraud. And this is the same thing they got Letitia James on, which, know, bizarrely is very similar to what they got Donald Trump on.

which is essentially lying on a loan application to the banks. In the Letitia James's case, she said, oh yeah, the guy who's my, she claimed that her father was actually her husband to qualify for a lower rate. She said that, you know, a fiveplex was actually a fourplex to qualify for a lower rate. She said that a place in Virginia was actually her primary residence, even though she was a state attorney general for the state of New York. Clearly, Virginia was not her primary residence, but she lied about that to get a lower rate.

Now have this key Fed official who did something similar, I believe, who said that, you know, kind of within like, I think that what they found was like within a span of like two weeks, got two loan applications and said both of these properties in different states are her primary residence. And, you know, there's a, there is a very, very loyal guy who's very loyal to Donald Trump, who's running the housing department, has access to all of these mortgage applications. And now again, they've realized that like all they have to do is just

Whoever they want to target, they're going to go, let's go look at their mortgage applications. And they're probably going to find a lot more dirt on a lot more people.

Joe (04:45.175)

Right, so the one that...

The one that resigned without any explanation, did they send her a letter and go, you know, resign or...

James (04:52.992)
Maybe so, right. Maybe so. Before we recorded that podcast, like the day of or the day before, another member of the Federal Open Market Committee resigned without any explanation whatsoever. And with immediate effect, which is extremely unusual, leading me to believe that there's something going on there. That, yeah, maybe they had something on her. Maybe they sent her a letter and said, hey, we know you committed this mortgage fraud. We're going to come after you or you can resign. So she's like, I'm out.

I resign.

Joe (05:23.128)
Has everybody in Washington DC claimed two primary residences? they, because Adam Schiff, Senator Adam Schiff. Yeah, really.

James (05:28.364)
I think it's pretty common. I think it's pretty common. And the reason why is because I think these people in Congress, nobody gets elected, nobody runs for Congress, says, I'm only gonna run one time. I'm only gonna do this for two years. of course, once they get on that gravy train, they just smell that money. They smell the power, the status, the prestige, and they just, it's like a drug, man. Then they just can't get enough.

And so they know they're going to be in DC for a long time. They know they're going to be DC for a long time. So what do they do? They said, I'm going to buy a house. I'm going to buy a house. If I got kids, I'm going to buy a house in Fairfax County so they can, so Fairfax County can indoctrinate my children and the, you know, the woke mind virus and the gender ideology and all of that. Or if I'm a, you know, if I'm a single dude, you know, man, I'm going to get a condo in Georgetown and live it up and all that. You know, so like they, of course they're going to buy something. But if you're honest,

right? You're a congressional representative from the failing state of California, that's your primary residence. And so now all of a they say, right, now all of sudden they say, no, I have a second primary residence in Washington, DC. It's like, well, you're not really supposed to do that. But the banks all know the deal. The banks look the other way. The banks are like, I just want to ride alone. The mortgage officer, he just wants to get his commission.

Joe (06:30.944)
It has to be.

James (06:47.852)

The underwriters want to get a loan out the door. Of course, they want to loan money to a congressman, right? So that congressman is going to be a little bit friendlier to them. So everybody's in on it.

Joe (06:55.704)
This isn't something people typically get charged with.

James (06:59.456)
No, it's really not. It's just that this is a sort of, it's very unusual. You will, you will very rarely see, for example, like a U S attorney calling a press conference, say, we got this guy on mortgage fraud. know, look at Joe. He said this was his primary residence and he got a $200,000 mortgage and we're gonna, man, we're gonna nail this guy to the wall. Nobody does that. Right. That's just one of these things. It's one of these zillions of laws that are on the books.

that are very seldomly enforced. But when they want to get somebody, that's what they get somebody on. That's what they got Donald Trump on because no one is above the law. No one is above the law. So they got Donald Trump. And it was the same thing. The guy lied on his loan application. All the bankers knew it. The bankers are not naive and stupid people. Of course, they did their diligence for them to pretend that the bankers didn't know.

that his condo was a little bit smaller, they didn't know that. But I mean, it was such a large loan anyways, they were happy to do the deal. They even said they were happy to do the deal, right? They said, we're not victims here. We willingly underwrote this mortgage. We're not stupid. We knew the deal. We knew like all these numbers were fabricated because that's what the real estate business is. Everybody cooks the numbers on the loan application. It's so common. The bankers don't care.

Joe (07:59.872)
Well, and in that case, yeah, the bankers actually.

James (08:22.89)
And so, but they convicted Trump on it. So Trump turned around and said, well, I'm going to get Letitia James for it, you know, because, hey, no one is above the law. I seem like I remember somebody saying that no one is above the law. Neither is the attorney general state of New York. Neither is this, is this congressman from, the failed state of California. So we're going to get those guys. And you know, that does seem like that is, well, hey, if no one's above the law, then go and apply that. But now it's pretty clear, like they've got this cudgel. They realize that they can go after people and put pressure on

Who do they want to put pressure on? They want to put pressure on the Federal Reserve. And we said this a couple of weeks ago, said politics is dirty business. They're going to find a way to put pressure on these people. And sure enough, they did. They found their weapon. And their weapon of choice is we're going to allege mortgage fraud. We have the evidence now. have our guy running the housing agency that has access to all this data. So we're going to come after you. And wouldn't you know it, somebody inexplicably resigned with immediate effect. And then the Trump administration went and put in their boy,

into that, to fill that position. Now they've got somebody else. So they said, you know, maybe they sent this person a letter and said, we know you committed mortgage fraud. We're going to come after you. And she said, yeah, whatever. I double dog dare you. And so they did. And they went after her. And of course, the president immediately took to social media and said, you need to resign immediately. And they, you know, I guarantee you they've got, they know exactly who they want to fill that position with.

what we said on the call, what we predicted in the podcast a couple weeks ago, is he said, sooner or later, the Fed's going to capitulate. Well, what happened on Friday? The chairman of the Federal Reserve gave a speech at their annual symposium in Jackson Hole, Wyoming, and said, we capitulate. I surrender. And, you know, in their sort of Fed speak language, they said, well, you know, and they basically just opened up the door to interest rate cuts.

Joe (10:11.416)
They didn't actually cut the rates yet, but he was saying that maybe next quarter or something. OK.

James (10:14.872)
They said, right, yeah, we see there's reason to do this.

Joe (10:21.24)
So do you think they had something on Powell or do you think he's just kinda doesn't want them to keep?

James (10:26.21)
Powell's a very wealthy guy. So I don't think they're going to get Powell on mortgage fraud because my guess is Powell probably doesn't have a mortgage, right? Powell's going to be one of the people that doesn't have a mortgage. So they can't get him on mortgage fraud. But you know, this is just classic, you know, show me the man and I'll show you the crime. so maybe, you know, maybe there's something else they got, you know, Powell on. And so they're, you know, they're hitting him or maybe he's just realized, maybe he sees the writing on the wall. He feels the walls closing in and he's like,

All right, we're just going to go along with this. Or maybe he legitimately sees that there is some weakening in the data and based on that, you know, but whatever it is, it certainly looks like, and I think the Trump administration is going to take this as a victory and they probably should, that what they're doing is working, that if they keep putting pressure on the Fed, that eventually they're going to win and the Fed's going to buckle, the Fed's going to cave to the pressure and they're going to get those rate cuts. so, you know, this, they, they open the door to the rate cuts and

You know, we talked about this, you know, there's consequence of that. I completely, I can sympathize with the Trump administration, with the Treasury Department is trying to do here. You know, the interest cost is really high. And if there's a way to bring that down by cutting rates, then that's what you want to do. And I think that there are, as we talked about, there are consequences of that, right? Because a lot of people think,

quite erroneously, and we talked about this before, that the Fed is just going to clap its hands and the entire yield curve is going to fall. What I mean, the yield curve, what I'm talking about is, you know, all treasuries starting from the 28-day T-bill all the way to the 30-year bond and all those rates are going to come down. That the Fed can just say, let the 30-year bond be, you know, 1 % and the 30-year bond yield will fall to 1 % and the Fed chairman looks at it and says it is good.

And that's just not going to happen. That's not how it works. They have a lot more influence on the shorter end of the curve, 20-day T-bills, 90-day T-bills, 12-month T-bills. That they have a lot more influence over. 30-year bonds, the 10-year note, that's going to be a lot more up to the bond market. It's going to be a lot more up to supply and demand. A buddy of mine who's actually working for the Treasury Secretary right now, he texted me the other day. said, hey, I think you're wrong about that. Don't forget about the Genius Act. And I said,

James (12:48.408)
you know, you're right. I actually wrote about the genius act and we said the genius act. I don't know if it's genius, but it's pretty smart. It's pretty smart. Genius is a strong word. Although Apple's done a good job at dumbing that down. You know, you go to the Apple store and you have the geniuses. Um, just like Zuckerberg, you know, has really dumbed down the definition of friend. You know, what does, what does it mean to be a friend? Now it's just like somebody that follows you on social media. Oh, he's my friend. like, well, no, it's not, it's not really a friend. It's just somebody that you've never met that follows you on like Facebook or Instagram, whatever, but

Anyways, the Genius Act is, I think there's a lot of things about it that are pretty smart. And we said that there's a way that some of that money is going to come from the banking system. Some of that money is going to come potentially from overseas. But I think they're hoping that a lot of that money comes from crypto. And the idea is that by

Joe (13:31.938)
Well, in the genius act, what you're talking about is the money flowing into treasures.

James (13:36.568)
into right, because what they did with the Genius Act is they created legislation to regulate stable coins. So stable coins are these things, it's like crypto, but it's pegged to the US dollar. And what they said was, you know, this is an unregulated market, but it's growing. And so we're going to regulate stable coins. And they created the Genius Act. And, know, I think, you know, my buddy who did this, I mean, did a great job

and Genius Act is a great idea. And what they're doing is they're creating regulations at the state level, the government at the federal level to

stay like, okay, if you want to have a stable coin, so you have your token that's floating around on some maybe the Ethereum blockchain or whatever, you know, here's what you're allowed to do with the money. People pay money into your, you know, into the stable coins. You have to have some real, you know, non-crypto financial asset. Here's the assets you're allowed to invest in. And a big part of that is short-term treasuries. And, you know, my buddy said, hey, there's going to be a lot of money flowing to short-term treasuries. Yeah, I agree with you. I actually wrote about this.

I wrote about this and I said, you know, there could be a lot of money flowing into short-term treasuries, potentially trillions of dollars. The issue is that that's all short-term treasuries, 28 AT bills, 98 AT bills. What these guys are trying to do is they're trying to move the 10-year yield down, the 30-year yield down. That's what they're trying to do. what happens in short-term treasuries sometimes stays in short-term treasuries. It doesn't always cascade over, know, because

Because we get the 28-day T-bill down, that rate falls because it's just supply and demand, right? All of sudden there's a trillion dollars flowing into 28-day T-bills, a trillion dollars flowing into 98 T-bills because of the stable coin legislation. And so what happens is all this demand for 98 T-bills and 28 T-bills, the short end of the yield curve. And so what happens? Yields are gonna fall just because there's so much demand for those and there's only a certain amount of supply. So based on supply and demand, of course, right? That's gonna affect the price.

yields are going to fall. But the 10 year, you know, the 10 year yields are going go, I don't care. I don't care about you 90 day T-bill. The 30 year bond is going, I don't care about you 28 day T-bill. I don't care what you're doing. I'm sitting way up here looking down at you and right, you know, like there's all this demand for 28 day T-bills, 98 day T-bills, but you know, they're not, they're not, they're not even allowed under the genius act to put money into 30 year bonds. And so because of that,

James (16:01.58)
The GENES Act isn't really going to have an impact on the long end of the yield curve, the 30-year bonds, the 20-year bonds, the 10-year notes, all that stuff. That's a different story entirely. And that's what the Treasury is trying to do. And I'm not guessing when I say that. The Treasury Secretary of the United States said that. They want to get the 10-year down. And so there's a gap. There's a gap. It's in the same way. It's like saying, well, we want to

know, we want to pump up the, you know, the stock price of, some stock in the market by pumping up the preferred shares or pumping up the convertible debt, you know, but it's like, well, what you're trying to do is you're trying to get the common stock to increase, but you're not really going to do that if you're pumping up the preferred shares or the convertible debt or the corporate bonds. It's just, different securities entirely, right? So, that's kind of the point and I think what they're going to discover

if they want to get those long-term bond yields down, 30-year, 10-year notes, et cetera, if they want to get those yields down, they're going to have to print money. That's the tried and true way to do it. That's how they did it after the GFC. That's how they did in 2008, 2009, 2010. Rates went to nothing because the Fed was printing money. That's how they did it during the pandemic in 2020, 2021 into 2022 because the Fed was printing money.

And because they're printing so much money, all these yields fell. And that's how you do it. They call it quantitative easing. We say printing money. I always have to say this. They're not actually printing physical pieces of paper. They do it electronically. They do it digitally. They call it quantitative easing. They have all sorts of cutesy pie names for it. that's essentially what they're doing. It's the equivalent of essentially printing money. The 21st century's equivalent of printing money. So that's what they're going to discover. They have to print money to do it.

Joe (17:54.072)
And you did the math on this the other day and because what you're trying to figure out is with the debt maturing with the new debt being issued, how much money would they have to print in order to buy those bonds to make up for that interest rate fall to get it down to where they want it?

James (18:08.952)
I appreciate you giving me credit for it. I was a math major at university, but Grok was the one that actually crunched the numbers. I set up the input, but yeah, Grok was doing the numbers. And Grok came back with basically $10 trillion. That's how much money the Fed, and that's the baseline scenario, not including all the future debt that has to be issued and if something goes wrong or whatever. That's just like literally right now today with a $37 trillion national debt based on the $4 trillion that the Fed already owns.

they would have to create an additional $10 trillion in new money to try and move long-term rates down to even something like 2%. Right? So, you know, it's, that's a lot of money. That's a lot of money. And that level of, of, of quantitative easing is going to be inflationary. And, you know, we had that for a long time. And the fact that they're, you know, the fact that they're trying to set up the federal open market committee with their people,

and push, you know, for these rate cuts. I think what you're going to find next, this is going to be my, this is my prediction now. We were right when they said, when we said, hey, they're going to be pushing for interest rates to get cut. We're right when we said they're going to be pushing, try and move guys out of the Fed, upend the Fed to put pressure on the Fed to get them to capitulate. And now I think what you're going to find is they're going to push them to cut rates, but I think they're going to push them, not maybe right away, but eventually you're to see, I think they're going to push them to do another round of quantitative easing.

which is basically code for money printing, because that's what's gonna be necessary to actually move the needle and get long-term rates down, which is exactly what the Treasury Department wants. And that's gonna be inflation. And I think what you're gonna find is that could happen as early as next summer. But we'll see. mean, I think as early as next summer, as late as 2032, 2033, when we really start seeing the inflation.

rise, but that's kind of the range. And why do I say 2032? Because that's the year that things really fall off a cliff because that's when Social Security's biggest trust funds are going to run out of money. And that's going to be another multi-trillion dollar bailout just right then and there. So I think that's where I would bookend where the inflation goes. I think starting as early as next summer and as late as like 2032.

Joe (20:26.85)
We did get a comment from somebody who was essentially saying never underestimate the government's ability to keep a bubble going. So they're gonna pump this cycle for longer than we would think would be possible. So.

James (20:38.164)
Anybody thinks it's possible. Yeah. I agree with that comment. Yeah. I agree with the comment. And I think what the gentleman was saying is he's like, hey, the government's going to continue trying to pump this bubble, keep everything going. That's been going on realistically throughout the entire history of modern economics. This is the nature of this. This is what really what you would call fiscal policy. You've got fiscal policy.

you got monetary policy. Monetary policy is the manipulation of the money supply, interest rates, quantitative easing, these sorts of things to try to regulate the economy, to stimulate the economy, etc. That's what monetary policy is. Fiscal policy is when the federal government comes in and spends lots and lots and lots of money. What you're supposed to do, right, the most famous economist in history is this guy, John Maynard Keynes. Keynes was, kind of came out of

He was kind of mid 20th century, early mid 20th century guy, very, very famous. wrote a book that's known as the General Theory. a lot of people misunderstand Keynes. They throw his name around and confuse Keynesian economics for something that it's not. A lot of people try and quote Keynes and say things. Keynes is also one these guys like Mark Twain and Albert Einstein. People like have some, there's some quote about economics. They say, Keynes said, know, such and so, but it's like, Keynes didn't actually say that.

And the point is that a lot of people think that Keynesian economics is just the government spending money to boost the economy, to stimulate the economy. And that's not actually true. The kind of basic idea, Keynes said a lot of things, but you could sort of paraphrase one of the basic ideas is that he viewed the government as a means to sort of step in and smooth out the economic cycle.

The economic cycle, the business cycle, you go through these periods. It's like it gets hot, it gets cold, it gets hot, it gets cold. You go through these periods where things are really heating up and because things are heating up, you get a lot of inflation because unemployment is so low and everybody's spending, spending, spending, spending. Resources are scarce, inflation rises, things peak, businesses start to go under because they can't find people, because input costs are too high. So there's a lot of unemployment now, there's layoffs, businesses close, the economy starts going down. So this is all part of

James (22:59.816)
of the business cycle, the economic cycle. And Keynes' whole point is that, you know, in the past, you can see these periods where there were giant economic swings. Things were really, really hot, and then they just crashed, and then really, really hot again, and they crashed. And Keynes viewed the role of the government from an economic perspective and say, well, let's just smooth that out a little bit so they're not so extreme. We don't have like white hot or horrible, you depression. Let's see if we can smooth it out.

And the idea would be that when things are really, really good, when things are bad and the private sector is not spending, that maybe this is the opportunity for the government to step in and spend, right? And so the government now takes the place of the private sector, the government spends money to help bring the economy back, to smooth out that low so that instead of some catastrophic depression, maybe you just have a mild recession. And then on the other hand, when things start improving and the economy is doing really well, the government should pull back and stop spending.

And so that way, leave it up to the private sector so that there's not this excess of capital and excess economic boost. And so make sure that you don't have this super white hot economy, but maybe something that's just generally quite healthy. And that was the basic idea of Keynesian economics. There are a lot of other things to it. mean, Keynes said a lot of things. He was actually a big proponent of zero interest rates. In many respects, he said, there's no reason why interest rates should ever be above zero until you have some big problem with unemployment, et cetera. mean, there are a lot of things that we

you know, anybody that

Joe (24:27.438)
You're talking about government interest rates or just interest rates for anybody? Just the government, right?

James (24:30.456)
Interest rates in general. Yeah. I mean, he liked the idea that there was a central bank to set interest rates. I mean, for somebody that would be a free market kind of Austrian economist, there's a lot of things to roll your eyes at. So, I'm not saying I agree with any of this. All I'm saying is this is in a way, in a nutshell, what Keynesian economics is. What people do today is they just focus on the one part of it, the fiscal

stimulus. They go, we're going to stimulate the economy. They don't think about the other side of it, which is when the economy is doing well, you got to pull back. Nobody does that part.

Modern politicians, they're just all about, gotta stimulate, we gotta stimulate, but the economy is doing very well. No, we gotta keep stimulating. that's, it's just, it's constantly stimulus. And when the economy is not all of a it falls, it gets bad. Now we've got to stimulate even more, right? So they just increase the baseline. Then the economy starts doing well, but they're still at that same baseline, you know? And then the economy starts doing bad. Then we gotta stimulate, we gotta bail out. So the baseline just keeps increasing. And this is why government spending continues to increase. Because, you know, when they were,

They were bailing out the economy back in 2008 when the global financial crisis, the housing market crash, the financial system crash. And that level of spending was unprecedented. But then all of a it just got baked into the government baseline. During the entire Obama administration, they never actually pulled back the reins on that and said, hey, the fiscal stimulus is over. We got to stop stimulating the economy now because the economy's improved. And let's let the private sector do it. They never pulled back the reins on that. just, all that fiscal stimulus.

all that government spending, this Keynesian government spending just became part of the budget baseline. And they just went up from there. So this is a big problem, excuse me, for why government spending is always so high. And it's very, very rare that politicians will ever say, let's, you know, there was actually a guy, was years ago, I think he was the Brazilian finance minister, I think his name was Guido Mantenga. And he actually said.

If you're going to be a Keynesian, you have to be a Keynesian on both sides of the cycle, meaning that when the economy is bad, the government stimulates and spends money. But when the economy improves, you pull back and the government doesn't spend money. And so they were the first ones to actually cut their stimulus, you know, and stop playing all the games and the race to the bottom with their currency and all that stuff. They actually pulled back on that. But that's a very, very rare thing to do that usually governments will just spend, spend, spend and keep spending. And that's all they know how to do.

James (26:53.556)
is the point. And so I agree with the reader in saying, hey, the government's going to keep simulating. Yeah, they absolutely are because this is what governments do. And they've been doing it for thousands of years. Right. What I would suggest though is that the government sort of trying to blow air into this bubble, I would imagine they're going to succeed. And I think the success and their success in that is going to result in inflation. But just bear in mind, you've got multiple types of inflation and you could kind of broadly say there's asset price inflation, where you see stocks go up, bonds go up, real estate go up, crypto go up. mean, art collectibles, weird assets. And this is what we saw in recent history. We saw two cases of huge bubbles. One was after the

global financial crisis in 2008. Central banks around the world, including the Federal Reserve, especially the Federal Reserve, printed trillions of dollars, and we got massive asset price inflation. Stocks went to all-time highs.

Bonds went to all time highs, crypto went to all time highs. By the end of the year, we started with the ICO craze, if you remember that. All this stuff was just going to all time highs. The other instance of this was during the pandemic. And they printed trillions and trillions of dollars. What did we see? Not only did stocks go to all time highs and crypto go to all time highs, it was like meme stocks and shitcoins and all this stuff. Assets that everybody agreed were completely useless, are going for all time highs. You remember the artist that put a banana and duct tape a banana to the wall that sold for like $150,000 or whatever. And somebody just took it off the wall and ate it. It's like a banana duct tape to the wall was considered art and sold for six figures. was insane. So like that is classic asset price inflation. And we've talked about this before. People who own assets like asset price inflation.

But people who don't own assets, if you're at the lower end of the economic ladder and you're already struggling to survive, asset price inflation, all that's going to make you do is fall farther and farther behind. Because people who own assets, they're getting richer and you're treading water. And so it just makes your life, you feel like you're falling farther behind. Your house is going to get more expensive. Eventually your rent is going to go up. All these things are to happen as a result of that. so there are social consequences to that.

James (29:17.546)
And sometimes they take a number of years to play out. But in many respects, those were the seeds. The asset price inflation drove an economic divide between haves and have nots. And that is one of the key reasons why there is such significant ideological divide in the United States. Why there's so many people crying for socialism and all these things is because of things like that. Because you have a central bank.

that conjured trillions of dollars out of thin air and created a massive asset bubble. And people who own those assets got extremely rich and people that didn't, that just couldn't afford to buy assets fell behind and there are consequences of that. But the other type of inflation that you get, sorry, go ahead.

Joe (29:56.0)
I was just going say that was the Occupy Wall Street thing after the 2008 when all these assets were going up. And we talked about this even at the time, even years ago in 2018, by the time the stock market was just hitting these massive all time highs. That's according to actual Keynesianism is when they should have pulled back and said things have gotten a little bit too far. But then I was going to ask you.

James (30:17.11)
When you're, I mean, in the late 2010s, when you had basically no inflation, no retail price inflation, know, retail consumer price index was practically zero. Unemployment was at record lows. Stock market was at record highs. That would have been the time

where you go, okay, everything is awesome. Now it's really time to cut, cut, cut, cut, cut government spending. And they didn't do it. They didn't do it.

So it just got, was just because it was all just baked in. It's like, well, this is our baseline spending now. And then what happened? Then the pandemic came and the spending went through the roof. And now that's basically baseline spending.

Joe (30:56.258)
But this time we got not just asset price inflation, but we also got a lot of that retail price inflation. So I was going to ask about the differences between that and why.

James (31:03.544)
Correct. That's the key difference. The key difference is that your other type of inflation is retail price inflation. And retail price inflation, if we think about these two instances that is in recent memory, have the post, you know, 2008 to let's say 2015 GFC, post GFC, this is when the Fed was printing lots and lots of money. 2008, 2009 through 2015, the Fed printed a lot of money. And what did we get?

Almost entirely, almost exclusively asset price inflation. And again, that's not consequence free because you get ideological divides, you get social divides. And that's one of the reasons why you have a political system today. It's a complete mess. Why, and we talked about this before, why you had both Bernie, the rise of both Bernie Sanders and Donald Trump in the 2016 presidential election is because people were just, they were just sick and tired of it. had a lot of people that are going, I'm falling behind. I'm tired of this.

And you had these two kind of outsiders that had, you people were tired of the establishment at that point. That was one of the reasons why. Now you had the pandemic, same thing happened. They printed lots and lots and lots of money. And what did you get? We got asset price inflation, but we also got retail price inflation, right? Which you didn't get the retail price inflation before. During the post-GFC, know, quantitative easing period by the Federal Reserve, trillions of dollars, you got very little retail price inflation.

Retail price inflation was so low that you remember that famous cover of, what was it? Business Week magazine, I think it was, where they said, inflation is dead, it's the end of inflation. With the dinosaur, the inflation dinosaur getting slaughtered, going extinct. People were convinced that there was never going to be any inflation ever again. And we kept talking about this, this is ludicrous. This is ludicrous. Of course it's going to be retail price inflation.

Joe (32:36.184)
Dinosaur. It's extinct.

James (32:53.484)
And there were a number of things during that period that kept inflation in check that were different during the pandemic and kind of now post pandemic. So you had two

things that were very similar and that the Federal Reserve came in and printed lots and lots of money. The key differences though were that in the pandemic and post pandemic period, you now have a number of countries that are lined up against the US dollar.

That the U S dollar becomes less and less, you you have, can look at this in the data. We talked about this before that foreign ownership of us government debt is in decline. Foreign ownership of, of us government debt as a proxy for the use of us dollars in global trade. And so this is now in decline. This is on the ropes. have this sort of anti-dollar, you know, bricks group that's trading with each other in their own currencies and things like that. So the U S dollar does not have the same status that it used to have.

Which means that there's less demand for US dollars and US government bonds, right? So that's a big impact. If your Federal Reserve can print trillions of dollars, but a lot of those dollars get shipped overseas just because of global demand, international demand for US dollars, that's gonna help keep inflation in check. It's gonna boost asset price inflation because those foreign governments and central banks, they're gonna buy bonds. They're gonna buy stocks, right? They're not driving up the price of lumber.

They're not driving up the price of rent in Topeka, Kansas. They're driving at the price of Apple. They're driving up the price of the S &P 500. They're driving up treasuries, right? That's what they're doing. And so that was one of the key differences. Another key difference, and I cannot begin to tell you how profound this difference is, is that in that same period, in that 2008 to 2015 quantitative easing period, well, why didn't we have retail price inflation? Because that happened to coincide with one of the biggest energy production booms in the history of the world. When the US shale market really came online and went from practically nothing to this powerhouse. The growth of the US shale market, if you look at both oil and gas, was the equivalent of essentially bringing online the energy equivalent of multiple Saudi Arabia's. And to be able to do that in a couple of years.

James (35:15.352)
know, I mean, and you look at what happened to energy prices during that period. I mean, right before the GFC, oil was like $150 a barrel, $147 a barrel. And then, yeah, I mean, because of the economic consequences of the GFC, it tanked. But you had period by, you know, 2015, I mean, energy prices were just, I mean, just sank. Oil was really, really cheap. And the thing you have to understand about oil and energy in particular is that energy prices, this is your one of your biggest, if not the biggest input in all production costs. I don't care what you're making. If you're manufacturing automobiles, if you're manufacturing automobile parts, if you're whatever, mean, computer parts, mean, if you're Taiwan semiconductor making little tiny microchips, if you're Nvidia, whatever, energy prices are really, really important. Really, really important. This is one of the reasons why you've got, I guess it was like Volkswagen.

Some of these really big European auto manufacturers that have come out and said, hey, we're just shutting down our factories because energy prices are too expensive in

Europe. They can't afford to do it anymore. And so if energy prices go up, that's going to be inflationary. That's going to drive higher inflation. If energy prices collapse as they did in that 2000, which coincided with the Fed printing lots of money, man, that's going to be very disinflationary. It's going to be deflationary, right? Because energy prices are falling, which means food prices get cheaper, which means that everything that we produce, transportation prices get cheaper so we can manufacture something inexpensively in China, put it on a boat, ship it to the United States inexpensively, transport it by truck to the distribution center inexpensively. All these things become very inexpensive. It's deflationary. So it keeps all those things in check. We don't have that now. We don't have that now. What you had in the pandemic was an administration that essentially declared war on oil companies.

You had this woke mob attacking the oil companies. You had these woke activist hedge funds. mean, there were these little hedge funds that had like, I mean, they went out and bought like a couple of shares of these big oil giants. They owned like a tiny 0.002 % of some giant oil company. And they managed to like commandeer control the board of directors and get these oil companies to go and invest in wind farms and whatever. It's like, this is madness. The Biden administration, which refused to follow the law.

James (37:39.456)
and actually auction off federal land for oil discovery and oil leases. Well, of course, that's going to have an impact on energy prices. Of course, it's going to have an impact. Then they had the most, I mean, just the most ridiculous Russia sanction policies where said, nobody's allowed to buy oil from Russia. When then China and India did, India was buying the oil from Russia on the cheap and then selling it back to the United States at an inflated price. know, thanks, Joe Biden. I mean, it was genius. Like you just can't make up that level of incompetence.

Let's make India great again. I mean, it was just so mind-numbingly stupid. And so you have the opposite. You don't have the tailwind of cheaper energy declining oil prices. You actually have the opposite. Whereas in 2008, 2015, the shale patch is just coming online. Now, 2025, the shale patch is mature. The shale patch is old. A lot of the best properties in the shale fields are actually now in decline.

They're post peak. And so this is a problem for the US energy market, for global energy markets. And so there are some new discoveries coming online. There's some exciting things happening in Guiana and different places around the world. you just don't have the same. You're not seeing multiples of Saudi Arabia's coming online. You got a lot of evidence that would sort of suggest that OPEC has also passed its peak and struggling. Saudi Arabia itself passed its peak and struggling.

Joe (39:05.55)
But oil itself actually isn't super expensive right now. It's like 65 bucks a barrel, right? That's pretty cheap.

James (39:11.684)

Oil is not super expensive right now as a result of the post-liberation day economic turmoil. That after liberation day, right, yeah, after liberation day, you saw oil prices tank. And oil prices tank because they always said there's going to be a recession. And so oil prices fell. Traders were bidding oil prices down because they assumed there's going to be a recession. And anytime there's a recession,

Joe (39:27.79)
Hmm.

James (39:35.842)
you know, energy demand falls and so oil prices fall. So that was a financial market reaction. That wasn't like a straight up, you know, this is actually what the real supply and demand of oil is. And what you'll find is that, you know, if the economy kind of stays okay, you know, more or less where it is, yeah, oil prices could fall and you could see that based on economic weakness, right? But I mean, the long-term trend, if you have short-term economic weakness, whatever, fine, long-term trend is you have all these places around the world, developing markets, frontier markets, growing markets, where the per capita energy consumption is increasing and it's increasing at a substantial rate. have people in all these countries that have never had air conditioning and now they have air conditioning for the first time. Like, guess what? That consumes a lot of energy. You have people who used to have to walk that then bought motorbikes that are now buying internal combustion engine automobiles.

And so their gasoline consumption, petroleum consumption is increasing. They're buying more stuff. There's plastics that go into that, which drives a lot of energy consumption, drives oil consumption. this is just the general trend around the world. I'm saying oil's not dead. We're not in a post-oil world. And so these idiots that get together, they fly in on their private jets for the COP summits, whatever, the climate summits for the UN, and they fly on their private jets.

Joe (40:45.934)
So oil's not dead. You're saying that we're not in a post-oil world.

James (41:01.772)
to tell all the peasants that you're not allowed to have, you know, a wood burning stove and all this nonsense. And they go and they drag oil executives and the oil executive stand there go, yo, there's not going to be oil anymore. And they, they, they say this stuff with the enthusiasm of somebody that's about to get his head cut off on YouTube. Right. I mean, and it's like, you can tell they don't right. Exactly. Like these hostage figures, you know, like it's like the oil companies being held hostage and like, they don't actually believe it. And every now and again, had somebody with the balls is actually going to push back and go, no, no, oil's not dead.

Joe (41:19.019)
hostage video.

James (41:31.658)

Even Elon says this, and Elon's like, I've moved mountains to try and create electric vehicles because I'm trying to save the world. And even I would say, you gotta have fricking oil. You gotta have fossil fuels if you expect to have a reasonable transition to electric vehicles and general electrification. And if you actually cared about electrification, by the way, you would wanna go with the best, most efficient possible energy source, which happens to be very environmentally friendly if you measure environmental friendliness, with CO2 emissions, and that of course is nuclear power. And yet there's been up until the Trump administration. Now recently, there's been very little effort to push nuclear power. Now, I think this is one of the things that the Trump administration has done a fantastic job on is actually trying to actually improve the marketing for nuclear power and to actually get people to ink nuclear deals. The guys that are the farthest ahead of that are the Chinese. The Chinese are doing nuclear deals actually they're not just doing deals, they're actually building nuclear power plants very, very rapidly. Very rapidly. The Chinese are building lots of nuclear power plants and they're telling the people, hey, get an electric vehicle. And they have the companies in the private sector, these Chinese companies that do very, you know, I mean, they're pretty good quality, but mostly like they're very cheap. They're inexpensive electric vehicles. You won't find them for sale in the US.

Gavin Newsom says, you gotta have an electric vehicle. We're gonna force you to have an electric vehicle, but you're not allowed to buy the inexpensive electric vehicles from overseas. You gotta buy the really super expensive electric vehicles that are now gonna cost you 50, $60,000. We're not gonna allow you to buy a sub $20,000 electric vehicle, right? And if you could buy an electric vehicle for $20,000 and the cost of electricity was really cheap because you were nuclear, right? You had nuclear power, which is very cheap. People realize, I could buy a car for less than $20,000 and fill it with electrons instead of molecules. And the electrons are cheaper than molecules. And now like the, my, you know, driving around costs me nothing because so cheap and the car so cheap. Like that's how you improve somebody's life. That's a quality of life issue where people go, I'm spending less money on this. I'm spending less money on that. That's how you get ahead. now I have more money to invest in this asset bubble that's that maybe is going to actually make me wealthier. That's how you do it. But then we'll let people do it.

James (43:46.636)
And so they say, you gotta buy an electric vehicle, but you can't buy the cheap electric vehicle. You gotta fill your car with electrons, but we're gonna make the electrons as expensive as possible by having the most expensive possible electricity production. We're gonna replace everything with solar power, which is super unreliable and very expensive in terms of the cost per electron and all these things when you're actually honest about it you factor all the, you know, the redundancy and the batteries and everything that you need for that, you know, plus it's also not very environmentally friendly. So it's just, it's a really terrible way to do it.

The Chinese have just been smarter about it. And it's sad to say that the CCP has actually been smarter about this, but they have been in terms of giving people, you know, basically good quality vehicles at a low price and very low electricity costs to go along with that because they've gone with nuclear power. But that, you know, that's the model and that's, you know, that's absolutely possible.

Joe (44:33.698)
But it sounds like you think there could actually be these same tailwinds. So you said it was the shale revolution back after the 2008 global financial crisis, and that helped prevent a ton of retail inflation. So if nuclear is properly embraced and that does usher in a new era of cheap energy, we could potentially end up with the same thing, despite this $10 trillion that needs to essentially be printed in order to bring down interest rates.

James (44:57.591)
Absolutely. Yeah, absolutely. We've talked about this before. mean, when you look at the technology that's like in the future, like this is what's now, right? What AI is capable of now, what high performance computing is capable of now, what the energy technology, all the different things that are capable, that are like ready now and just only getting better. And we've talked about this, it's like, if all these things are implemented, you're talking about living in this like Star Trek kind of universe where you have maximum production, the cost production is nothing. mean, all this stuff is totally possible. The thing about all this stuff is though, like it takes time to create that stuff. It takes time to build this stuff. You can't, especially in the United States, look what happened with alligator Alcatraz. mean, you know, yeah, they say like, we're going to build a nuclear power plant. And all of sudden somebody shows up and says, but what about the spotted bat? And what about the, you know, there's some, some, some rodent that's going to be displaced by this. And so, you know, and they go and get some federal judge.

To have an injunction, shut the whole project down. It takes 10 years to go through all of that. Plus you gotta build it, plus you gotta get the capital for it, all this stuff. mean, these things take time. And so I think all that stuff is possible, but I think in the US at least, it's like 10 years out. It's 10 years out. I think, in fairness, think the Trump administration has done a very good job in trying to lay the foundation for that to get the private sector to do a lot of those things. And a lot of that makes a lot of sense.

They've been very, know, drill, baby drill. It's like, let's fill the gap with oil and gas for now. And eventually when the nuclear stuff comes online, then we can sort of, we can make the switch. But that's, you know, that's 10, 12 years out before you can really do that. And, you you need to build lots and lots and lots of those things and navigate all the permitting and all the environmental regulations and all these things. And I hope they take this opportunity to take a chainsaw to the American.

You know, bureaucracy state to all of the regulations and so forth. I mean, this is, think, one of the single biggest thing holding the US back as just the massive regulatory state where you can't do a thing without violating, you know, bazillion regulations. You just can't. And it's just anybody who wants to stop you can stop you. They can go and sue you. They can go and block you. And then you're stuck in court forever, which is really expensive and really time consuming. And you just can't get anything done.

James (47:17.345)
And there's other countries that just don't have to deal with that. And they're able to move a lot faster. And that's an advantage to them. And it's, know, to me, I just, wish, you know, they spend a lot of time on trade and spend a lot of time like that's, that's not going to move the needle anywhere near as much as slashing regulations. And I just, really hope they get the message and they do that.

Joe (47:37.92)
And if they do do that, well actually even if they don't do that, it sounds like asset price inflation of certain assets at least is almost a given.

James (47:47.064)
I think that's the deal. mean, again, if you look at the 2008 GFC post GFC, there was a period of money printing from 2008 to 2015. We got asset price inflation. We didn't get retail price inflation. If you look at the kind of the pandemic era, we got asset price inflation and retail price inflation. What's the difference? Well, back then we had a lot more people willing to accept US dollars. There wasn't really any US dollar competition back in 2008, 2009, 2010. Nobody was saying “We want to get rid of the dollar”. There was no BRICS coalition or anything back then. So you had a lot more foreign demand and that helps keep inflation as check. You don't have that now. Back then you had this massive shale bonanza that fundamentally transformed global energy markets. You don't have that now. Now you have the opposite. You have the shale fields getting old and mature. You don't have as much production coming online. There are some spots in the world that are very hopeful. And yes, there's nuclear and all these things, but that's 10 years out.

I'm thinking about 2027. I'm not thinking about 2035, 2038. That's not what I'm thinking about. We're thinking about the next five years and what happens over that period. So there's definitely some key differences. And of course, the biggest difference of all is just the sheer volume of money that has to be printed. We're talking about baseline scenario, $10 trillion. That's how much the Fed is going to have to to QE into existence versus before it was a lot less than.

We're talking about $10 trillion. So have the sheer volume of money with less global demand and some significant energy concerns in the energy sector, which before were very deflationary, now could actually prove to be inflationary. there's a lot of things to it. But in general, would say this cycle, like, yeah, they're going to keep stimulating fiscally. I think you're going to see monetary stimulus. I think we're going to see QE. I think you're going to see more fiscal stimulus. They're going to do whatever they got to do to keep a bubble going. But I think what we'll probably see, I think you can make a strong case at this time there's going to be retail price inflation similar to what we saw in the pandemic, right? I don't think we're going to be looking at a GFC style bubble where you had the asset price inflation, but not the retail price inflation. I think we're going to have a pandemic style bubble where you're to have the asset price inflation and retail price inflation. And this is for me, the way you sort of hedge that uncertainty.

James (50:05.847)
is by focusing on very particular assets. again, the things that you look, I mean, you look at the 1970s, right, where you, I mean, there's a lot of fiscal stimulus and all these things, and monetary stimulus as well. And what happened? The stock market did nothing. The stock market barely had a pulse through the entire decade, adjusted for inflation. By the end of the decade, the stock market was down substantially. But there were, you know, there were certain sectors and certain asset classes that did really well, even though they did have all kinds of stimulus during the 1970s.

So we could find ourselves in that kind of position where you have a lot of stimulus, but general asset prices, not that all, mean, during the pandemic, it's like all assets went up. I think in this case, I don't know that you're necessarily gonna see that, where you're gonna see all assets are rising, but I think you could definitely see certain assets rising. And I think for us, the way to hedge that is to focus on the assets that generally do very well during inflation. Those are real assets. And we keep saying this, that real assets right now are quite underpriced, where we've seen stuff.

Joe (51:03.746)
Well, oil was one I was going to ask about is now a great time to buy oil because it is relatively inexpensive and yet we're going to need that energy.

James (51:12.343)
That's a complicated one. Maybe we should save that for another time because there's a lot that goes into it and energy is a lot. It's very speculative and there's a of things to it. mean, nothing is risk free, but I mean, our focus was always on let's find companies where we can really minimize our downside risk. Let's focus on companies that are producing real assets, but those companies that are producing the real assets are just god-awfully cheap right now that are trading at low single digit multiples, et cetera. So mean, we're talking about,

buying a company that was trading at like one times earnings, paying a huge dividend, debt-free, profitable. So your downside risk is pretty well covered already. And in some of these cases, we've seen some of the companies that we've sent to our premium subscribers in our research have gone up two, three, four X and they're still cheap. They're still cheap. So we're looking at the companies that's tripled.

now they're trading, you but because their earnings have gone up so much, they're still trading, you know, two or three times earnings and paying a nice, you know, very handsome dividend yield and all stuff. So, to me, like, these are the right opportunities to focus on because I feel, for me, I feel like my downside risk is already covered. Of course, you know, something can fall, price can go down, whatever, but I feel like, hey, if these guys were making money at the low end of the cycle when things were bad, and now things are going to be really good for them because their underlying commodity is going up so much and none of that you know, growth is really baked in. So this is something that I feel like I want to own. This is something where I can make money on all sides of the cycle. So these are the sorts of things that we focus on. We feel like that's a better hedge for certain risks that we face and just a better idea in the light of all this uncertainty. So we can talk about that more next time, but...

Joe (52:53.794)
Yeah, especially if you can see that they're, yeah, I was just gonna say, if you can see that they're making money and there's a dividend, like you said, do you even care if the stock price falls a little bit?

James (53:03.255)
Yeah, again, like if you're making 8%, you know, the stock price could go up, the stock price could go down, but I mean, if you're getting paid, you know, who really cares? You know, so I mean, the stock price only matters when you buy and when you sell. And, you know, it's like the, know, you could own shares in a company and the share price could fall by 20%, but it's not like you, you know, didn't lose any shares. You own exactly the same number of shares that you own the day before. All it means is that there's somebody willing to, you know, people that are willing to buy it from you are willing to pay less. Great.

Nobody's putting a gun to your head. You don't have to sell. And if you're not interested in selling, you're not selling. the company's paying you because they're still profitable, then who cares? And that's the goal. That's the focus of the stuff that we, in terms of our investment research, what we tend to focus on.

Joe (53:48.558)
Well, thanks, James. I think that's a probably pretty good place to stop.

James (53:49.855)
Okay. Good place to stop. Okay. All right, man.