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Today we're going to go back in time to the year 165 Ad. To ancient mesopotamia, essentially, where modern day baghdad is located in Iraq. At the time there was a city there named Salucia, and salusia, though originally part of mesopotamia, was a very old city, but it had been conquered by a group known as the parthian Empire. A lot of people haven't heard of the parthian Empire, but at the time they were pretty big deal if you look at it on a map, the Part Empire, they were essentially iranians, early iranians. And the parthian Empire would have taken over all of Iran, all of Iraq, most of Turkey, parts of Afghanistan, Pakistan.

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It was a pretty big deal. And it would have been, should have been probably one of the most feared and most powerful in the world, except for one thing, of course. Their next door neighbor happened to be the Roman Empire. And not just the Roman Empire, the Roman Empire in its golden age, in its sort of peak tax romana. This, of course, is the time from the age of augustus in the late first century BC.

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Through the next nearly two centuries, through the first century Ad. Through the second century Ad. This is the time period in history where if you ever sort of play the thought game, if I could go back in time, this is sort of the error that might be really high on your list. rome's golden age. I mean, life was really good by comparison in other places in the ancient world, throughout history, the romans lived such a great life, it would be virtually unparalleled for, I mean, more than a thousand years afterwards.

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I mean, it was really, really good. They had a boundlessly, prosperous economy, global trade all over the world. I mean, they, they brought in goods and services from all over the world. There was a greco Roman writer, a guy named aristidis, who wrote, quote, whoever wishes to see all the goods of the world must either journey throughout the world or visit Rome. Basically saying everything in the world is right here in Rome.

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It was incomprehensible to most people. I mean, whatever animals and exotic fruits and nuts and silks and robes and spices and everything, it was all in Rome. They brought in everything. And they had, of course, all the famous engineering works the aqueduct and the plumbing and the roads and the bath, which, when you think about it's, actually another good reason why if you got to go back in time, this might be a good era to go because they have really good hygiene, they have toilets and all these sorts of things that were conveniences, that were unheard of in most of the places in the world. They had honestly really great nightlife and theatrical performances and literature, travel, and people were able to travel across the empire and, and it was relatively low crime relative.

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There was no crime but there's relatively low crime, relative peace and stability. And the thing about this era, 165, this is also the era that later on in history became known as the era of the Five Good Emperors. These are guys like hadrian and trajan and Marcus aurelius, Marcus raelis, who actually was emperor or co emperor here at the time in 165. Now, I said it was an era of relative peace. And of course, it wasn't to say that there was never any war.

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In fact, in 165, there was a war because Rome was at war with this parthian Empire. And that was not unusual. It was sort of like the relationship between Rome and the parthian Empire was like Rome and carthage, which is sort of like, in a way, the Us. And Russia. There was like a traditional adversarial relationship there.

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They never trust each other. They never got along. And in the case with the parthian Empire, with good reason, the parthian Empire had made incursions into Rome. There was a really nasty tradition going back to you might have heard of this guy, myth or deedes, back in the second century BC. There was a lot of war between the two back then, and the parthian Empire sat right on these Silk Road

trade routes to the east, blocking some of Rome's path to the east.

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And so they had different reasons to go to war. And they had been at war a couple of times already in the past. And so now it's 165 AD. They're at war again. And there's this Roman general's name is Evidence Cassius, and he takes the city of Salutia, where we started this podcast.

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Salutia, even though it was really Mesopotamian in origin, it at that point had been conquered by the Parthian Empire, had become a major city in the Parthian Empire. And a video cast, he takes the city and says, you know what? I'm tired of this. I'm just going to burn this thing to the ground. I'm not playing around anymore.

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I'm just going to burn it to the ground. So they destroy the city. Now, according to a very famous legend that's handed down to us by the Romans during the destruction of the city, there were some Roman soldiers. And according to one version of this legend, even a general named Lucius Virus, who goes into the city of Salutia, they go into the Temple of Apollo and they disturb the Golden Casket. The Golden Casket in the Temple of Apollo, which is they're offending the gods.

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And the next thing you know, soldiers start getting sick. Now, that wasn't terribly uncommon if you understand the nature of warfare and the history of warfare all throughout history. So many soldiers died in some wars, it's even more common. People, more commonly people die of disease on the front lines than in actual combat. And that's because conditions are harsh and soldiers are packed together tightly like sardines.

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It's easy for disease to spread. This is the case even in World War I, World War II, we saw just rampant disease ravaging the front lines, and it was not that unusual. He said, oh, soldiers are getting sick. People are dying. It happens, right?

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But you think about obviously, we know a lot more about how diseases spread. These guys are marching back all the way to Rome. Remember, Salutia was basically where modern-day Baghdad is. Think about how long that journey is, how many places they stop, all the local provinces and peoples they meet along the way. They're spreading that disease everywhere.

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And by the following year, this was basically a full-blown pandemic. They called this the Antonine Plague, and we have substantial sources about this people that describe conditions, and it was nasty. The modern historical consensus is that it was smallpox, and people think might have been something else, but smallpox is sort of the consensus. And again, the death toll varies. You have some of these ancient there's a lot of hyperbole in the ancient world.

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People go 90%, 100% of the population was wiped out. Come on, that's ridiculous. But a good estimate, probably at least 10% of the population wiped out from this disease at quite a high, dangerously high mortality rate. In fact, this guy mentioned earlier, Aristides, that Greco-Roman writer, who said, you know, all the goods in the world, you know, being here in Rome, this guy got it. But he didn't die.

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He actually survived. He was one of the lucky ones who survived. Now, there was a there was a doctor. I want to just pause for a minute and talk about the leadership at the time. There was a doctor, this guy whose name was Galen, and he was a famous guy.

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He's probably one of the most famous physicians in ancient history. And he had been physician to the gladiators at a certain point, sort of like the team doctor for the Dallas Cowboys or something. So he was sort of a big deal. And he was summoned by Marcus aurelius, who was co emperor at the time, and he said, Listen, Marcus aurelius, he's with his troops camped in northern Italy and is this mysterious plague. And he goes to galen and said, you figure it out.

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And Galen to his credit, even though there's a bunch of voodoo belief and medicine at the time, galen kind of realized, well, this seems to be an airborne virus. He got sort of on the path to realizing that. He wrote in his works about how these people are sort of spraying pestilence in the air, and you got to stay away from that. So he was really sort of on track to realizing that it was an airborne virus. But the way that they dealt with this, they didn't tell everybody to cower in fear, hide in your basements.

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They didn't say, we got to shut down the empire.

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They didn't suppress origin stories. This is actually kind of funny that Christians at the time were the social outcast. accords are people that blamed Christians. There are people that blamed you offended the gods by opening the casket in the temple of apollo. Other people thought that it came from China.

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Nobody got canceled for saying that. They didn't suppress these opinions. They didn't suppress information that people had. There are a lot of people that were experimenting, trying different treatments, things like that, and people wrote about it. The word spread.

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They didn't try and suppress information. People had differing opinions. People they didn't try and force treatments. They didn't try and prevent certain treatments. You're not allowed to use this particular route in treating this plague.

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Nobody ever did that. Everybody was sort of free to figure it out for themselves and share information and figure out their own cures. And of course, there are plenty of cuckoos running around. There was one guy, he called himself a prophet. His name was Alexander, this prophet Alexander, he went around, told everybody, you need to put this icon of a snake above your door, and that's going to save you from the plague.

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The guy probably made a fortune going around selling these snake icons to people, and some people believed it. But even that, they didn't suppress that. They didn't censor, they didn't cancel anybody. Galen himself, this guy who was essentially who became the official court physician, he was basically fauchy, right? Except he was actually really big on galen was big on mental health.

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Galen did not think that you should sacrifice the mind or the soul in order to save the body. In fact, Galen was also really big on fundamentals. He said, you know what? Everybody get outside, get fresh air, get exercise, eat a healthy diet, don't cower in fear. And for his own part, Marcus aurelius was also pretty relaxed about it.

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He understood, as romans understood, that, you know what? This stuff happens. This wasn't like it was the first time there was a plague in Rome, that these things happened quite frequently. This was the first time, at least in their memory, that it was this big. This was a really, really big deal.

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It was dangerous, it was virulent, it spread rapidly, a really high mortality rate. But they had seen plagues before, lesser plagues before, so this was just a worse version of what they'd already seen. And Marcus Raylis was pretty stoic about it. In fact, he was quite famously a stoic philosopher who wrote extensively about stoic philosophy and life and all these things. And one of the things that he wrote in his book, and I actually really encourage you to read some of the works of Marcus aurelius.

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And he wrote, I think this is great advice, really. He said, you got to focus on the things that you can control. Don't stress about the things that you can't. And in this particular case, you can't control the Pandemic, you can't control. It's like they all sort of realize this thing has just got to run its course.

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The pandemic's got to run its course. It's going to rip through our empire. A lot of people are going to die. That sucks. There's nothing we can do about it.

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Try not to stress about it. Focus on you. Focus on the things that you can control. And really that makes a lot of sense. Now, Rome did get through it again, it became known as the antonine Plague, sometimes in honor of this guy Galen, the physician who wrote really extensively about it.

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Sometimes it's known as the Plague of Galen. But it lasted for a long time. It lasted for years. A lot of people did die, but life went on. This was important, though, to understand, because up until this point, life was pretty good in Rome.

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Of course, they'd had their share of idiotic emperors in the past. They had nero and all of this. That was in the past. But they were still in their golden age. And Marcus aurelius.

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Things were good. Peace, prosperity, all these things. But this plague kind of starts to mark the beginning of the downward spiral for Rome. Because after Marcus aurelius, quite famously, he succeeded by commodus. Now, if you ever seen the movie gladiator, I think it was from the year 2000, I think it was at least nominated for an Academy Award, but not even one best picture.

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I don't remember this a long time ago, but comedy was actually this is actually one of the rare instances where Hollywood doesn't overdo it. commodus is played by the actor joaquin Phoenix, and he comes off in this movie as this pompous, arrogant, dangerous psychopath. And they were probably being actually kind to communist was combust, was insane and he was so cruel. He was terrible. This is guy he really used to go he was so enamored with himself.

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He thought it was so handsome and so buff and muscular. He would go into the gladiator arena, go into the coliseum, and rip his shirt off and flex his muscles and slay beasts. And then he would go and slay his opponents and steal from people and plunder and the taxes. It was just a terrible, terrible, terrible, terrible person. But even worse leader and ruler.

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But obviously things got worse and they had comedy. This guy lasts for more than a decade. They get two emperors after that who lasted combined only a few months. I mean, we start getting the murder and intrigue. Everybody emperor is getting assassinated.

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They end up with a guy named septimus severus, who was a hardcore, hardcore warmonger spendaholic. Another guy who used to go around and execute his political opponents. He debased

the currency, he raised taxes, he vastly increased the size of the state. He created this. He made the Roman government so big primarily because of the military, because he essentially turned Rome into a proto fascist military dictatorship.

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Rome had basically, under septimus severus, sort of become almost like a little bit like Nazi Germany under the Third reich. And that created this really unsustainable fiscal burden. It was so expensive to maintain this huge military and the bureaucracy. And of course, his son Carrakala was even worse. carica is the guy who famously they say, oh, the treasure is empty.

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We don't have any money. And he's having this conversation supposedly, I believe, with his mother, and he sort of jingles his sword and he says, as long as we have this, we shall never run out of money, which really tells you everything you need to know. I think you kind of get the idea here. It's a terrible situation. They get to the point where taxes become outrageously high, inflation is rampant, trade plummets, both internal trade and external trade.

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We start getting into this period that historians call the crisis of the third century, and it's so bad that the empire almost vanished. I mean, really just broke up, started to disintegrate. caracalla's successor was a guy named macronus. macronus macris had the Parthians knocking on his door on the Eastern Front. He had barbarian tribes making incursions into Roman territory.

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The treasury is totally depleted. And this poor guy, he probably knew that taking the emperor position, he was going to be executed. Sure enough, he was. There were rebels that basically came in and executed this guy in like a year. He was followed by ella Gabolis.

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And elle Gabalus was to be honest, it was a transgender ruler who was supposedly said to have offered half of the empire to a physician who could turn him into a woman, which again, I don't care. I have zero issues with anybody's personal choices. But you don't get to pony up state assets for your own personal choice. That's just not okay. It's just not okay.

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You don't get to do that. And again, this sort of sets the tone for the next several decades, the empire would basically collapse. It really, actually did break apart. They ended up in this thing called the Ted sharky. They had competing things that used to be part of Rome, broke up into their own sort of spin off breakaway republics and breakaway empires.

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They had another plague as well. They had something the plague of cyprian, it was called, which a lot of historians some historians believe might actually been ebola, originating from Africa. And if you guys remember ebola, this is something that popped up in the was terrifying. You just sort of just implode from within. Like all your organs just melt and practically you just burst into flames.

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All it just really nasty, nasty thing. And some stearns believe that this plague of cypriot might have actually been ebola. We're also talking about in addition to this plague, the breaking apart of Rome collapse of trade. No no price stability, no confidence in the currency, no confidence in government, anybody with any wealth hit it away. They hit it from they hit it from each other.

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They hit it from from corrupt tax officials. They hit it from corrupt politicians. They hit it from corrupt soldiers. And people would just go around. I mean, the Roman just become just this criminal organization.

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At that point, there was intense social conflict, rebellion, and of course, you had these completely incompetent bureaucrats and continued just tidal waves of migrants coming across the border. You can just imagine again, you have to imagine just being back in history. Just imagine living in that time. And if the TV news was available back then, you could read the stuff on if the Internet was there, you could read this and you could see politicians putting up, we've been to the border. We've been to the border.

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The border is secure. No, it's not. You could just imagine just the lunacy, their idiotic ancient Roman word salads of trying to convince people that everything's okay. But people knew. They knew.

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The Empire is broken apart, everything is terrible. And again, things are going pretty okay. Things are going pretty okay. In 165 Ad, then they had a plague, then terrible leadership, and then the empire literally broke apart and was about to collapse forever. But then there was one guy, it almost sounds like one of these movie trips, but one man, but this is actually the case.

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This is what happened. There was one man. His name was Lucius Dumitius Aurelianus. He's known to history as Aurelian and Augustus, was no saint. There's plenty of reasons to criticize everybody, plenty of reason to criticize a ruler, but this is a guy who became emperor and reformed everything, the coinage, the military, government finances.

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There were welfare programs. There was one called the alimentum, I believe it's called, and he just said, no, we're going to get rid of that stuff. I mean, all these things, people are on the dole. We're creating incentives for people to be unproductive. That doesn't make any sense.

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Too many corrupt politicians, too many corrupt officials. I'm going to get rid of these people. I'll even execute them if I have to. I'm going to put down these foreign incursions. I'm going to do the things that need to be done.

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And again, he's no saint. Plenty of reasons to criticize this guy, but he almost single handedly turned things around. He put Rome back on the right path. He actually reconstituted the empire. He went to all these breakaway empires, said, no, you're part of Rome.

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And for this reason, they actually called him the restorer of the world. Because Rome was considered really, especially by Romans, consider themselves like, this is basically the known world, and this is the guy that pieced it back together and put us back on the right path. Restorer of the world, that's actually pretty high praise. The city of Orleans in France, and by extension, New Orleans in the United States actually named after Aurelian or Leon Aurelian, that became sort of the French Aurelian or Leon is actually named New Orleans, named after this guy Aurelian, who was again, almost single handedly put Rome back on the right track. Now, we did a podcast about this a couple of weeks ago.

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I told you about Britain, I told you about the failures of all these British kings. We sort of ended with George III. This is a guy who notably lost his mind. I mean, he was bona fide crazy dementia. People sort of talk about like, what exactly did he have?

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But I mean, this guy had really lost his mind. He was all these stories. He was supposedly to have shaken hands with a tree thinking it was the King of Prussia. You know, stop me when this sounds familiar, but, you know, but, but yet, even though they had and you think about Britain in the early 18

hundreds, you got this guy shaking hands with a tree thinking it's the King of prussia, totally lost his mind. The king has completely lost his mind.

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You got napoleon knocking on your door about to invade. You've got inflation, you've got a currency crisis, your treasury is depleted. Things look really bad for Britain in the 18 hundreds, and yet they too got on the right path and they grew their way out of trouble. Now, you obviously get the parallel. We've talked about this before.

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Like Rome in the third century, today's dominant superpower. In the 18 hundreds, the dominant superpower was the UK. Today's dominant superpower, the United States also beset by similar circumstances. We see the inflation and the economic decline, all the issues related to the pandemic social conflict, the border incursions, external conflict with major powers, the internal conflict that we have with ourselves that nobody can compromise, nobody can have a discussion, everybody's canceling everybody. And there's a lot of things on this list you could add to this list all day long.

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You could add climate issues to this list if you wanted to. You could add all sorts of social issues to this list. Some of these are really existential issues. And I have to say among these existential issues really, is this enormous fiscal hole. It is an enormous fiscal hole because not fixing this will create catastrophic problems in the future.

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And I'm not talking decades and decades from now, we're talking the relatively near future. And to explain this a little bit more, I want to tell you, hot off the presses, just came out yesterday, February 16. Today is February, Friday, February 17. So yesterday, February 16, they just came out with the annual financial report. It's called the financial Report of the Us government.

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And you can actually pause for a minute and go, and I'm not going to say Google this because I don't use Google, I use Brave. I think anybody that cares about privacy shouldn't use Google. But whatever your favorite search engine is go and just find financial Report of the Us. Government and the fy 22 fiscal year. 22.

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Remember the Us? Government runs in a fiscal year that starts on October 1 and ends on September 30. So fy 22 went from October 1, 2021 to September 30, 2022. And they put out this essentially annual report like it's a publicly traded corporation, like it's Apple or jpmorgan or something like this. They have this annual financial report just like any other big company or big organization that has financial statements and management discussion and analysis and so forth about what's going on and why.

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And the financial statements, as you can imagine, are absolutely atrocious. Now, the President of the United States loves, loves, loves to brag about he said he brags about how he's a capitalist, and he loves to brag about the fact that he brought down the deficit, you know, by more than any other president in history. And he brags about how the deficit, you know, the fy 22 deficit was, quote, only \$1.4 trillion. Even in the State of the Union address just recently, he was bragged about this, I brought down the deficit, and blah, blah, blah. So first of all, I don't know how somebody could brag about how the deficit is only \$1.4 trillion.

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But second of all, everything that he's saying is a lie. It's a lie. It's a lie. He lies. And the financial statements prove it.

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The government's own financial statements prove that this guy lies. And it's very easy to understand. It's very easy to see because it's right there literally in their own financial statement. Page 17 of the report, if you're following along with me, page 17 of the report actually explains this. They actually have two metrics for how they measure this.

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One is they talk about the budget deficit on a cash basis. Now, cash basis means that you can actually massage the numbers. You can massage the budget deficits because it's based on literally like, cash in and cash out at the time. And so you can accelerate certain revenues. You can push off certain obligations in order to massage the numbers and sort of make up a little bit of number, which is amazing.

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It's like, really? \$1.4 trillion? That was the best number you could make up. But the same way, you can imagine, let's say you incur, like, some big spending bonanza at the very end of the fiscal year, but you go, we're going to push that into next year, right? So we don't actually incur any of those expenses this year.

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Well, that's not actually how accounting works, right? The real accounting system that every company in the world, any sizeable business of any real size, uses something called accrual accounting. Accrual accounting basically says, will you incur an expense really at the time that the obligation is undergone all these different rules? But it's basically, if you get an invoice, right, that's an expense the expense isn't recognized when you actually write the check. The expense is recognized when you get the invoice or when the invoice is due.

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So There are very specific rules about this, and you don't have the option of doing what they do on this cash basis budget deficit, pushing out Expenses and accelerating revenues. And So We don't actually have to Wonder if You Go, well, if the federal government followed its own accounting Rules, right, these generally Agreed Accounting principles gap, Us. Gap rules, the same rules that they require, by law, all These Big corporations follow. If they follow the same accounting rules that everybody else has to follow, what would their Actual deficit be? Well, we don't have to Guess because they calculate it for us, right?

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And So the actual true budget deficit, which they call in their versions, they call the Net operating Cost was actually not 1.31.4 Trillion. It was \$4.1 trillion, negative \$4.1 trillion. And in case you're wondering, this is also the part where this is a complete lie. Because they said, he brought the deficit down. No, you didn't, bro.

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No, you didn't. Because, as A matter of fact, the previous Fiscal year was terrible, but it was, quote, unquote only -3.1 trillion. So it got a trillion dollars worse the net operating cost went from -3.1 trillion to -4.1 trillion. It got a trillion dollars worse. So this guy is going around town telling everybody going on camera, go, I Brought down the budget.

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I said. No, you didn't. It's a lie. It is a lie. And your own financial statements prove it.

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Your own financial statements say right there in black and white. You can read it for yourself. The net operating costs of the federal government went from -3.1 trillion to -4.1 trillion but wait, there's more. Because in addition to that, and In calculating their Net Operating costs and actually putting the real numbers, they also put out a balance Sheet, right? The balance sheet, just like Any human being, any business, we all have assets and liabilities.

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We have Cash in the bank and we have whatever cryptocurrency and Real estate and stocks and Bonds, all Whatever it is we have. And we have liabilities, maybe a home Mortgage or a car loan or whatever. The government has that as well. Their assets are things like tanks and Bullets and Acres of national parks, the Strategic Petroleum Reserve, monuments and buildings and all this sort of stuff, minus Liabilities. Things like the national debt, et cetera.

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And the difference between those two is the government's net Worth, right? Obviously, we'd like to see a net worth. It's Positive. Most people want a positive net worth. When they say elon Musk is worth whatever.

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\$100 billion. \$200 billion. They're talking about his net worth, the value of his assets, minus his liabilities. Well, the government's net worth is really bad. It's -30 \$4 trillion.

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This is not my calculation. This is right there in the. Government's own financial report -30 \$4 trillion by the way the year before it was -29.8 trillion so they went from -29.8 trillion to -30 \$4 trillion It's absolutely Insane and yet there's still more because on Top of that on Top Of this -30 \$4 Trillion sort of Negative Net Worth they also have the Social Security funding gap we talk about this a lot, so I don't need to hash this too much. But this is the idea that they made promises to taxpayers. They made promises to their citizens.

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You can retire at this age. You get this much money? blah, blah, blah. Well, guess what? That requires that they have a certain amount of cash.

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And that cash means that they have to have this cash set aside and these trust funds in order to meet those needs. And they don't have that cash. They don't have the cash. So the difference between those two is they call that the Social Security funding gap. And the funding gap again, these are their own calculations is \$75.9 trillion.

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\$75.9 Trillion. That is an enormous funding gap. That's basically the difference between how much they owe over the long run to Social security beneficiaries current and future and the amount of money that they project they'll have set aside for that program. It's a \$75.9 trillion gap. And by the way, the number last year was \$71 trillion.

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So they went from 71 trillion to \$75.9 trillion. And you put the two of these together? They're negative net worth. The Social Security funding gap, we're talking about \$110,000,000,000,000 in negative net worth. That's more than four times the size of the entire Us.

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Economy, even by their own projections. This gets worse. You can look at this on page 28. They have a little section headline that says an unsustainable fiscal path. Yeah.

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You think so? You think so? Maybe. That's probably an unsustainable fiscal path. That's an extremely polite way to put it.

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And in there again, their own analysis. They got a neat little chart. You scroll down to page 31. Page 31. It shows their projection of the United States public debt, which this is a little economic nuance, but there's actually a difference between the public debt and the national debt.

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The public debt is sort of a portion of the national debt. It's not even the entire national debt. It's just a portion of the national debt. Right? So the actual number is much worse.

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Over the next, they think about this stuff over decades. They always project. They use 75 years in their projections. So they project the national debt or, sorry, the public debt, which is just a portion of the national debt over the next 75 years. And they show it reaching nearly 600% of GDP over the next 75 years.

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It's basically just this sort of straight line going up and to the right. This is completely insane. And you got to look at it and say, does anybody actually think they have they can keep doing this for 75 years. Does anybody think that anybody, any reasonable investor in the world can be like, oh sure, you're 600% GDP in debt. Let me keep loaning you money.

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That makes sense. That sounds like a reasonable investment to make. No, of course not. This is totally this is completely insane. They don't have 75 years.

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They don't have seven decades. It's hard to say how long they have, but it sure as hell isn't seven decades. It's not five decades. Not four decades, not three decades. Is it two decades?

[00:29:42.070]

Who know? We don't really know for sure what the timeline is, but it's not that long. It's really not that long. Now, there's a little bit of a little bit of humor in this. One of the things you might also find in the report, if you scroll down to page 43.

[00:29:55.360]

Page 43. Remember, the government these are, these are audited financial statements. The government has an auditor. It's actually, this it's, it's a government office. It's called the Government Accounting Office.

[00:30:03.880]

The Government Accountability Office and the gao audits the federal government. And the federal government, if you're familiar, if you've ever read audit reports before, the whole point of an audit is they don't prepare necessarily the financial statements. The auditor goes in and looks at the financial statements, and they perform certain their responsibility is to say, these financial statements that have been provided to us by management, we believe that these are, in fact, an accurate representation of the financial condition of the business or of the organization. That's what the auditors are supposed to do. And the auditors the government failed its audit.

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That's the bottom line. The government failed its audit. Again, this happens almost every year. The government fails its own audit. It's totally ridiculous.

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And you could see this on page 43 that the gao cites, quote, certain material weaknesses in internal controls, which is a very polite way of saying that the level of financial mismanagement is absolutely insane here. And they go on to say that they said, look, we looked at the federal government's assets, and again, we're talking about that balance sheet. These are the tanks and the bullets and the parkland and the monuments. They said 49% of the assets were reported to us by agencies, federal agencies, whose financial management could not be relied on. Right.

[00:31:21.740]

This is hilarious. And the reason why is because all those people should be in jail. And that's not even hyperbole. Back in I think it was 2003, maybe 2004, 2003, I think the Congress passed a law. This is in the wake of their bunch of financial scandals, most notably enron.

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We had all these corporate executives that were cooking the books and misleading investors by just literally just making up numbers. I mean, putting out publishing numbers every quarter. Oh, our earnings are, you know, we're making resilience of dollars. And it was all it was all a lie. They just completely made up everything.

[00:31:53.060]

It was just, it was a fraud. It was a scam. And Congress, of course, what they do, they passed laws. I mean, there were already laws on the books saying you're not allowed to do that. But what, they just went and passed another law and this time this law was called the sarbanes oxley Act.

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And they passed this law and, and they actually created criminal penalties for executives that essentially fail their audits. And that if you don't, this is, you know, section 404 and 302 compliance. You know, if you go in and, and as an executive, if you preside over an organization that fails its audit, you can be held criminally liable, personally thrown in jail because you fail your audit. Right? And so here you have the government not just failing its audit, I mean, just completely blowing it to a level that is literally a level of financial mismanagement that rises to the level of criminality.

[00:32:39.740]

And any, any corporate executive, any publicly traded company that had an audit that bad, where the auditors came out and said 49% of the assets can't be relied upon, those people would be in jail. But the government does it pretty much every year, right? So it's just a way to show that the situation is so bad. But it's even worse because even though you can't even rely on the data, it's so bad because the financial management is so piss poor, you can't even actually have any reliance on the data that they provide. That's how ridiculous it is.

[00:33:12.810]

And it doesn't take a rocket scientist to see where this goes on current trajectory. realistically. This is why I was saying, like, who knows how long they have? It's not 75 years, is it? 20 years, 15 years, ten years?

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We don't really know for sure. Right? We don't know for sure. And it's quite a gamble to just sort of roll die. Well, I'm going to assume it's going to last for another 50 years.

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That's a very dangerous and risky position to take on current trajectory where they are right now. The only realistic solution is to default. And what does that really mean? Well, they can default on the debt. They could default on the, on their external debt to all the, you know, to, to the, the Chinese and the Japanese and the europeans, et cetera.

[00:33:52.750]

Well, that's going to cause a massive currency crisis. That's a bad news ending. They could default on their internal debt to, for example, Social Security, the Social Security trust funds on a lot of Us. Debt. So what are you going to do?

[00:34:06.060]

You're going to default on Social Security trust funds and now you completely screw over all Social security beneficiaries. You're going to default on the Federal Reserve, cause another massive currency crisis. You're going to default on the banks, Us. Banks, cause all deposits to get wiped out. I mean, there's no good solution there by defaulting on the debt.

[00:34:22.220]

And that kind of leads to defaulting on promises that they've made to their citizens and their taxpayers, like, you know, paying social security or maintaining a stable currency with, you know, supposedly 2% inflation, or the promise to maintain a strong national defense, or the promise to not completely plunder their citizens' wealth through confiscatory taxation and all these sorts of things. Well, guess what? All those promises are probably going out the window now. Again, we talked about this a few weeks ago that Britain was in a terrible position. It's the early 18 hundreds got George the Third shaking hands with trees, napoleon's at the gate, the treasury's depleted, inflation is getting out of control, and yet they grew out of it.

[00:35:01.410]

They had a little bit of luck on their side. They had the Industrial Revolution, technology and a lot of economic growth and they did what was necessary to sort of liberate the economy and free things up and they grew their way out of it. This is similar, right? But we talked about Rome. We talked about a rally.

[00:35:19.570]

This is a case where you had literally one guy turning everything around. A Raleighan had the authority to go and impose his will and make all the reforms that were necessary. And in the case of Rome, obviously the emperors that came after Iralin weren't so sound. But Iranian's reforms meant that the empire, the Western Empire, lasted another 200 years, basically because of what this guy did. So it's a really, really big deal.

[00:35:43.840]

He was able to extend the life of the Western Roman Empire, reconstitute it, put it back together and put it back on a path where it lasted another 200 years. So that was quite an accomplishment. The Us. Is more complicated than Rome. Again.

[00:35:56.530]

In Rome, it only took one emperor. In the United States, you need a whole lot of stuff. You need a president who's actually sentient who knows who he is, where he is, who he's shaking hands with, et cetera. You need a filibuster proof majority in the Senate. You need a super majority in the House.

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You need all three of these bodies that have total alignment in philosophy and priorities, et cetera. And this is, of course, a huge problem because there is no alignment. There is no alignment in priorities and this is reflected in voters. Voters have no alignment in their priorities. And you can see this based on the people that they put in office.

[00:36:32.140]

They elect complete and total buffoons over and over and over again. They elect people. It's amazing. You got to look at some of these districts and you go, how do you keep electing this person who's clearly corrupt and competent, narcissistic like, why do you keep putting these same people for decades and decades in the same position? Is there really such a dearth of leadership?

[00:36:54.220]

There's nobody who can step up in that jurisdiction who can be possibly better than this complete idiot? But this is what you end up with, is because I can't explain it. I wish I knew why people keep taking these same essentially criminals and putting them in office over and over again. I wish I could understand it. It just seems so counterintuitive.

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It seems so illogical. But they just keep doing it, right? And because there is no alignment, we can see this reflected again in voters choices. We can see this as well in the leadership that has no capacity to solve problems whatsoever. In most cases, no capacity to even not only they can't solve the problems, they can't even acknowledge the problem.

[00:37:34.990]

They can't even address the problems. You guys are probably aware of this. I mean you might not be aware, I mean, that the media has been strangely silent on potentially one of the biggest environmental disasters of our time, where you had this train derailment in Ohio and they spewed all these chemicals and they just went, oh let's go light them on fire. And all these chemicals ended up in the air. The EPA was looking on, all these state officials were looking on and said, okay yeah, sure, let's light them on fire.

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And they killed off all this life, plant life and animal life in the community. And the EPA, of course, is totally downplaying. It. The Secretary of Transportation, Pete Buttigieg the other day, though this was just a couple of days ago. I mean this has been going on for what, week, week and a half.

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Pete Buttigieg is out making public remarks, did not once even bother to mention the Ohio train derailment. Bear in mind, train derailment kind of falls under the Secretary of Transportation, right? This is sort of his thing. And yet no word about train derailment, no word about toxic chemicals killing off life in the community. But he did have time to complain that there's too many white people working construction jobs in federal infrastructure projects because that's the priority, right?

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We can't acknowledge the obvious problem, the clear priority. You have plenty of conversation about racial disparity in the infrastructure and construction industry. Fine. Is that really the priority or is the priority toxic fumes in Ohio killing off plant and animal life and probably extremely harmful to human beings? But again, that's just apparently not the priority.

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And when you see situations like that where there's a clear difference in what the obvious priority should be and they're not even close. They're not even close. And so with all that, I think you could hope that maybe there's going to be some major crisis, that they get really close to the edge. They go, oh well, Social Security is out of money and now we're in this major financial crisis. Maybe some major crisis knocks some sense into people, right?

[00:39:39.370]

Make them realize, I got to stop electing these criminals. I got to stop putting the same criminals over and over again the same people, and I don't want to keep using the word criminal. I'm sure there's some very nice, very well meaning people and there's a lot of people that are just completely incompetent. We know the names. I don't need to get into this.

[00:39:55.550]

But I mean, they realize maybe, jeez, we need different leadership. It hasn't happened yet, right? I mean, there have been crises in the past and it hasn't happened yet, so I'm not holding my breath. We can hope, but I don't think it makes sense to hold your breath for this. And that's why, again, I think it makes sense to think about the future, think about some of these risks, think about I mean, these are really existential issues.

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You've got to really consider what happens at the point where the US really does get to the point where the debt is so high, their financial obligations are so high, there's no room to cut anything, right? They have to do away with the military. They've got to completely eliminate Social Security. I mean, we're talking about major radical issues. These are clearly existential issues to the way that the United States is and exists right now.

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And it's important to think about these things because they're not that far off. They're really not that far off. I've been writing about these sorts of things for a really long time, and now if I go back and I look at things that I wrote ten years ago and I look at where we are now and go, oh my God, this stuff

is really happening. It's really happening, all these things. We look at the social conflict and the decline in power and all the fiscal issues and the inflation, all these things.

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I've been right about this for a really long time, and it's important to think about the future because it's happening. All these things are actually happening. I don't have this end of the world is nigh mentality. I do not believe that at all. I'm incredibly optimistic about the future of the world, the future of humanity.

[00:41:24.080]

I think everybody has control and power over their lives and can take back control and can take that power and do a lot of things with it. But it's important to think about risks. You've got to think about risks in life, and there's some pretty obvious risks here. If you look at some of this fiscal hole and you think these guys become these fiscal challenges become so great, they become more and more desperate and they're starting to get it. You can see these guys talking about the debt ceiling and so forth, and it's starting to actually cause a lot of concern among politicians going, jeez, we really got to get this under control.

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Unfortunately, that's a pretty small number of politicians that think we need to get this under control. Other people saying, no, you've got to keep raising the debt ceiling. But this is going to be a situation where they're going to get desperate, taxes are going to rise. That's pretty much a given. I've got to say, at face value, I don't have this issue with taxes per se.

[00:42:18.250]

I don't think anybody really loves paying taxes, but it's not tax in and of itself. It's it's how they waste the money. If you look at all the money that they collect, trillions and trillions of dollars, and then you look at the stuff they do with \$2 billion on a website, paying people to stay home, all this all this all this crazy stuff that they just waste, constantly waste money. That's not their money. That's our money.

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That's our money that they waste on the most made, the most offensive, insulting waste of money. And you're sitting there arguing about the debt selling, and there's no that there's, like, no discussion about, jeez, maybe we shouldn't pay people to stay home. Maybe we shouldn't waste all this money and all this silly stuff and just feel like we can just spend whatever we want on whatever we want, and there will never be any consequences forever and ever until the end of time. That's a terrible attitude to have. But of course these people go and waste all this money.

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They will never be held accountable. They will never be held accountable. They of course they go. They'll be awarded the Presidential Medal of Freedom, and they'll have elementary schools named after them and get honorary doctorates from universities and get very lucrative gigs on CNN and Netflix and all this sort of stuff. You'll be forced to pay for it.

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They will never be held accountable, but you'll be forced to pay for it. And this is the problem that I have with taxes, especially higher taxes, is because this is essentially a remedy to fix their own stupidity, their own corruption, their own idiocy, their own bad decisions. And you think about the pandemic is an obvious example, right? You think about all the decisions that people made and the lockdowns and et cetera, and the consequences, the mental health consequences, the consequences on children's development, children's education and learning, the massive increase to the debt, the supply chain issues, the inflation, all these things. These are all decisions that they made.

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You pay the price, they don't pay the price. They retire, and they get all their fancy awards and speaking gigs and their book tours and all this sort of stuff. You pay the price. It's your responsibility

to pay for their mistakes. And I think that this is extremely unethical.

[00:44:23.690]

I think it is extremely unjust to force citizens to pay for the literally criminal level of incompetence of their political leaders. And I do not use that word lightly. I don't use that word as hyperbole, literally criminal level of incompetence. Again, go back to the financial statements. 49% of the assets can't be relied upon because of the complete and total financial mismanagement of the government, of the leaders, of the bureaucrats and the politicians, that's a level of criminal incompetence as defined by the Sarbanes Oxley Act of 2003.

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This is not I'm not being excessive here in my vocabulary. This is criminal level incompetence. And I think it is extremely unethical to force people, to force citizens, hardworking people, to pay for criminal incompetence of their political leaders. And so, you know, my view on this, I think it makes all I never advocate violating the law, but fortunately, a tax code that's so vast that it takes an entire football stadium to fill it up, there's plenty of room. There's plenty of ways you can take absolutely legitimate steps to reduce what you owe.

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And again, just simply following the law, simply taking legitimately, legally allowable deductions and setting up perfectly legal structures and so forth to reduce what you owe following the law makes total sense, right? It makes total sense because, again, if you can see, if you look forward and you see this trajectory towards they're going to they're going to have to default. They're going to have to default on their promises. They're going to have to default on their promise to maintain a stable currency. That means inflation, which we're already experiencing.

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I mean, they said, oh, inflation fell to whatever, six something percent. I mean, get used to it. Hey, it's better than nine, right? And I think that's going to be sort of thing going forward. They're going to get it down to five and go, job well done.

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It's only 5% now. It's hard to imagine that they're able to, again, over this long period of time going over, if we think about 10, 15, 20 years, to think you're going to be able to maintain an average 2% inflation over that time when this is their financial condition, that just seems ludicrous to me. And so if you think about this and you think about this trajectory towards inflation, for example, you think about this trajectory towards default. So higher taxes, take steps to reduce your taxes, take steps to reduce the impact of inflation. And there are ways to do that as well.

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It's not rocket science. I mean, there's plenty of historical precedent for that. We're not reinventing the wheel. We say, oh, what works well during inflation? Well, maybe diversification into real assets, businesses that are exposed to real assets.

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These are things like energy, metals, agriculture, productive technology, not swipe and scroll, but actual productive technology that makes people better, faster, swifter, more productive real technology. All these things are out there, and especially right now, to be honest, there are really great, well managed real asset businesses out there, both public and private, that are trading for absurd discounts. There's companies in the energy space that are trading. Natural gas companies trading two to three times earnings while gas is at \$2.30 right now. Even though they want to do all this LNG to Europe, which is probably going to make the gas price go up, and they're trading at two to three times earnings at \$2 and 30 cent natural gas.

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I mean, there there's a lot of really good deals out there. There's technology, productive technology, companies that are traded really on the cheap, agriculture, businesses, fertilizer business. There's so

many of these opportunities that are available. And so if you think about inflation hedges, go, jeez, I hate paying, you know, \$12 for, you know, \$15 for a dozen eggs. Well, guess what?

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There are plenty of these inflation hedges out there. And what I'm ultimately sort of outlining is that these politicians are making your cost of living go up, and so why not use their own laws to give them less money, right? Use their own laws to say, here's the tax go. Great. I'm going to follow the tax code.

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And by following the tax code, I'm going to give you less money because I shouldn't have to pay for your criminality I should not have to pay for your criminal level of incompetence. That's one way to help ease the burden of inflation. And then you can take that savings and put it in things that do very well and can make a lot of money in an inflationary environment, and especially in different investments right now that have very attractive entry points, right? So this is just sort of one way. I'm not here giving anybody investment advice.

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I'm just giving you a way to think about all this because there are things that you do have under your control. Remember, it closes as I'm going on. It's 48 minutes now. I want to stop here, but I want to go back to ancient Rome. And again, think about that.

[00:48:51.630]

Things are pretty great in 165. They were in their golden age. Sure, they'd had troubles in the past. They had idiots like Nero in the past, but things were pretty great in 165. They had a nasty pandemic, and that was sort of, again, the start of this downward spiral that led to an inflation crisis and a migration crisis and financial crisis until the empire actually did break apart.

[00:49:11.670]

One guy put it together, one guy put it together, and we can hope that that happens. But again, I wouldn't hold my breath. I'm certainly not holding my breath, because it turns out there are plenty of things that you can do. While we maintained hope and optimism, there are plenty of things that you can do. You cannot control how tens of millions of people vote.

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You can't control the stupidity of leadership, the gigantic fiscal problems, the inflation, the tax increases, all the things to talk about. Just the crazy woke mobs and all this silly stuff. But remember the words of Marcus Aurelius. Remember Marcus Aurelius saying, you know what? Don't stress about the things that you cannot control.

[00:49:45.840]

Focus on the things that you can. And it turns out there are really a lot of things that you can control to really move the needle in your own life. Thanks so much for listening, and we'll speak to you again next week.