Adam: **00:01:09** Alright, that's really designed to get everyone pumped. And before we before we came on we were talking about how everyone's hair looks good. I was just envying Bills long flowing locks over there, which just will never happen for me and-

Bill: **00:01:28** I was cramped by my microphone style though. I need earbuds like you guys. Anyway, I'm just kidding.

Adam: **00:01:34** That's right. Today, none other than Bill Fleckenstein, I'm sure will be no stranger to anyone else on the podcast circuit, co-host of "Things That Make You Go Mmhmm" podcast with Grant Williams. Welcome Bill, thanks for coming.

Adam: **00:01:57** Well, thanks for having me. Let's have some fun.

Richard: **00:02:00** Mike.

Adam: **00:02:00** Good. You bet.

Mike: **00:02:01** Amen.

Richard: **00:02:02** …

Mike: **00:02:03** Well, it's Friday, it's another happy hour, cheers to all. And, again-

Bill: **00:02:07** It's too early for me to drink, I have to go to the gym after we're done. I can't join you boys. I have some Perrier for you.

Mike: **00:02:16** Just remember that if you're seeking any kind of investment advice, you don't find it here from these four scallywags. We're going to talk about lots of stuff that we don't want to be responsible for any of it. So with that said, here we go.

Adam: **00:02:29** Exactly. I'm super excited to have Bill on today for a number of reasons. But one of them which is that, of course Bill in your investment management days you specialized in short selling if I recall, and I mean, there's rarely been a time that short sellers have caught the markets. And even those who haven't previously participated in markets, their attention in quite the same way as what we're seeing in the current environment. I'm keen to hear your observations and reactions to all of the craziness that's going on right now.

Richard: **00:03:13** And maybe followed that with your background a little bit, because just firstly, of how far along back were you a dedicated short seller.

Backgrounder

Bill: **00:03:21** Okay, I'll give you the Cliff's Notes version and make it somewhat topical hopefully. I started my short fund in 1996 and I did it because I had been running value oriented money for about 14 years at that point. I thought that Greenspan's policies were going to lead to problems and I thought for a variety of other reasons. So my idea was, I would set up a short fund there, then sanity would break out, and I'd go back to the long side and it'd be easier for me to raise money because I was wise enough to see what was happening and then I'd be able to raise more money on the long side. That was my plan. Unfortunately, 1996 was a little bit early given what happened in 1999 and when I set my short fund up, I had to be, it was short only but always short because, this is going to sound really funny now, but then people were afraid that if you weren't in position, you might miss it because they kept thinking about the 87 stock market crash. So I said, I can do it, I thought I could do that and up until the fall of 98 I was reasonably successful. I would have big draw downs, but I'd always do better when things would break.

My research was pretty good, but then from the fall of 98 when we had the surprise long term capital, irresponsible rate cut on the part of Greenspan till early 2000 it became impossible. I had huge drawdowns and I had to change my methodology. I came up with some rules that really stood me in good stead after that and I decided simplistically if the Fed's easing I don't really want to be short, if the market's hitting new highs, if individual stocks are hitting new highs, I don't want to be short. If stocks aren't going down on bad news, I don't want to be short. If I didn't have a catalyst, I didn't want to be short. So, I evolved my approach to be more tactical, I went to my investors in early 2000 and said look, I can't be always short anymore because it's not possible and I just got flayed in the last year. So I switched my tactics, that worked really well. And then when in the fall of early '09 when they decided they were going to do QE, I decided that QE was going to make it even more difficult to be short, and I'd had sort of a disagreement with a very large investor of mine who wanted me to be more short at the wrong time because his other managers, he was a fund of funds operator. We're getting blown up, the guys who were supposed to be market neutral, not lose much money we're down 40. So he called me one day near the lows in October and wanted me to be more short. That's not the right thing to do right here. Anyway, between that and the Fed, I walked away, gave all the money back with hindsight, that was probably the best decision I've ever made in my entire life. I had the right idea, but it's played out in a way I couldn't have guessed.

So that was why I did it. I wrote a book about the Fed in 2008. Or sorry, 2007. McGraw Hill came to me and asked me if I'd write a book about Greenspan to coincide with his own congratulatory book, and I laid out how they responsible for the bubble, and why I thought the next bubble is going to blow up and then it did shortly thereafter. I like to think of myself as, I was a short seller trying to warn people, my friend Mark Hodis does the same thing. He was in a whole different area and he operated differently than I did. So there are a lot of short sellers who have been beneficial to people. I mean, there was a lot of problem companies I warned about and I got lots of nice letters from people saying, hey, thank you. But like in all disciplines, there are some people that do it in a way that might be helpful to others and there's some guys that play sleazy. But that happens on the long side, that happens in every discipline. Short sellers are getting blamed, the people that are in trouble are not really short sellers, they have short positions to help balance out their book. I think the bulk of the long/short community which is most hedge funds, have short's on so they can have more long's or some variation of that theme. Not everyone, of course, I'm making a blanket statement, but it's not true. And so, those folks may be in the wrong things maybe. I think that you don't quite know what it's like to deal with craziness unless you're short, and you don't have any long's to save you. If you always have long's you can kid yourself, well, Tesla can't possibly go up unless ..., unless the market goes down, Tesla will have to go down. I'm sure there are a lot of guys and that logic makes sense except that those things don't ever really work. Anyway, I think that the whole short community, it's not really short sellers. They're guys that are running a long short book and unfortunately, some of the cigar butts they were short came to life for a confluence of events. And now the narrative has gone off in a different way and it has to do with Robinhood only letting folks exit trades, and now Congress wants... This is going to be a big deal. But, the nonsense that I've seen spewed on TV regularly about half the short sellers have done all this. This is pretty hysterical. But anyway, that's enough about short selling I think, unless you want to ask me more.

Mike: **00:09:13** Just some personal experiences. Did you ever find yourself in a GameStop like position and how did you deal with it? You always had your position sizes? Tell us how you went through that.

Position Sizes

Bill: **00:09:23** Fair enough. That's actually a good point. I was also short in, short Tokyo in 1989. I started in '88. So, I got roughed up a bit first, I found a derivative instrument that traded in Singapore, a warrant that there was no market maker on the other side and they were horribly mispriced. Jim Grant wrote an article back about it, and I caught that well but I had seen what happened to big stocks in Japan, they would bust them out and move them in a way, big companies didn't move 4, 5, 6, 7% for no reason in the old days. So I learned that lesson and I had some other rules. I just gave you a few of mine for like overall, but I never liked to be short frauds, believe it or not. Because if you can't catch a company that's honest, catching one that's crooked is really hard. Now, Mark was good at that. And from time to time I did get involved, but I tended to stay away from it. I didn't like short single digit stocks because you got to put on so many shares that if it starts to go against you, it's easy to get in trouble quickly.

I really didn't get involved with crowded trades, short interest rates and I believed I felt that I couldn't run much money in the aggregate because I wanted to be able to get flat within a couple of hours for like 80% of my book. So there were times when I was terrified that I wouldn't be able to get my stuff covered fast enough. I was wrong plenty, I was mispositioned plenty. There were surprise rate cuts, 2008 was the epic period, they couldn't short financial stocks and they decided that IBM and Winnebago were financial stocks, things like that and then that blew up the long/short community and that caused other problems. So, I think at the end when I closed my short fund down, it was only like 170 million or so, I had always felt that I had to stay at a certain size or I couldn't get out. So, I was primarily focused on how do I do this in a way that I won't get trapped because it was bad enough being wrong, is bad enough to have them, you're wrong on something, and they're lighting you up on the stock, but you can at least get out of it. I can't even imagine what these poor guys are going through, guys and gals that have these positions on. I had a whole string of things that I did to not have that problem, because it's easy enough to be wrong or misguide the mood of the crowd and to my eye, it's only gotten infinitely more difficult. I run some money still, but I'll have like 10,000 of this, or 10. And it's only from time to time, like I'm short some stuff right now because I think that guys have to take exposure down. But instead of being something that I think is a mispriced piece of crap, even if it's a multi billion dollar piece of crap, I'm short things that I think are just expensive that I don't think warrant that the people are long, like, for instance, Apple, because it can go down because people own it. And if you've got to take your book down, you got to sell what you own and cover what you need.

Adam: **00:12:44** …

Mike: **00:12:44** Sorry, go ahead. I was just going to say you're not going to get trapped in those crowded trades in that paradigm.

Bill: **00:12:53** No. It defies all logic. Look what's happened. Look at this GameStop, we don't or we could talk about Blackberry, but we can talk about any of them. I mean, they've just gone into orbit and how do you protect? I saw a little while ago a dealer sent me for next Friday, GameStop. I don't know. I think it's around 250 right now, my screen is not in front of me. But the $800 calls for next Friday 10,000 traded at $47 and the stock, let's call it 300. I mean, I just don't even, that's so scary. I mean, look, I had nights where I wasn't sure I was going to be able to cover in the morning, get out of my stuff and I told you I had it set up so I can pretty much get out. It can be pretty scary when you're on the wrong side of everything.

The Big Short II

ReSolve ASSET MANAGEMENT

Richard: **00:13:43** So as a former short seller it's clear that part of you commiserates and you sympathize with the position that some of these PM's have found themselves in but on the flip side to that, what do you think about the SEC and other regulators potentially banning outsider trading at this point? That was a good tweet I read the other day. I mean, what Robinhood has done and this limitation, what are your thoughts on some of the actions that have been taken on this?

Bill: **00:14:11** Well, first of all, one of the reasons the markets are broken and behave as they do, in addition to passive and structured products and the dealer hedging and all the things you guys already know about. Thank the Lord for Mike Green who explained passive to everyone, so now at least we can understand why the market acts as ridiculous as it does. Oh my god, I lost my train of thought. Your question-

Mike: **00:14:39** Regulatory.

Bill: **00:14:39** Yeah, thank you. So, the Fed that has done its thing to create muscle memory that stocks can't go down and then nothing goes wrong so you get this animal spirits, and then the SEC hasn't done its job at all. Let me ask you this. When did they repeal Sarbanes Oxley?

Mike: **00:14:59** Gosh, that's gone back. The last bubble in '99. Right now.

Bill: **00:15:03** It's a trick question. They haven't, in 2001 and it was supposed to be a crime if you signed a financial statement and it was fraudulent. And they used to make the director sign and the CFO, I was on a couple of boards at the time, I took that pretty seriously. I think they might have enforced it for all of five minutes. And you were supposed to have to use GAP accounting, we weren't supposed to make up all these metrics. Like total addressable, all these things.

Adam: **00:15:31** Proformas and stuff.

Bill: **00:15:33** Yeah. And that goes on all the time. Then we know what Elon Musk got away with, with funding secured and telling the SEC what he really thought of them. There are no authorities, there's no rules and even before this period, go back to the 2008 debacle when they repealed Glass Steagall in the late 90s, where Greenspan led the charge, they gave the Fed the supervisory role for the big brokerages and banks. Well, we saw how that worked out in 2008. No one criticized the Fed for their lack of ability from an oversight standpoint, Dick Fuld didn't go to jail, virtually nobody went to jail. So, there are no rules, really, I mean, there are laws, but there are no rules, they're are not enforced. So, I sympathize with these guys at Robinhood, they took on the Mehan, Stevie Cohen and Ken Griffin, they beat them in like 24 hours and then they said, sorry, you can't do this anymore.

Now, I know that Robinhood was facing regulatory financial issues but I think they did a bad job of explaining it and the optics are, you start to beat the man, we're going to take the game away from you, we're going to change the rules. I suspect when Ted Cruz and AOC agree on something, there's liable to be some legs to that story. So it'll be interesting to see what happens. I don't know but I think there's a starting to become.... on a serious note, I think there may start to become a questioning of some of the ideas people have taken for granted. The Fed can't make any mistakes, it's got our back. Nobody ever criticize guys like me, and some of you for all I know, but very few people criticize the Fed. And now all of a sudden maybe Janet Yellen is going to get a little egg on her face for taking all that money from Citadel and Goldman Sachs. So the cozy nature of Wall Street, the government and all this at this moment in time when there's all this chatter about equity, equality, little guy income disparity, there could be some interesting changes and changes in psychological behavior that come out of this. I mean, think what you will about Bitcoin but the folks that are... the religious zealots, I should say that that could have, constantly promoting it, one thing they get is, the Fed has turned the currency into confetti. Well, if that gets sprinkled other places, you can see a lot of things could come out of this period that would change the narrative. So, I think we have to be alert to changes in psychology that come out of this period we're in right now. I got off on a- Sorry.

Adam: **00:18:39** No, actually you're right in the direction that I was actually hoping to go, which is, we've got this situation where and oddly, the short sellers are the dissidents in the marketplace. Like they're the ones who are trying to bet against the system that are betting against the man and how you have this group of investors who are using dissidents to express their disenfranchisement or they're beating up the dissidents, the remaining dissidents in the market to express their disenfranchisement with a system that they feel has left them behind. I feel like this is a manifestation of a broader phenomenon, where you've got a small but growing group of highly disenfranchised persons, not just in America, but all around the world. And that is being expressed through things like populism and storming the Capitol in the political realm, Occupy Wall Street, that sort of thing. But now, in the financial markets through these coordinated, short squeezes and gamma squeezes, et cetera, and also in Bitcoin and crypto in general. So, do you feel all of this is a manifestation of a generalized phenomenon which is sort of an anger with a system that is leaving more and more people behind and these are all just sort of release smells for that? And how do you see that evolving as the authorities continue to double down on this with MMT, et cetera?

Wealth Inequality and MMT

Bill: **00:20:30** Anyone who's listened to me more than once is going to roll their eyes. But I think a lot of this goes back to the Fed because what has created the massive inequality of wealth has certainly been to a large degree QE. And before that, it was the way the Fed underpriced credit all the time and interest rates, that's we've had two bubbles. And now this one, they've been pushing the snowball for 12 years now, as Paul Singer said on a podcast we just did, Grant and I, the Fed got away with it. They got away for 10 years, they shouldn't have, but they did. And also the middle class, part of the reason why Donald Trump was elected in 2016 in my opinion was because of the frustration the middle class. In some ways, there's no inflation to speak of, but depends on your status in life. And if you've been in the middle class and your job options have diminished, the pay, with high quality pay let's say, cost of living is still going up, education. I mean, I don't believe the rate of inflation that has been printed by the CPI has been anything close to reality. I'm not saying it was four times higher, I'm just saying it wasn't what they said. In fact, in the book that I wrote about the Fed, I had part of a chapter on some of the little cheats that go on in the CPI. I think the middle class was hollowed out and frustrated, then you also had the massive wealth inequality and ironically, you get people like Paul Krugman, who hate the wealth inequality, but then they champion the very policies that create it, and I can't believe that these people are so stupid they can't see that it's QE and all this that precipitates it.

So then we've had the economy shut down basically for almost a year, people are frustrated because of that. And then some people see the system as it is and they gravitate to Bitcoin. I don't. Dave Portnoy says, stonks never go down a year ago, gets out the green hammer, and says, they don't go down and guess what? He was right. Then they start doing this and then they jerked the rug out from under him when they're winning and I think that's a bad look. So, that's going to cause other problems. But I mean, there's a whole lot of things that are festering, if I was a millennial or younger I would be foaming at the mouth to get the Fed under control. We're going to have to go through a painful period. Because when you make rates zero, and they're not supposed to be zero, and you make them be there, and you say, we're going to create 2% inflation. But since we didn't create it, and we made that number up, by the way, they just made it up in last 10, 12 years, it never existed before, there's nothing in Fed chart about you need 2% inflation. And, of course, 2% is not enough, so we're gonna need to have three or four to average off. At some point, the bond markets is going to crack, that's my pet theory. Something's going to happen to take the printing press away from the Fed and probably what will happen is the bond market will start to misbehave and they'll put on yield curve control and then that'll put gasoline on a lit fire. I mean, I don't know how this is going to play out. I just know we're in the eighth or ninth inning of this money printing era and I don't know how these changes that are coming out, because of what we just talked about are going to exactly play out. Like, I wouldn't have guessed that an epic short squeeze could take the market down.

But that's what's happening. And by the way, I don't think it was organized. I think what happened was, and you guys probably know better than I do about this. But when these guys started piling into this stuff, if you're short these things, and I think a lot of sophisticated players were, then you got to start getting out of the way because I think a lot of long/short people, particularly if they're market neutral, they have a lot of leverage. So, you can't take much of a perturbation. You can't have a few positions go up a bunch or you've got to start taking your book down. And then they run themselves in. The millennials, the Robinhooders got credit, but they weren't putting up the big pieces, It was all the other people and the dealers and guys front running in, blah, blah. My whole career, I've never seen somebody in the process of blowing up, like Melvin Capital was, have Steve Cohen and Ken Griffin step in, give him almost 3 billion. I thought, game over for the kids, they're going to crush them. And it turns out 24 hours later, the new capital appeared to have been vaporized.

Richard: **00:25:26** But do you really buy that this was grassroots and there weren't other hedge funds piling into the long side of this and just adding fuel to the fire? I mean, the beginning of this movement, sure, maybe the Reddit thread really did. But to imagine that the whole movement was completed by a bunch of retail investors and that there weren't hedge fund guys taking advantage of the momentum and the understanding of the dynamics of the gamma squeeze and the short squeeze and how much they could profit from that. That's more substantial.

Bill: **00:26:00** Okay, well, there's two possibilities. One is that it was a spontaneous combustion of a lot of different things. And look, I'm sure some opportunistic guy said, well, I see what's going on. I mean, let's say you're a flow guy and you trade derivatives, options and stuff. You see what's happening, you jump on board with a little bit, and 20 other guys did now. You didn't say, hey, okay, let's all go do this together at the same time. You buy those strikes, I'll buy these strikes, we'll get them all. Did some of that happen, perhaps. But it's so big, I think it was one of these perfect storms that-

Mike: **00:26:40** It's an emergent phenomenon, on these conditions that are-

Bill: **00:26:43** Yeah. And I'm sure guys helped exacerbate it. I don't think I can remember, and this goes back to the 90s I think. Guys were talking about the most shorted stocks back then and there were guys peddling services, here's the most shorted stocks, they would try to organize the squeeze, that was organized, no one ever didn't think about that. So I can imagine a couple of guys, my buddies might have gotten together says, hey, we can probably make this one move a little. But to think that somebody is responsible for the whole thing, I don't really think so.

Richard: **00:27:20** Not synchronized, for sure.

Bill: **00:27:22** I don't think there was an or, I don't think it was organized. Little scraps of each piece might have been organized a little bit but this was just a case of the tinder was really dry and a spark hit and then the winds came up and the next thing we had to cut power to California.

Mike: **00:27:42** There was one guy running GPT3 and TikTok and Twitter.

Bill: **00:27:49** Yeah, after all I know there's some role for bots and things like that. So maybe there is a certain element of that that I don't know about. But I think that if you focus on that you might miss the bigger pieces to the puzzle, I think.

Mike: **00:28:01** Agreed.

The End Game

Adam: **00:28:02** I've been a huge fan of the End Game series that you've been running with Grant. I mean, just some absolutely amazing guests. I'm just wondering if it's a simple matter or if this crystallizes pretty naturally for you, but are there any threads like common threads that fall out of all of those interviews that relate very directly to the types of phenomena that we're observing right now and that seem to be accelerating in their magnitude and in their frequency of emerging, whether it's the crypto bubbles. I mean, keep in mind, it's like it's the end of January. Just this month we've had an explosion of different crypto assets, we've had these amazing short squeezes, we've had a massive rise and drop in inflation expectations and equity markets and rates. And now we've got this huge short squeeze phenomenon. 2020 was like having a full market cycle in a year. I feel like we're now starting to compress market cycles into weekly timeframes. But are we able to pull some major threads from your End Game series and apply it to what we saw in 2020, what we're seeing right now and then set the stage for what we might expect over the next 11 months?

Bill: **00:29:29** I don't really think so. Because the premise end game is, how does the money printing period end? And how do we get to that point and that's sort of the question that we try to discuss, and I don't think, the end of it has been so theoretical up to this point. As Paul Singer said, it's path dependent, what things happen first. And so, I believe that if inflation starts to pick up, which I think that it will, I can't prove that it will. But if it starts to pick up, the world gets immensely complicated rather quickly. Because I think the psychological changes that we're talking about is going to make people more amenable to looking at the situation and realizing the Fed is trapped. I mean, the Fed is trapped. They cannot stop. I've been saying this for a long time and maybe you guys have as well, I knew they could never exit QE or CERB or .... Couldn't do it. But everyone's said, maybe you understood what they said, yep, so what? They're printing money, it's all okay. Well, once you start generating inflation, it's game over, because then they cannot print money to get past the problem. So if we get to a point, and the bond market is starting to back up a bit, people are starting to worry about these outcomes, or in a more inflation, or maybe it's the simplest ,guys say, look, I don't really need to own this corporate paper at the spread of 50 beeps, or whatever it is because it's a 150 or 170 coupon for seven to 10 years, I know the inflation rate's going to be higher, and I'm not going to play that game.

So maybe it starts in the corporate sector, but at some point I believe, unless we don't get any inflation, which I don't think is going to be the outcome especially because the disruptions and the mood is people are willing to examine the issue a little more clearly now given how everyone's heads have been so scrambled. The first thing the Fed's going to do when bonds back up higher than they want. And it's not like there's going to be a sign that says, okay, we're the bond market, we think there's too much inflation we're backing up, they'll just decide to put on yield curve control, I suspect. And when they do that, if they do it for the reasons I'm suggesting and people start to see that, that'll be like putting gasoline on a fire and then you have to see how the market responds. Does this impact the dollar? A lot of people think that if there's going to be a problem, it's going to show up in the FX market first. But when all the central banks are doing the same thing, how does one currency really move that far against the other? I mean, the US dollar is the biggest and we have it by size, the most debt and the biggest deficit. So maybe it can matter there. I think the outcome for inflation, and we'll probably get an inflationary scare. I know a lot of smart people who think we'll get a scare and that's all it'll be. And that could be true. But who knows what kind of a disruption happens when that happens and then if it's more than that, which I think it easily could be, then all of a sudden the Fed can't print money and if it doesn't have your back, and you've got these grotesquely inflated stock prices, then all of a sudden, the market gets weak and then it can't go with any QE or do the, anyway. Once everyone realizes they're in a box, it's sort of like, life for them and everyone else gets infinitely more complicated. So I think that's the really important thing for the next six, seven months as to how that plays out.

Richard: __00:33:29__ One of the things that's interesting is that we might get a bump in inflation in the coming months and that might be because the dollar is weakening, commodities are coming up. But that also the denominator effect because there was so much deflation in the beginning of 2020. So not to mention the fact that the Fed has signaled that they're willing to allow for average inflation as opposed to the rolling

12 month, they're implicitly saying we're going to let this run. So there might be an opportunity for inflation to start manifesting and for people to maybe see this as being actually a positive. Do you think that this might be something that for the first six to 12 months is actually perceived as positive and just allows the party to go on a little further? You mentioned it yourself, they do still have yoke of control, and I wouldn't put it past them to bring out any other creative tools brought to bear to keep the party going.

Bill: **00:34:27** Well, I think stock bulls will definitely try to drink the inflation pretty, if you know what I mean. This is just what we needed, thank God we finally got 2% inflation. Now, listen, does anyone really think that inflation leads to economic growth, it's the other way around. Economic growth can lead to inflation. But if you think about the storyline around inflation and deflation, it's borderline insane. When the stock bubble burst in 2000, people worried about deflation, that was a codeword for depression. And '08 it really looked like we could have had a depression. But they don't want to say depression, they say deflation. And so now we've got this into the lexicon that we don't like deflation. Well, who doesn't? I mean, who wouldn't want to buy everything they want at 10 or 15 or 20% off? It's rich, it's absurd. Do we really want the price? What I can't believe is this narrative of 2% inflation is good, and maybe two and a half's even better we need... It's so stupid that if anyone's took a step back and thought about it, they may say, wait, this is insane. And what we've seen this week and a lot in this last year is how fast things can go from, that's not going to happen to, Jesus it's happening. When they're operating from a false premise to begin with, and they've caused all these disruptions, I'm speaking of the Fed, who knows? I agree with you, people will try to say it's good, and it's exactly what we needed. But I don't think that's going to work.

Now, the real question is going to be, are we just going to get a little inflation scare, a bounce and is it going to go back to being okay, or not? I don't know, I have my biases, but we don't know that, and so we'll just have to see. How scary is the inflation bounce head fake, whatever you want to call it. I really can't say but if you think about the consequences of that becoming the narrative, quote unquote, that inflation's not going to go back below two, it's going to stay at two, it's going to maybe drift higher, they can't do much about it. And what am I doing owning this Treasury, this 10 year Treasury at 110? That's just seems like the most obvious train wreck that's going to happen. But I don't know when it's going to happen but it seems to me like that's going to be the end of this era.

And one of the things I wanted to do is to talk to people about is that crazy? What do you think? So, I wanted to see who we could talk to, any of those other topics around that and part of what we focused on I like to focus on is Japan, where they've experienced actual deflation, and they sat silently by, while this is happening. Meanwhile, the Bank of Japan owns half the debt and some 10% of what 50 or 60% of the ETFs. So, in a theoretical aspect, I like to say, what happens if the Bank of Japan says to the Minister of Finance, hey, you take all these JGB's back, you basically tearing them up. But we don't want to disrupt society or anything and you give us back a perpetual piece of paper at one basis point, they would have effectively wiped out half their debt, they'd still have an asset on the books, it wouldn't change anything. But what would life look like the next day? Does the yen trade up or down? Do JGB's trade up or down? Now, I don't know the answer. I love to ask this question of people. You guys can tell me what you think. My hunch is that if they can do that, then it takes the systemic deflation off the table, because they've demonstrated you can always monetize it. In fact, Ben Bernanke said one thing I agree with, we have a printing press, we're not having deflation. So if JGB's trade differently in the wake of that, what does that mean here? So there's my theoretical question for you for free.

Adam: **00:38:38** Well, actually we've debated this substantially in house, the idea of if you... We debated MMT and the subtext there which is fiscal expansion and unlimited fiscal expansion of monetization. Also, what type of portfolio can a person buy that has a reasonable chance of protecting against all the various types of inflation and/or devaluation that we might be facing going forward? I feel like some combination of crypto and gold and global equities and commodities are part of the answer. But, I think what you've articulated is that at the extremes, the tree of possibilities is so vast, that it is virtually impossible to anticipate the types of actions that governments can go to in order to achieve their politically misguided objectives. Do you have any thoughts on that? Any of your guests offer some advice on that, or do you personally have any thoughts on what that portfolio might look like? Actually, we have a lot of questions from the audience on this exact question too. Any thoughts on that?

Looking Forward

Bill: **00:40:09** I can extrapolate. Because of the nature of the guys we've talked to, a couple of them like Felix Zulauf runs money, but Russell Napier doesn't, for instance, and Paul Singer, of course, does. I would say that of the people we've spoken to, with the exception of Lacy Hunt, no one thinks that bonds have any value. But obviously, Lacy Hunt's in a totally different camp and he's been right for 30 years. So let's not discount that. But I think if I was to say, the way that I think most of the guests would have agreed with, one way for sure to position yourself is to own some precious metals. Because that ticks a couple of boxes in that they have historically been a way to protect yourself against currency debasement or inflation. And the people that like Bitcoin, it has elements of a limited supply. So the Bitcoin is in the same sort of thought process.

Richard: **00:41:31** It scarcely trades, is basically the thing that you're going for here. Items that are scarce.

Bill: **00:41:35** Yeah. Then there are there derivatives of that. I happen to be keen on the mining industry because they've all gotten religion and you can buy really quality mining companies literally at eight to 10 times this year's estimate. They're going to be putting up big growth numbers, rate of change, they're increasing the dividends and lots of cash flow. So I think that's a perfect fit. For me, that's a perfect investment for the environment I think we're going into. Right now you can't give them away because, I don't know why they're so unpopular, probably because I like them. It seems to me that the bid that we've had in precious metals from time to time, in the last group of years has been because people think there's going to be more stimulus, fiscal or monetary. And when there's more stimulus, the metals go up, so we're going to buy them. But I don't think there's been much buying because the consequences of the stimulus are negative. So my reason for wanting to own them is because I think the consequences of these policies are liable to be negative and so I want to capture that, I look at it like precious metals and mining companies are calls on the unintended consequences of central bank policies.

Richard: **00:43:11** You're thinking about the end game, you're thinking about currency debasement, you're following through on the whole end game series and what that would mean for-

Bill: **00:43:21** Right. But the part I keep getting wrong is this. I'm set up for the innings, say three through eight of that game, and I keep forgetting that the game hasn't been scheduled yet. So my trades they don't get going. The metals will run on stimulus but then after the stimulus is over, nobody says nah, I don't care, they're not worried about the consequences. And I'm worried about the consequences. So I keep having to remind myself that I that I seem to be way too early still. So anyway, but the kind of things that would hold their value. Not everyone can buy Monet's or contemporary art or high end wine. So the least common denominator for a lot of people are, people have been in Bitcoin or silver or gold and those things, I'm sure there'll be certain businesses that will be able to do well, that have the right high fixed costs, so they have big margins. You won't want to own a grocery store, you don't want to own those - it depends on how strong inflation is going to be as to which kind of businesses would do best. And again, I think it's too soon to try to conclude which ones you would necessarily want to own in that environment as I say, I'm guilty of being prepared for the middle innings and the game hasn't been started yet.

Richard: **00:44:51** And what inflation manifests, right? Do you share Lacy Hunt’s opinion that until the Fed’s liabilities become legal tender, that we're not going to see any real inflation. I mean, that was my point earlier. We might see a spike in inflation, but then again, we might go back into the secular deflation because of demographics and all that. What would it take?

Bill: **00:45:16** First of all, let me say he's been right about this more than me. In fact, no one's been more right than he and Van on this topic. I'm sure there have been others, but they've been quite vocal about it. But if the Fed turns their liabilities into money, it's game over the other way. He has said that, and whether they do that or whether they don't, they had a go at that and it didn't amount to much, that was a mainstream lending program. Now, who knows what's going to happen with the new administration? I don't know. But I think there's another factor at work that doesn't get considered, because look, saying there's going to be inflation and has been wrong for 30 years, there's been more than we've talked about, but it hasn't manifested itself in a way that's caused anybody to modify their behavior. And this was one of the things that I was really interested in talking to Paul Singer about and he talked about it. And that is the psychological component. Now psychology, the change in psychology can't create inflation. But if it starts to happen, people can decide it's real and make it worse, or exacerbated and turn it into something else. So, a year ago people found out, I might not be able to buy toilet paper. So they went out and bought. My point is, that hadn't happened in forever. And there are going to be supply chain disruptions, we've all found things we couldn't get immediately because of the disruptions caused by the virus.

So I think people's minds have been open to the possibility that there could be an outcome different than the one they've been used to, and given with all the scrambling of these other variables. I don't know that the banks have to turn all of that into loans to really have inflation. His data suggests that's true, his actions have proven that theory is correct by how they've done it. But having said that, I'm not 100% convinced that's the only thing that matters. I think it could get started before and if people start to suspect it, they'll start to move the markets before that happens. That was Paul Singer’s point that people will try to get in front of it. But for it to get really bad, I think that probably has to happen. I think you'd have to see the banks probably really help it along. I think, I'm not 100% certain about that. But I know enough smart people to believe that. I could believe that's a necessary prerequisite. So right now you could position yourself for the inflation scare and then you got to decide if it's real, when it happens. I think if you set yourself up that way, and you allow for the possibility that it might just be a scare, then you might trade it better, you can't we're not going to get inflation, and you can't say it's going to rage. You can say it looks like we're going to get some, and it may rage or may not I'll decide we get into it, but at least I'm going to be live the possibility that the storyline is going to change about it. And I think that's the only way you can intelligently approach it right now.

Mike: **00:48:38** How does a massive expansion in fiscal policy like a Green New Deal where we're just going to spend and spend and spend, how would that change the inflationary outlook? Wouldn't that give you some different sources of inflation if that were to come to pass?

Bill: **00:48:55** I would certainly think so. Lacy Hunt may say no because, or no in this case yes, in that case. But again, I think there's a possibility that people are a little too sanguine about it. I think the storyline is, come on, it's really impossible to get inflation, we can talk about it but it can happen. I don't happen to believe that, but I'm sympathetic to that argument. Look, we created all this money and it went into stocks, and art, and high end wine and lots of other things. Because the people that got it, that's where they put it. So if to the extent that the new Congress and MMT puts the money into the hands of people that might spend it differently, you could easily have more inflation without it being triggered by bank loans. And maybe MMT qualifies for a variation of what Lacy was talking about, about the Fed turning its liabilities into money, or for each maybe it's a variation of that same theme. So I don't know. But I think MMT is the perfect environment to really try to gin some inflation up because this new Congress is not going to do anything to try to give money to people that already have a whole lot. To the extent that they're successful with MMT, it's going to put more hands in the money of everyday citizens and their level to push up the price of things. We've already seen the price of homes go crazy in a lot of places and then the pandemic has changed a lot of things.

Mike: **00:50:45** If you drive to some of the infrastructure items whether green or otherwise, you also impact the labor market. The tightness of the labor market increases, you get wage increases, potentially, do you see that as any kind of outcome? The drive in fiscal policy and MMT.

MMT, Labor Costs and Taxes

Bill: **00:51:03** I think that could be a consequence, and here's another wild card. So we're going to get rid of fracking, well, we're still going to use the oil. So now we're going to have to import oil again and we're going to move it on trains which is going to be less efficient, cost more, maybe the Saudis and the Russians now get back in the driver's seat and they can play ball on energy. But the flip side is, there's a lot of good jobs that just went out the door. So maybe some of those jobs can take up the slack over here for the Green New Deal. But I cannot believe that if we have MMT, as Jim Rogers calls it, More Money Today, I cannot believe that wouldn't result in a very inflationary outcome, I can't give you the exact ankle bone all the way to the neck bone. But given everything else we've just talked about, I think it would be very inflationary although you'd have to ask somebody like Lacy Hunt about why that might not be the case because I can't make that argument.

Adam: **00:52:07** On the theme of MMT, because it's something we've thought a lot about, I've thought a lot about, and I'm just wondering from a contract with society standpoint, I was just listening to Sam Harris interview somebody about the social contract, and how we can turn the ship around and reinvigorate trust in institutions and in government and cultivate a sense of national pride and honor and pride of work, et cetera. And they were talking about fiscal policy as an instrument for that and the language they were using was pre MMT language. It was the idea that we're going to tax the so called productive classes which are more like the capital classes to finance projects that are good for society. As they were working through this logic, just as I am now understanding the underlying pipes of the economy and I'm realizing that there is no connection between spending and taxation.

And I'm wondering what that implies for the social contract If we tell the wealthy that they're being taxed because we need to remove money from circulation, because the demand function with current money supply is likely to exacerbate inflation or drive inflation above the rate that is being targeted by some, is an arbitrary target of certain institutions. Are they going to buy into the social contract in the same way that they bought into the idea of taxation as a social good? And if they don't, what does that mean in terms of how what the new social contract is and what the new purpose of taxation is and what the new value of productive work is?

Bill: **00:54:13** Well, that's a really good question. I think that's a question for Mike Greene.

Adam: **00:54:17** Well, I've got Mike on the on the podcast on Thursday to discuss this.

Bill: **00:54:21** You know, that's over my paygrade. Look, I think there's a lot of people who talk a good game, but I think a lot of people who say, yeah, I'll give up some of my money. And mostly, I think what people want to do is they want to take someone else's money to give to the people that need it. They don't really want to give you some of their money. So, I don't think anyone's going to be in favor. I didn't see Elizabeth Warren cutting a check or Maxine Waters, these ladies are millionaires, they're not leading the charge with their own dough, are they? I mean, they're liberal. They're making the cause, they're championing them. They're not leading by their actions. So, I mean there's other lots of wealthy people that give away lots and lots of money. I mean, let's just look at Bill Gates. You can say what you want about what you think about him, but he's giving all of his money away, and he's trying to be smart about it. And there's lots of people like that. So I don't really know about... Your question was a good one but I think you should let Mike answer.

MMT and Deficits

Adam:	<u>**00:55:25**</u>	Just to sort of take it to the next step. I think there's a situation where the government drives a lot of money into the economy via policies that are predicated on MMT. This idea that we actually don't need to pay back the deficit myth kind of concept, but then there's no, the mechanism to pull money out of the economy in order to control inflation. The MMT thesis is that when inflation runs hot, we have a method to pull money out of the economy, and that method is taxation. But that requires the buy in of those with capital to pay their taxes.
Bill:	<u>**00:56:17**</u>	Okay. I think I understand this better now. Look, MMT only works if money's free. And money's free right now, basically. Now, if the government could just issue Perps, again, it would be okay until people scratch their heads and said, Look, we've issued all these Perps but is it really that easy? Someone's got to buy them? Who wants to buy a 1% Perp for people who don't know-
Richard:	<u>**00:56:45**</u>	The Fed…
Bill:	<u>**00:56:47**</u>	Yeah, perpetual bond. So MMT doesn't work as a construct, unless rates are zero. And the only reason they're talking about is because they've gotten away with all this money printing for so long and they haven't taken off the printing press, it would be perfectly perverse from a historical standpoint, is that the very moment in time the bond buyers were ready to start scratching their heads and maybe taking the printing press away from the Fed from the euphemistic way I like to say it, at the time they just decided to come with MMT. So, I've listened to her presentations. She's a very good speaker. But I mean, I think the idea is insane, personally.
Mike:	<u>**00:57:34**</u>	Well, that could work, should have work, and that we should pay them for doing that work. And whether that work is productive or otherwise. Anyway, there's some validity to it. The problem is that it puts the distribution of the work of the productivity into a government conduit, which I think is never really had a lot of success at allocating capital.
Bill:	<u>**00:57:55**</u>	Right. I didn't mean when I say it's insane, I don't mean that the idea of trying to do all these good things is insane. The idea that you can just purely monetize them. It looks like you can because we've gotten away with that, like Paul Singer said. For 10 years the central banks got away with it. They shouldn't have, but they did. And so now they think that they can get away with whatever. And again, they're not going to get away with MMT, I don't believe. They might try to do it, but it's going to lead to big trouble.
Mike:	<u>**00:58:31**</u>	This kind of extends into the whole taxation item is an interesting one when you think about the decentralized currency arena. How would you if you're going to

decentralize currency, how do you tax that in order to fund the various programs that society might want to run. Does everyone volunteer?

Adam: **00:58:59** The point about MMT is it disconnects, it severs the relationship between spending and taxation. And so this to me is the most remarkable dimension of this whole MMT conversation that people don't seem to be interested in discussing. But I mean, I think that in the end, the idea is that you're going to control inflation through taxation. I just think that by the time we get to that point, then no one is going to believe that taxes matter since they don't directly fund anything. So really, you're taking my wealth for an arbitrary purpose that has no connection to the real economy. I disagree.

Bill: **00:59:37** Well, a necessary prerequisite will be you'll have to kill all the lobbyists first. Because you try to come in with taxes, then what rich people are going to do is do what they did when tax rates were high. When I first got into the investment business, marginal tax rate was 70%. Nobody paid that because the tax shelter industry was a cottage industry and they're always creating new loopholes. So the people with money that don't want to participate in that are not going to. And I think when you start talking about taking north of 50, 60, 70% of people's marginal income, now they get a little upset about that. I think there's a lot of people that somewhere between 35 and maybe even 55. I'm not advocating one or the other people might say, well, that's fair and maybe if you have more money, you're willing to say that's fair, but you're not going to get away with okay, we printed too much so now we need to tax the snot out everybody. That's not going to work because people are going to say, you're going to have all kinds of people who don't think that's fair. It's just going to create more trouble. I think MMT will lead to all kinds of trouble.

Adam: **01:00:50** I just want to make sure we don't miss this because I was absolutely fascinated and flabbergasted by this today, I saw that Janet Yellen came out and said that they should be introducing policies that seek to connect equity prices to fundamentals.

Bill: **01:01:11** That's what we used to do before the Fed got involved.

Adam: **01:01:13** I know.

Mike: **01:01:17** Isn't that called the discount rate, rule number one have a discount rate for each counter cash flow calculation.

Adam: **01:01:25** Right. Or just the Fed not creating SPV's to buy credit in order to maintain certain current credit spreads. In the next crisis, I'm sure they're going to be outright buying equities. You now have the Fed in direct odds with the treasury secretary who's an ex Fed president. It's just you can't make this shit up.

Richard: **01:01:51** Which was the opposite of what everyone expected. They thought Janet Yellen coming in to the Treasury was just going to align the Fed and Treasury and MMT and the fiscal policy that they've been crying for was finally going to come into place. Sorry Bill, you were about to.

Bill: **01:02:05** No. She could say one thing, but we already know what she's going to do. I mean, I don't know why she made that remark. But I mean, she might find herself in a bit of heat if these hearings really start to get rolling and they talk about all the checks she got from Goldman and Citadel when Citadel's kind of right front page news, not in a good way, I don't know if that'll matter or not but... Look, the Fed's been so predictable for so long, they're only going to do one thing. She's the same bird she was, she's going to do exactly what you think she's going to do. They're going to advocate printing money and deficit spending, and they're going to monetize it. And whether they call it MMT or not, it's what it is, you're monetizing. Look, they're monetizing $120 billion a month and they're doing that now and they're going to do that for the foreseeable future and if that number moves, it's going to go up, not down, in my opinion.

Richard: **01:03:05** She's pandering to the crowd, most likely. I wanted to go back to this idea. I think we all agree here that the Fed is in this sort of Hotel California, sort of You can't leave NERP, whatever it is, QE it's only going to get worse. What are some of the things that might happen in the coming years that would make you check your priors and say, you know what? This party might keep going for another decade or two. There's a chance that if we're going to use Japan as an analogy that the Fed's balance sheet balloons, they keep buying, they allow for yield control. We've had this conversation internally. I'd say all of us here to some degree agree with a thesis of endgame that this game can't keep going. But do you entertain the thought that it just might?

Bill: **01:03:58** Not exactly, but what I entertain the thought of is, we've never seen this before. We've never seen the central banks do what they're doing. When they tell us we're not going to raise rates for a couple years, we're monetizing $120 billion a month. We don't know what they're going to, their response is going to be if the rates rise because the budget deficit gets bigger and the market can't quite finance at all. So we're in such uncharted waters. Like for instance, right now, speculation in America is as intense as it's ever been. It has elements of what happened in 1929. It has elements of what happened in 1969. It has elements of what went on in Tokyo in 1989, has elements of 1999 and there's a little tulip mania thrown in. All of this is happening and in all of those periods when the speculation was the most intense, was after the central bank had been perversely, had been tightening for a while and raising rates and then that speculation was the end. I've had people say to me, doesn't this mean this is the end? The speculation? My opinion is no, because they're still printing $120 billion a month. We don't know how this crazy... For this to end in my opinion, the speculation has to get so intense that even $120 billion of monetization a month on top of zero rates and everything else in the stimi checks isn't enough. Have we reached that level yet? I don't know.

The correction that's going on right now is a deleveraging. one. I don't know where that'll lead. But I can't say. There's no period in history that we can go by to say, well, this happened then because, we've never had this abject monetization with the promise, we're not even going to think about raising rates for a couple of years and we've already given ourselves an out where we want inflation to run at least two and we're going to average that. So the first time it prints two, they bought themselves a year long window or something like that. Do I think it can go on for a lot longer? Well, if a lot is measured in a year, 18 months, yes. Do I think they can get past that length of time now given what everything I see? No. Do I think I'm right? I don't know. I have a strong opinion but I-

Richard: **01:06:36** What will make you change your mind if they go into MMT and that doesn't cause inflation. If we get a spike in inflation then we go back into this one and a half to maybe 2% a time.

MMT and Inflation

Bill: **01:06:48** Yeah, if that starts to play out, then you'd have to say, okay, what's at work here? Why is this happening and how long can this piece of the phenomenon happen? I think you have to play probabilities. Right now the highest probability is there's going to be some concern about inflation, every policy as, everything you could ask for other than bank loans growing dramatically, is there that would argue that we're going to have more inflation. And we've got a populace, it's like all scrambling and we're not sure if they're thinking about anything right now, everything's up for question. I think there's a really good probability, we're going to have some, and if we do, then you've got to decide if it can stick or not. And if it doesn't start to arrive, you'll have to ask yourself, why and you'll have to readjust your thesis. I think that's the best we can do now, because I think that's the highest probability scenario that one can come up with. And then we have to account for the fact that we are in such weird times. Who would have guessed that a short squeeze in a company that's in the mall selling things you can download online goes crazy to the upside 30 some fold in 10 days and blows up the leveraged hedge funds in the long/short community and takes the market down. Well, if that could happen, who knows what other weird things might happen that could... We have been committing crimes against financial sanity for so long that who knows what upends the applecart?

Adam: **01:08:19** How have they gotten away with not characterizing asset price inflation as inflation for as long as they have? I keep scratching my head at this thing. I look around me and everything that matters has gone up massively in price and nowhere is it included in inflation gauges. Is that ever going to change?

Bill: **01:08:40** I wish I knew. I've been asking that myself that question forever. Central banks used to worry about asset price inflation, not just CPI inflation. That was one of the things that Greenspan changed and he got all caught up in productivity, but the calculations they were using in the late 90s were wrong. And it was all, it was all around, it all centered around hedonics. And so the CPI is constructed so that everything is adjusted hedonically which is to say we can we can say, I don't care if the price went up fivefold, guess what? It's 500% better. So the price actually went down. When you can do that, and then there's substitution. Well, I know the price of meat went up, but you're going to switch to chicken. And well, that went up so you're going to have to switch to cat food. There are all these cheats in the calculation. I used to say to myself, it's not the statistics, people are going to change their mind, that inflation is never going to change. Sorry, the CPI is never going to change anyone's mind. People are just going to decide, you know what? Like, I don't know, you should ask a crypto guy, one of the reasons near as I can tell the guys who are in crypto is they don't trust the Fed. We should ask the crypto people what they think about inflation, because they've got an opinion about that and if enough people start to say...If the people start to say, I don't trust the data, then you're really screwed.

Richard: **01:10:07** Doesn't this beg the question- Sorry to interrupt, but you made a really good point, so doesn't this beg the question that if they really wanted inflation, wouldn't they just allow CPI to reflect a little bit more of the cost?

Bill: **01:10:20** No, because the reason they changed all that, in 1996, the Boston Commission, the reason they changed all these calculations is because the government COLA's, everything is indexed to the CPI. And so if they keep it at a low number, then the cost of all the escalators that are in all the contracts don't go up. They had a goal, I don't want to say they rigged it, but they had a goal. It's overstated. So that's why they've got Owner's Equivalent Rent, they've got all these contortions that they go through, so that it won't print, it won't print any real inflation. I think the reason why people have been so calm about this is because the people with the most money have benefited by these. And so why do I worry about inflation when I'm making so much money all the time in all this other stuff? So a little inflation doesn't bother me, it's the middle class that's been gutted and is going to feel this the most and to some degree, perhaps the millennials as well. When they start looking at what they're on the hook for those of us with gray hair like me, that can really be pissed.

Adam:	**01:11:40**	It's what they're on the hook for maybe until they're persuaded that the deficits don't matter. And then the other question is, you can't own a home in a major city because home prices have been pushed up to such a multiple of-
Bill:	**01:11:54**	Well, unless you work with some AP, unless you go to work for one of these anointed SAS kinds of companies because then your stock options. I mean, that's the other thing, people say, well, one of the favorite arguments of people is, well, the money stays in the financial markets, doesn't leak out. That's crazy. A lot of these people in all these companies get options. That's what all the buybacks are for. They're not really shrinking the cap. I mean, some do, they're just offsetting the dilution. So there's all kinds of equity money that leaks out into the economy, It's not hermetically sealed in the financial markets. It gets out there all the time via stock options and all that. And there's another thing that wasn't supposed to be allowed to happen in the wake of 2000 where we didn't account for employee expenses properly and stock options I mean. So just going back to another rule that wasn't enforced.
Adam:	**01:12:48**	Yeah, you're so right. But, I think it just gets worse for every generation when they don't allow for any normalization of the prices of things that matter. When you've got millennials and Gen Z's, who are now thinking about family formation and they want to upgrade the size of their home to accommodate a larger family. And their home costs multiples of their income. And it's multiples of the multiple of the income that it would have cost them 10 years ago, or 20 years ago, or 30 years ago and it's justified because you can borrow enough from the banks at low interest rates in order to be able to afford those homes. But all you're doing is trading off high prices for an even larger amount of debt on your own balance sheet which doesn't matter while interest rates are low. But it presumes that interest rates are always going to be low and that the only thing that matters is your interest expense, and that the actual - but we're taught by modern economists that the balance sheet of a government is not the same as the balance sheet of a household. But people now are beginning to balance their books at the household level as though the deficits on their household books don't matter in the same way as the deficits on the government balance sheets don't matter. You can't help but think that all of those deficits are going to come home to roost. Even if the government deficit doesn't come home to roost. I think the verdict is out on that for all of us but the verdict is a lot less ambiguous about household balance sheets. So I just think you've got all these generations that are going to be far worse off than their parents and they haven't realized it yet because interest rates are low.

Mike: **<u>01:14:30</u>** We're reconstructing the 1800 family unit. The 1800's grandma and grandpa stayed at home and came back to live with the kids now the kids are coming to live with grandpa and grandma. It's perfect.

Adam: **<u>01:14:42</u>** Because grandpa own all the assets and all of them are-

Mike: **<u>01:14:45</u>** Yeah, the assets.

Adam: **<u>01:14:46</u>** Yeah, that's right. Because they just happen to come before. So have we have we run everything out of Bill that we that we-

Richard: **<u>01:14:54</u>** I have a ton more questions, but I know Bill has a hard stop. So I'm low, if he has a few more minutes, I have one for him.

Bill: **<u>01:15:03</u>** Go ahead with this one, I've got somebody I have to meet that I couldn't change has been set up for a long time. One more.

Richard: **<u>01:15:08</u>** I was just going to ask you to play devil's advocate for the final question. I mean, the mountain of debt that governments are carrying is unpayable. Everyone knows that that's, we can't grow ourselves out of it. So either default or you inflate. So given the corner that the Fed is in, can you blame them for trying to create inflation at this point?

Bill: **<u>01:15:33</u>** No. I have had on my masthead on my website for way too long the following slogan," in a social democracy with a fiat currency all roads lead to inflation". That's my story and I'm sticking to it.

Adam: **<u>01:15:51</u>** That did not go unnoticed. I don't know, was it Alexander Hamilton who said that" the republic will endure until government realizes that they can bribe the people with the people's money".

Bill: **<u>01:16:02</u>** Exactly. Those guys were smart. They really understood human nature. The older I get, the more I read what they thought of and how many things they guarded against. It's pretty remarkable, it's really a shame that so many of those guys are in the process of getting canceled because the culture was so different back then. But that's a whole another can of worms we-

Adam: **<u>01:16:25</u>** Yeah, we're not going to open that here.

Richard: **<u>01:16:30</u>** What you're saying is that you will always vote themselves bananas.

Adam: **<u>01:16:33</u>** That's right.

Adam: **<u>01:16:33</u>** I think so. Anyways, Bill, this has been absolutely phenomenal and exceeded all expectations. Thank you so much for your time and your candor, and your advice and experience.

Bill:	**01:16:49**	Thanks a lot. It was really fun. You guys are great group of guys and I love the podcasts that you guys have done that I've seen. I'm happy to be part of this. If you want me to come back some time to see how wrong I was, I'll be happy to come back and admit to my sins.
Adam:	**01:17:05**	Well definitely hold you to it.
Bill:	**01:17:07**	Okay. All right. Thanks a lot.
Rodrigo:	**01:17:09**	Thanks again. Bye now.
Mike:	**01:17:10**	Bye.