Joe (00:01.368)
So you've been talking a lot about 2033 as the date everything could go wrong, go into crisis mode for the United States. And a lot of that's based on Social Security going bankrupt that year. Is it too late? Is there any way to fix it at this point?

James (00:17.88)
It's hard to say it's ever too late. Just to qualify that, because you hear people talk about social security is insolvent or social security goes broke or any of these sorts of things. You got to remember the way social security works. You've got everybody that receives salary in the United States paying taxes into the social security system. And then people who are beneficiaries are pulling funds out of the social security system. And for decades and decades, there was a surplus. There were more people paying in than there were people taking out.

that surplus built up, it accumulated over time and to these, basically it was all invested in these giant trust funds. And one of the big problems in social security is that the social security trust funds were only allowed to invest in US government bonds, specifically this kind of fully redeemable at face value, risk-free US government bond that was only issued to these social security, these special trust funds. And now,

The problem is that the trust funds are being drawn down because now the inflow into the system is exceeded by the benefits being drawn from the system. So the outflow at CZInfo. So Social Security as a program is cash flow negative. And so how do you deal with something that's cash flow negative? Well, just like a person that's spending more than they make, they basically burn through their savings. And every month, the Social Security trust fund gets smaller and smaller and smaller. And so the point is that that's gonna be depleted by 2033.

Last year was 2034. Now it's 2033. And my guess is that probably the next year too, it's going to be 2032. And I think by the time we get to it, it's probably going be 2030, maybe 2031 by the time it's all said and done. So we're like six years away, seven years away, eight years away at most from when the social security's biggest trust fund runs out of money and what happens. We don't have to wonder because social security is, you know, they've got some very, very smart actuaries and financial analysts that tell us exactly what's going to happen.

And the day that takes place, which will be right now, I think it's in Q1 of 2033, the trust fund is going to run out of money. And at that point, they're not going to be able to pay full benefits to social security members. won't be that there won't be anything paid out to social security beneficiaries, but at a minimum, that'll be around a 25 % pay cut for all social security beneficiaries. And for people that live on social security, that's significant. And it's going to be, it would be a permanent cut.

James (02:41.656)
And almost certainly, it would just continue to get worse from there. So if you fast forward five years, 10 years, et cetera, beyond that, it just get worse and worse and worse in terms of the pay cut that people have to take. So that's the issue. And a big part of the issue is that, where does the income from social security come from? You got people paying taxes into the system, but they were also generating income. You get the investment return on the social security trust fund.

that investment return is also part of the income. So have the income from the trust fund and you have the taxes go into the social security program and then the benefits that go out of the program. And then the thing is that when all you're doing is investing in US government bonds, you know, needs to say your investment return is pretty bad. You these, mean, you get in 2%, 2%, that's the best you can do is 2%. And, really is like, when you're talking about investing a couple trillion dollars, an extra

1 % really makes a lot of money. And the reality is that if you had gone back in time and people identified this back in the 90s, back in the 90s, they were talking about, we need to invest social security into other things besides US government bonds. Congress, there are a of people in Congress said, no, no, no, that constitutes privatization. We can't have privatization. Privatization is evil. so every time something like that happened, they just shat all over.

they wouldn't allow it to happen. So they kept social security constrained with these 2 % returns. The United States is full of really brilliant money managers. And they could have, you know, they could have hide this stuff out and said, listen, you know, there are a lot of ways it could have done this. You have to fully guarantee this. You know, you've got to post up all of your assets. You got to pay a bond. You got to do all these things. You know, you can only invest in these asset classes. You can only do these sorts of things, whatever. But like, you go out and do like any other endowment fund.

You have a diversified portfolio, have real estate, you've got commodities and precious metals and all these different things, obviously equities. Then all these things get invested in social security. It's all diversified. Maybe they would have gotten a four, five, 6 % return on average. And that alone would have kept social security solvent forever. But they didn't do that. They didn't do that. So they kept investing this in US government bonds. And now they're screwed. Now they've got eight years left.

James (05:05.127)
there's basically no way for them to make up that gap. They can't do it on investment returns, certainly investment returns alone. So the only way they can realistically do it is by raising taxes, moving out the retirement age, cutting benefits, some version that I don't think they're going to cut benefits. And they

don't really want to move the retirement age because that's also very politically dangerous. They might maybe move it like a year or two at some point in the future. But the most politically palatable way to do it is taxes are to go up.

At this point, it's almost a foregone conclusion. The one last thing I'll say on this point is that if they raise taxes now, right, and you think the trust funds scheduled for depletion in 2033, that gives them like eight years for this tax increase to create extra revenue for the program. And so that means the tax increase would be smaller if they do it now. If they wait until 2033, when social security trust funds go bust,

The tax increase is going to have to be a lot bigger. And this isn't me, this isn't my math. This is the social security administration saying this in their annual report. They actually say this, say, if you were to enact this tax increase now, here's the amount it would be to keep us solvent. If you wait eight years to do it, here's what the tax increase would have to be at that point in the future to keep the program solvent. And obviously it's a lot higher number. Are politicians doing anything about it now? No. Wasn't the one big, beautiful bill? No. So they're just kicking this can down the road.

And the consequence of this is that, well, okay, great, your payroll tax didn't increase today. It's gonna increase a lot more eight years from now. And that's the reality of the situation.

Joe (06:43.97)
Well, one thing the Treasury Department is talking about right now is like a sovereign wealth fund. In fact, in Congress, they're calling it Crypto Week right now. And I think one of the things they're considering is a Bitcoin reserve, something along those lines to go with this sovereign wealth fund. Could that produce enough investment returns to potentially use some of that money to save Social Security?

James (07:08.214)
I mean, my joke is that if they hire Michael Saylor to be Treasury Secretary, it might work. It might work. Michael Saylor is the, it runs, it used to be called MicroStrategy, now it's it's ticker symbol MSTR. We've talked about this a little bit. MicroStrategy, now Strategy, basically all they do is they just own Bitcoin. They've got this little software company, this little software business that loses money, by the way. So essentially the entire

value of this company is the Bitcoin that they own. we've talked about this before. To me, it's absurd. The market cap of the company is worth twice as much as the Bitcoin they own. To me, it's like, if you want to own Bitcoin, great, just buy the Bitcoin. There's no reason to own strategy stock to have exposure to Bitcoin. buy Bitcoin. Bitcoin is really easy to buy. It's really, really easy to buy. There's no reason to pay twice as much money. And I've said this before, With Bitcoin, let's just say it's $100,000, buying strategy stocks is equivalent to paying $200,000 for Bitcoin. And if there's anybody out there in July 2025 that's willing to pay $200,000 for Bitcoin, please call me. Please email us immediately. I'll be happy to sell you some Bitcoin for $200,000 in July 2025. I don't think anybody would realize it. Nobody would go to a crypto exchange and bid $200,000 for Bitcoin, but that's essentially what you're doing with strategy.

Michael Saylor has managed to convince people that this is a good idea. He's managed to convince people that his stock is worth paying twice as much as the value of the underlying asset that they own. So this is a guy I would say, if that's going to be your whole thing, we got to have a sovereign wealth fund for crypto. That's the guy you should hire, right? Because maybe he'll be able to get investors to believe that they should overpay for the net asset value of this fund.

The other thing that I think Sale has been very clever in being able to do is he sold debt, right? And he's gone out to the bond market and he has sold corporate bonds, micro strategy, corporate, now strategy, corporate bonds, where people will loan the company money and then they use that money to buy Bitcoin. the Treasury Department could take a page or two from that book, right? The Treasury Department, if they're actually gonna have this sovereign wealth fund,

James (09:27.864)
The Treasury Department could basically, I mean, I say this tongue in cheek, but I'm actually dead serious. They should bring in a guy like Michael Saylor and say, say, this is how, listen, this is how you do it. You gotta issue these bonds. You gotta, you you tell everybody you're gonna invest it all in crypto. You pay him a fixed coupon. You give him 5%, 6%, something like that. It's gonna be backed by, instead of like normal Treasuries, which are essentially unsecured bonds, right? They're just, you're as a Treasury holder,

You go and buy some 30 year bond. You're an unsecured creditor of the United States government. But any of the buy, they would basically create this special secured US government bond series. It's a new type of bond. Then maybe they do it for, you know, a lockup period. It's a, you know, 10 year bond minimum, at least five years, probably 10, 15 year minimum. And they would go out and the bonds would be secured by whatever the stuff is they put in the sovereign wealth fund. They see the sovereign wealth fund with some of the assets they already have.

They've seized a bunch of crypto assets already. So they take all the crypto assets that they seized, they put it into the sovereign wealth fund, and that's kind of your seed capital in the sovereign wealth fund. Then you go and borrow all these US dollars. You take those US dollars, you buy crypto, and all that goes in the sovereign wealth fund. And then you take all the assets of the sovereign wealth fund, you say to all the bondholders of this special issue bond, and you say, all the assets here in this fund is your collateral in case we default.

if we default, then you get all these crypto assets. And that's exactly what Michael Saylor did. He made his actually convertible. So his are convertible into strategy stock at some point in the future. You can't really have convertible bonds. There's no such thing as like, well, actually, technically there is. The prime minister of St. Lucia told me one time, you have sovereign debt when sovereign nations issue bonds. He said there actually is such a thing as sovereign equity. And sovereign equity is like passports.

So they talk about these Trump cards where they go and they give people, this would be like an example where like you get foreigners to buy these like special issue US sovereign wealth fund bonds. And in exchange for that, if you invest enough $5 million, $10 million, $20 million, they give you a US passport. That's the conversion, right? It converts into US citizenship provided you pass all of the background check tests and stuff like that. And it's secured by the

James (11:50.004)
essentially, all the assets that are in the sovereign wealth fund. That's what strategy is. So I say like, you go and bring in Michael Saylor to be your Treasury Secretary or your Deputy Treasury Secretary to run that, they might actually pull that off. You might actually get trillions of dollars in that fund. And because it's completely funded by basically Treasury investors,

are doing that to get some like 6 or 7 % return. It's crazy carry trade, in some respects. And those guys, they're willing to take the risk. So like the sky's the limit. There's no limit in terms of the risks that you could take as an asset manager there. You can invest everything in crypto. You can invest it in like some just wild like option speculation. It doesn't matter. You could lose the whole damn thing and it wouldn't matter. So you could really swing for the fences.

and hire some of the really, really smart asset managers in the United States and say, go and make this return. We need to generate 40 % annualized returns. And you might get some guys that pull that off. That could potentially save Social Security. That could potentially save Social Security if they do that. But I mean, that's kind of a long shot. That's kind of a long shot.

Joe (13:06.016)
Almost seems like there's no downside. I guess we'll see what happens.

James (13:08.61)
Hahaha