

KEEN ON RETIREMENT



Washington Insider Greg Valliere On Controlling Inflation, Deficit Spending, the Biden Agenda, and the Road to 2024

Welcome to Keen on Retirement
With Bill Keen and Steve Sanduski

Steve Sanduski: Hello everybody. And welcome back to Keen on Retirement. I'm your cohost, Steve Sanduski. And we've got another full lineup here today. We've got Bill Keen. We've got Matt Wilson and we have another very special guest with us today. So Bill, I'm going to flip it over to you here to make some initial comments here and then introduce our special guest.

Bill Keen: Welcome everyone to our episode today, we are honored to have, Greg Valliere back on the program. Now, many of you may recall seen Greg do a session for us that's in 2016 in person here in Overland Park, Kansas, and then most recently last year toward the end of the year as we were coming upon the election. Greg has followed Washington investors for the past 40 years, and he specializes in coverage of economic issues, taxes, the Federal Reserve, and of course, politics. He's held numerous positions, including the Director of Research at the Charles Schwab Washington Research Group.

Bill Keen: And he currently is the Chief US Policy Strategists at AGF Investments, a global asset management firm with their headquarters in Toronto, Canada. Yeah, Greg is a frequent guest on CNN, Fox Business, Bloomberg radio and TV and CBS radio news, and is frequently quoted. Many of you may see in the Wall Street Journal Barron's and the Washington Post. Now Greg was a graduate of George Washington University and he and his wife, Mary live in the Watergate in downtown Washington. And so we sure appreciate you coming on today, Greg.

Greg Valliere: Well, always great to be with you Bill and your clients, and I've always enjoyed it. And I've got a few things I want to get off my chest in this podcast, starting with my big theme that I'll expand on it over the next few minutes. That theme is, we could overdo it on the stimulus, both monetary and fiscal stimulus. And I

think that could have implications for inflation, for interest rates, for GDP growth. Let me just start by saying, I'm not going to spend time on the impeachment. And I'm not going to spend a lot of time on the COVID stimulus bill, which I do think we'll pass in early March and the price tag could be close to the Joe Biden target of 1.9 trillion.

Greg Valliere: I think 1.5 trillion is probably the floor, which is a good segue to get into my theme on whether we're spending too much money. We spent 900 billion at the end of the year in the stimulus bill. And much of that money has not yet been spent, before that we spent over 3 trillion during the calendar 2020. And now, as I mentioned, we'll get 1.9 trillion and you have to, or close to it. And then you have to ask the question, what's next? Well, what's next, if you talk to Bernie Sanders and a lot of the Democrats, it is another bill, an infrastructure bill, a green infrastructure bill that could cost 2 trillion or more. I think Sanders would like more, the Democrats that I've talked to are getting nervous about all of this spending. Maybe it'll only be 1 trillion instead of 2 trillion or more, but we're talking about big, big numbers.

Greg Valliere: And I would say that the proponents of spending this would tell you, they believe in this Modern Monetary Theory. I know Steve has talked to some of the proponents also, and they feel that a big deficits in a time of low interest rates can be accommodated and they have a perfect cover. The perfect cover is the Fed chairman, Jerome Powell, who has stated frequently, including in the past few days that deficits don't worry him at all, that the Fed can accommodate net borrowing costs. And it sounds great. I mean, he has talked about wanting to get more inflation, wanting to heat up the economy, to which I say, be careful what you wish for. And I do think that the Fed might be a little too sanguine about the impact on interest rates and inflation. We've seen just in the last two or three weeks, the treasury 10 year bond yields move higher.

Greg Valliere: In fact, I think we got close to 1.20 a day or two ago and when you see a move like that in the treasury 10 year bond yield, you know that something's going on. I don't think inflation is imminent. The data has been pretty tranquil lately, but at the same time, there's bubbles. You have to say there's a red, hot bubble in real estate in much of the US. If you go to Florida, you go to Charlotte, you go to Nashville, go to Austin, Texas in many parts of the country, people who get the house they want usually have to make an offer above the asking price. It's even true in California, where some people have moved out of the state because of the weather and all of the taxes they have there. I think there may be other bubbles.

Greg Valliere: I'll leave it to all of you, you know more than I do about the markets, but you have to wonder if the stock market is getting a little frothy. I think that, Jerome Powell doesn't mind, I think he wants to stay very, very accommodated. So you have to then ask the question, how big a deficit can we accommodate? Last year, the year that ended on September 30, we had a deficit of a little over \$3 trillion, in this new year everyone's rejoicing because it might come in at two,

five, 2.5 trillion is considered to be a great accomplishment, but the new figures this week from the congressional budget office did not factor in that extra 1.9 trillion that I think Biden will get in March. So I think the deficit in this year could be way over \$3 trillion.

Greg Valliere: When you start looking at numbers like that, you have to worry that by the middle of this decade, we are total debt as a country will be well over \$30 trillion. That may be accommodated now by the Fed, but we can't continue at this pace. I think that you could overheat the economy if you continue to go on that pace. I would just say that Congress, I think could back at 2 trillion. I think at some point in the spring or summer, there's going to be a very vigorous debate on whether the country can accommodate that. And even though the Democrats have a tie in the Senate, 50/50, that's broken by Kamala Harris. I'm not sure the Democrats will get their way because of those 50 votes for the Democrats.

Greg Valliere: I'm not sure every Democrat will go along. There's a couple in particular, one who has gotten a lot of publicity is Joe Manchin of West Virginia, who's a moderate, a fiscal hawk. He likes fossil fuels. He's not crazy about the green bill. Fossil fuels are pretty big in West Virginia, as we all know. So I'm not sure the Democrats are going to go along this fall with a big, big increase. There's another story that I think is really interesting as well as this growing concern over stimulating too much. And that is the Democrats know that to get a big bill in the fall, they're probably going to have to raise taxes. But they also know that's a non-starter with, I'd say every single Republican, I would guess that all 50 Republicans would propose big new taxes, which Bernie Sanders and of course, president Biden would like to give.

Greg Valliere: And I also think someone like Joe Manchin, and there were a couple of other moderate Democrats, Tester of Montana, woman from Arizona. I think you could see the Democrats say, no, we're not going to go along with a huge new taxes. I still think there'll be a lot of spending. So you then have to say that this might be a pleasant surprise for businesses, for profits. I think corporate earnings we're going to take a hit with a big new business tax hike, with a new corporate minimum tax. I'm starting to back away from that. There may be some new taxes. I can't rule it out, but I think a huge new package of new taxes could encounter not just opposition from the Republicans, but opposition from the Democrats.

Greg Valliere: So I would say there's a two or three other themes I want to quickly hit on, but I would say my take would be the concern in the markets would be yields going higher. I would say for the stock market, with this kind of stimulus, it probably will be good for growth. I think people will continue to have upward forecast for GDP growth. And I think it might be good for the stock market if the corporate taxes aren't quite as big as we had all feared. So as we've seen in the last few weeks, a lot of this news is good for equities, maybe not so good for bonds. I

think that is going to be a pattern that will continue through the year. Let me just focus on two or three other things then I'll stop.

Greg Valliere: I want to talk a little bit about regulatory policy, a little bit about trade, and then I'll finish with my favorite subject, which of course is politics. We'll take a look into the future on that.

Bill Keen: And then Greg, we're going to ask you some questions after that, if that's okay with you?

Greg Valliere: Oh, wow. I'd love to, love that.

Bill Keen: Okay.

Greg Valliere: Like I said, I got nothing on my dinner's card tonight, so feel free-

Bill Keen: Okay.

Greg Valliere: So I would say that on regulatory policy, there's going to be quite a change. We've already seen it with Joe Biden having executive orders, changing a lot of the Donald Trump regulatory reform. This is done every new presidency. It's not unusual, but Biden has been especially aggressive in a couple of areas that I would cite. And I'd be glad to answer questions on other regulations. But one I would cite is, this deep, deep antipathy in the Biden administration for fossil fuels. We've already seen the administration re-enter the Paris climate accord. We've seen them kill Keystone Pipeline very controversial in Canada. Justin Trudeau did not get a heads up. And I think that was not well received. We've seen now the Biden administration banning all new drilling on Federal land or water.

Greg Valliere: And I think that will persist. So you see an administration that's really going to go after fossil fuels, coal, oil, natural gas, and if there's any money for energy, it's going to be for the renewable energies. It's going to be for wind and solar things like that. Another area that I think will be a big deal in the next year or two is going to be antitrust policy. I think there's going to be a focus on companies, big companies that try to gobble up little companies. And as we through the year, if you wake up in the morning and see a story in the Wall Street Journal of some big tech company is gobbling up someone else. I would just keep in mind, but still would have to get past the Justice Department, the Antitrust Division of the Justice Department. And I think they're going to be a lot tougher.

Greg Valliere: I am not a believer that this administration will try to break up big tech. I think that's just too much to put on your plate. The Republicans feel that big tech sensors their message, the Democrats are more concerned about big tech and antitrust, and I think they would block new acquisitions. But a new bill that's coming out in a few days from Amy Klobuchar, the Democrat, who's the chief

antitrust Democrat in the Senate, will put curves on new acquisitions. But I think even she knows to break up the industry it could be too ambitious and there's an ongoing investigation and an ongoing case that was brought last year that may take five, six, seven years to resolve, just as the AT and T case took several years ago. But you will see a more active regulatory stance.

Greg Valliere: Another issue that I briefly would mention, would be trade. I think that, there is not going to be any quick kiss and make up with China. I think US, China relations will stay frosty and Biden knows that his own Democrats are very delirious of the Chinese. And the way the Chinese treat their dissonance, the way the Chinese have hacked into a lot of our companies, especially companies working on a vaccine, the way the Chinese have gone in the South China sea. There are a lot of things that the Chinese have done in, especially their lack of transparency with the virus. So I don't see any warming up between the US and China, with much of the rest of the world, Western Europe, Canada in particular, I think that there will be an aversion to more terrorists. I think relations will get better.

Greg Valliere: I think certainly the rhetoric will get better. Even with China, the rhetoric will be less hostile, but I think that we'll have to wait a while on China. I think with other countries, we'll see trade relations improve by quite a bit. So just finally, my favorite subject I'll spend four or five minutes on this. My favorite subject of course, is politics. I think that, well, Donald Trump is keeping his options open, him running in 2024 I'd put it less than 50% chances. He'll be 78, then of course Biden is 78 now, but I think the first and foremost, everyone in this city, that's the way Washington works. Everyone in this city already has focused on the next election, which is 2022. And I would just point out that new president in his first midterm election loses on average 5% of his house and Senate seats.

Greg Valliere: If that were to happen to Joe Biden, he would lose both houses, the both houses that are so narrowly divided 50/50 in the misfit. If the Democrats well, had a very disappointing performance in the house. They only have a margin of seven or eight seats. So I think if Biden was to get a lot done, he needs to get a lot done this year, because going into 2022, it'll be a very intensely partisan year as they all are. And there is a threat that the Democrats could lose the Senate, and there certainly is a threat that the Democrats could lose their very narrow hall on the house. So then what happens in 2024, what a fascinating election that's going to be. I keep telling my wife and my friends, I'm going to retire pretty soon, but I may have to stick around for the 2024 election.

Greg Valliere: It's going to be a lot of fun to watch it, just throwing out some names. There's a Senator named Hawley who you know, H-A-W-L-E-Y, he's from your neck of the woods. I think is clearly running. There's a guy named Tom Cotton in Arkansas, who I also think is running very impressive guy, very conservative, both Hawley and especially Cotton, I think would fight to inherit the Trump banner. And then you've got several others. You've got Marco Rubio, who I think will run. I think Mike Pence will run. I think Pence acquitted himself pretty well on January 6th.

And since then, I think that Nikki Haley will run. In fact, I would make an argument that the biggest political story this week was not the trial. The biggest political story was Nikki Haley, just unloading on Donald Trump in an interview in Politico, saying that he was way out of control.

Greg Valliere: She's lost a lot of respect for him. She ripped into him for how he traded pants. It's quite a story. So I'm thinking after reading it, she may want to try to capture the Senator conservatives rather than the Trump conservatives. But I think it's going to be a fascinating race. I probably have left out several other names. I think that there'll be a huge crowd running in 2024. Also fascinating will be the Democrat side. I think that Joe Biden knows that he's kind of a transitional figure, almost a caretaker. He would be 82 years old, has he sought a second term? That's getting up there. He looks a little more frail than I remember him, I've known him for 40 or so years.

Greg Valliere: He's a little more frail than when I knew him a long time ago. So I think he's probably a one-term president. And then the issue becomes, is it automatically going to be the Harris, who is in many respects to Biden's left, East of Biden's left on fracking on big new health plans, on the green infrastructure bills, or would she get a challenge? So there are several other Democrats who I think would consider running, but the two names that were really hot eight months ago have totally faded. And those two names are Andrew Cuomo, who is in a lot of controversy in New York, for how we handled nursing homes. I think Cuomo's political career is over and in California, Gavin Newsom, who has not handled the virus well and committed a cardinal sin. After telling everyone to lock down, he, and some lobbyists all went to a lavish dinner at the French Laundry restaurant, up in Sonoma or Napa.

Greg Valliere: I think it's in Napa. Lavish dinner that costs thousands of dollars after he told people not to do that. So I think both Cuomo and Newsom who looked hot eight months ago aren't anymore, which proves the old adage in Washington that a month is a lifetime in politics. And it certainly is for those two. I guess I would just finish by making a quick comment on the other big, big story. And that of course is, COVID. You have to worry about the variant. You have to worry that it still hasn't been subdued, but at the same time I think we're starting to make real progress on inoculations. I think we'll see a lot of vaccinations coming over the next week or two. And I think the country will be reopened by spring.

Greg Valliere: I'd be naive to say we've defeated it decisively, but I think by the time we get into the summer it'll look a lot more promising. And that's still another reason why I think this economy could be just gangbusters. We could have a red hot economy with the vaccine in place with an exceptionally accommodated Federal Reserve and Congress spending money like there's no tomorrow. So I am going to stop there. I'd love to take some questions.

Matt Wilson: Yes, Greg. I know you've commented on interest rates and yes we do. They have been creeping up this year. And in fact, while the stock market is up almost 5%, the long-term bonds are down about 5%.

Greg Valliere: Yep.

Matt Wilson: And a lot of it related to the stimulus and additional spending that's on the table. Now, one question is, I've heard a lot about inflation and fears of inflation with the stimulus. Now, I think back to 2008 and 2009, when the same fears were there, when we had the stimulus back then, at that time it was a lot. It's comparison and comparison to the dollars that we're talking about today, but I wonder what's different today where inflation would be as, whereas before. It never really materialized, there was a concern, but never materialized.

Greg Valliere: It's a great question. I think the big concern would be the labor market. Right now the labor market is still soft. Powell said in his speech a couple of days ago that he does not believe the unemployment rate is really six. I think it was six, three or six, four a week or so ago. He thinks it's probably around 10% and it's not accurately reflecting all of the people who are still out of work. And there's some truth to that. So we've got a lot of ways to go. If we should start to see even more dramatic improvement in the labor market, then I think you would have to worry a bit about inflation. Many years ago I was trained by a great, great man, a former Federal reserve governor who began his career in Kansas city, Lyle Gramley, was in his name.

Greg Valliere: He's passed away, but he taught me a lot. And one of the things Lyle taught me is that if you're a central banker, the one thing you worry about more than anything else is wage inflation, because it's really hard to cool it off once it starts to pick up. So that's probably over the next few months, what I would look at the most. If the labor market still looks kind of soft, well, maybe the inflation threat is still a year or so away, but I would stick to my story. I do worry about bubbles right now. And I do worry that you can't keep spending trillions and trillions of dollars without having consequences.

Steve Sanduski: Yeah. And on the trillions and trillions of dollars. So I'd love to talk about that for just a second. You mentioned Modern Monetary Theory. And I mean, for decades, I mean, let's go back to Reagan. I mean, I remember him talking about in his inaugural speech in 1981 about the deficits are out of control. Well, we know deficits exploded in the 1980s and then people would say, well, it's the Republicans that tend to be the deficit hawks. While we've seen that under Republican administrations deficits go way up, under democratic administrations deficits go way up. Now we've got this idea of Modern Monetary Theory, and it seems like our government is operating as if MMT is actually how things work. And we don't have to argue whether it is or is not how it actually works. But I guess where my question is, if Republicans say, Hey, we're not going to approve any tax increases.

Steve Sanduski: And Democrats have these large stimulus bills, Green New Deal, and all these other things that they want to spend money on. How is this going to work? I mean, how is anything going to get done in Congress when the Republicans don't want to spend and Democrats do, and Republicans don't want to raise taxes, how is this all going?

Greg Valliere: Well at some point, Steve, I think the bond market is going to get grouchy. The bond market's got to say, we can't continue to spend money like this. The yields could go a lot higher. And rather than just give you my opinion, I'll give you the opinion of someone who's a heck of a lot smarter than I am. That's Lawrence Summers, Larry Summers, who has a PhD from Harvard and was the youngest tenured professor in the history of Harvard University. So Larry Summers said last week, we're doing too much. This 1.9 trillion is too much. We haven't spent the 900 billion that we got a few weeks ago. And when you hear someone like Larry Summers, who's a mainstream Democrat.

Greg Valliere: I wouldn't say he's a radical easy, he's a center-left Democrat. When you hear Larry Summers say that, you know there's a problem. And I think right now that Biden and his advisors and Bernie Sanders, who's the new chairman of the Senate Budget Committee want to do as much as they can, as quickly as they can. I think they know that someone will turn off the spigot at some point and they'll have to be more moderate in their policies. So they're going for it now. They feel they were too timid early in the first Obama tour after we got out of that horrible economic crisis in '08, '09. And they feel they didn't do enough then. And they are determined not to make that mistake again.

Greg Valliere: I would simply argue, and I'm familiar with the argument is yours Steve, from the MMT crowd, the Modern Monetary Theory crowd, they feel the deficits are benign right now. And it's true, they're benign right now, but you can't continue this forever because at some point, as the country gets older, we'll have a demographic issue. And at some point we're going to have to service the debt. And I think that servicing costs by the end of this decade are going to be a problem.

Steve Sanduski: Well. And I think the other issue too, we've got to think about, I'd love to get your thoughts on this is, back in late 2018, the Fed tried to raise interest rates and the stock market had a huge hiccup that it went down, what maybe 18, 19%. And so there's a feeling that we can't raise interest rates. So even if the market rates start going up, because people are getting concerned about these deficits. What if the Fed comes in and starts doing yield curve control and they start fixing the interest rates like they did back in World War II and post-World War II. So it seems like I don't know what the end game of all of this is, is if we can't raise interest rates, because it's going to take the stock market and we can't afford not to raise. I mean, I don't know where this is going to go.

Bill Keen: Well, you make a good point. They called it the taper tantrum because the Fed stopped. They tapered off their asset purchases. Right now they're buying

treasuries like there's no tomorrow. And that's keeping rates down because the Fed is so aggressive in buying a fixed income paper. Well, several years ago, as you point out, they announced that they were going to start tapering off a bit and the market freaked out. So when we heard the speech this week, from Powell a few days ago, everybody was on pins and needles would even hint that the Fed is even thinking about tapering. And he did not. He said, I am still very worried about the labor market, which I think for right now is the correct answer.

Bill Keen: But what if we are starting to see some signs of inflation? What if we are starting to see rates going up a bit by the fall? Could we have, let's say by Thanksgiving, could we have Powell say, "Well, we're not doing it yet, but we are going to have to think about tapering off our asset purchases." That would not be well-received and he has to know that. He has to tell the markets that it's going to be exceptionally gradual. And that is not going to lead to any imminent hike in the Federal funds rate with interest rates going higher. But that is going to take great dexterity from Jerome Powell to keep the markets from panicking.

Steve Sanduski: And I guess worst case we can end up like Japan, where we started with buying the whole fixed income and buying high yield bond ETFs and maybe we're going to start buying equity ETFs, just like they've done in Japan, where I think the Central Bank of Japan owns, like I don't know, 30 or 40% of the whole equity market there. So hopefully we don't get to point.

Greg Valliere: No, I don't think so, Steve. I mean, the Fed has made it clear and I have friends there that there are two things they will not do. Number one is the Fed will not buy equities. They'll buy a ton of fixed income paper, which they're doing now, but I think they feel it would be an inherent conflict of interest if the Fed owned a stock in companies that the government regulates, there's a conflict there, if they did that. The second thing that I think the Fed is determined not to do, and this is diminished as a threat would be to go to negative rates. That's not going to happen. I think the Fed knows that it didn't work very well in Western Europe to get punished as savers. So I don't see any move whatsoever toward negative rates.

Matt Wilson: Yeah, Greg. You touched a little bit on taxes and in our view with wealth too, we don't see a big risk of any tax hikes this year and potentially even over the next couple of years as the economy and market recovers. But one view though, is that there's a lot of discussion around raising the minimum wage to \$15.

Greg Valliere: Yep.

Bill Keen: And that's a hip to earnings in certain sectors that definitely have a lot of workers there, but at the same time there's increased demand too with higher wages. What do you think that's a likely scenario that that'll pushed through?

Greg Valliere: No. I think that it's going to hit a roadblock because going back to my theme, at least a couple or three Democrats, moderate Democrats, like Joe Manchin of West Virginia, are going to say, no. We don't want to kill the filibuster. We don't want all of these things they will drag their heels on including a big hike in the minimum wage. And West Virginia is a poor state. I think that would crush small businesses. So I don't see a hike right away on minimum wage. What I could see is the progressive's moving it more slowly. Maybe we go up by 25 cents a year, 30 cents a year. Maybe it's done very, very gradually, you could see some increase. There's one other factor here, which is kind of arcane, but it's important. And that is the Senate Parliamentarian has to make a ruling on whether putting in the minimum wage hike into this 1.9 trillion, Joe Biden, COVID bill, whether that's germane.

Greg Valliere: And there are many people who say no, a hike in the minimum wage would not be germane in that bill. And I think that the parliamentarian will rule in that manner. So I see something coming on minimum wage, maybe more at the state level, Florida for example, is going to be going up by quite a bit. It was a referendum in November and a task. But I think that there will be roadblocks in Congress.

Bill Keen: I was going to mention the minimum wage it, do you think there would be some way that they could allocate different minimum wage increases for different areas like your rural Kansas compared to New York city? Is there a way to do that-

Greg Valliere: Exactly. Yes, they can. And I've always argued that the way to approach minimum wages is state-by-state or you can have a referendum, Florida surprised everybody by overwhelmingly voting for a big hike in the minimum wage a few months ago. So, yeah, that's what I would argue should be left to the States. I think that Washington has enough on its plate right now. And I think the biggest argument against it, as I said a minute ago is that this is the last thing that small businesses need. They're hurting so badly. You're going to hit them with a minimum wage hike. I mean, to me, that's almost sadistic.

Bill Keen: Right.

Steve Sanduski: Well, Greg, let me ask you a politics question since I know that-

Greg Valliere: Sure.

Steve Sanduski: Is your favorite topic, is Washington broken forever? And what I mean by that, it seems like whatever party is in power, the other party, their only objective is to make sure that they accomplish nothing so that they can get in power again. So how do we break this cycle of nothing getting done because the parties don't want to work together. They don't want to make the other party look good. How do we get beyond that?

Greg Valliere: Not easy my friend, not easy at all. I would say that it, at least with Biden, he's lowered the temperature. I'll be glad when the impeachment fight, I would be the first to say that Donald Trump did some really bad things, but I've been arguing for the last few weeks that the impeachment trial was a miscalculation by the Democrats for three reasons. Number one, it obscured attention away from the Biden agenda. It distracted everybody from his agenda number. Number two, it was destined to fail. And I think everybody knew it was going to fail. And I would say, the third point would basically be that, it just rekindles attention on Trump. It antagonizes his supporters. We go back into another politicized stretch. I mean, I think we need to move on from that. So to go onto the rest of your question, I would say that the tone, I think we'll be a little more civil. I think Joe Biden is not bombastic. He telegraphs most everything that's why Keystone surprised me.

Greg Valliere: He didn't Telegraph that to Justin Trudeau. But I think that on most things, Biden will be more predictable. I consider him a center left. He certainly is not as far left as a Bernie Sanders or an Elizabeth Warren. And I think that the Biden will tone down the rhetoric a bit, but to your question is Washington still has a lot of conflicts. You're going to hear a lot of talk by the way of a third party, a lot in the last 48 hours that maybe you can get people like John Kasich or Mitt Romney. I just don't think Kasich can run the have much cloud left in the Republican party. The Republican party has moved well to the right of both of them, but there will be some talk about a third party. I don't totally rule it out.

Bill Keen: We've seen that in the past, haven't we?

Greg Valliere: Yes.

Bill Keen: Again and again, right?

Greg Valliere: Yes. One of my favorite trivia questions Bill, is that who is the last third-party candidate to win one state, take a guess and let's see if anybody. And everyone is surprised when I tell them, it was George Wallace in 1968, everyone thinks it was Ross Perot. Perot got 19% of the vote, when he ran against George Herbert Walker Bush and Bill Clinton. But no, the last time a third-party candidate won a state was 68 with Wallace. And you almost have to go back to 1912 when I was just starting in this business. There were three... That was a really interesting three-way race from all that I've read. It was Teddy Roosevelt, it was William Howard Taft, and it was Woodrow Wilson and Woodrow Wilson pulled it out.

Greg Valliere: So, that was the last time we really saw a three-way race that actually affected the outcome. The problem, Bill is that it takes so much money to put a new party together. It takes millions and millions of dollars just to get the infrastructure up and running.

Bill Keen: Now there's a lot of people that have complained about the electoral college. Do you see any chance of anything changing related to the electoral college or how we elect our president?

Greg Valliere: It's not imminent. The proponents have gotten close. You need a 270 votes, same as the electoral college to get this amendment to Congress. They're around 180 votes now, but they got all the low hanging fruit, I think to get the other 80 or 90 votes to put this before Congress would be really, really difficult. I mean, there's a reason why the founding fathers did this. They wanted to give a little more power to rural America. And I understand the reasons for changing it, but I understand the reasons for keeping it. I just don't see a lot of momentum on that. You're going to hear about a few other issues to, to pack the Supreme court, which I think is something Joe Biden is just instinctively not in favor of.

Greg Valliere: To make the district of Columbia or Puerto Rico, a state can't rule it out, but I think that's not likely. And then finally the big one would be to kill the filibuster, to make it a lot easier to get things through Congress. And I don't see it. I'm not even sure Biden is in favor of it. And once again, the politician whose name I keep mentioning on this call Joe Manchin from West Virginia is saying he doesn't want it either. So a lot of these reforms, I think may come, but they're going to come later rather than sooner.

Bill Keen: Greg, I was going to ask you, you've been on the scene if you will, in DC for like we said, on the outset 40 plus years. And it always feels like when we're going through something that this time is different and we say in the investment world, those are the four words to avoid, but do you think it's different than what you've seen in the past with the two parties going at each other? Or is it not different or is that a tough question to answer?

Greg Valliere: I've seen some pretty rough stretches in the late '60s. It was pretty ugly as the Vietnam war and urban riots heated up. There've been several episodes in our history where things were worse than what we've seen in the last year or so, but that said I'm hoping for a tone of more civility. I think that, that's one thing we should ask for. I mean, there's always going to be ferocious debate on certain issues, no matter what, that's going to be with us forever. But I would like to see more civility in the tone and I'm optimistic, hopefully not naive, but I'm optimistic that in the next year or so, the tone will become more restraint. I think that would be very, very good.

Greg Valliere: And there's a whole other issue that I'm probably not qualified to discuss, but I would just say the ubiquity of social media is a plus and a minus. I mean, it's a minus and that it empowers people who can say horrible things and let them get out into the public. But it's a plus that it empowers people to take a role in issues, but that's become a big, big factor as well.

Steve Sanduski: For sure. Which is very different, if I would say that it had been in the '60s.

Greg Valliere: So that is different. You're right, absolutely right. That's a totally different story. And I think the enormity of deficits you'd have to go back to post-World War II. You'd have to go back to 1945, '46, '47 to see deficits as a percentage of GDP, getting to where we are now. And we're getting in really uncharted waters on the deficits and despite what the modern monetary people think there's no roadmap here. It's uncharted, and I do worry about it.

Matt Wilson: Well, I know, we've talked in our previous conversations about the first hundred days of any presidency, we're debating the COVID relief bill, and that's been a docket for some time now, but you don't hear much out of the precedent, especially president Biden compared to president Trump. I mean, do you think his first hundred days are going to be game-changing so to speak?

Greg Valliere: Well, good question. I think that is to a certain agree 100 days is kind of an arbitrary number, but I do think in his first hundred days, he will get the stimulus. It may not be quite 1.9 trillion. It might add, as I said earlier, it could be closer to 1.5 trillion, but that's a ton of money. I think he will begin talking in at some length with foreign leaders. He talked yesterday to the Zee of China and he's talked already to approve them about the nuclear arms treaty. I'm not optimistic that he's going to have a big breakthrough with the Iranians. I think that's going to be a tough one. I think if the Iranians want to get a deal, they're going to have to change their behavior when it comes to enriching uranium. So I'm not sure that Biden can get that, but I think you'll have better relations with global leaders.

Greg Valliere: He's made a lot of regulatory changes already. And I think by the time we get to that hundredth day, he'll be starting to focus on the green infrastructure bill. That's going to be a dominant story during the summer, as I said earlier. And I think for you guys, and for all of your clients there is going to be some talk of taxes during the summer. Right now, as I said earlier, I think the taxes will be moderate, not crushing. But I think by the time we get to summer, you'll be moving on to other things. I think he wants to move quickly, even though he's a low key guy, he wants to move quickly for two reasons. Number one, the 2022 elections are right around the corner. As I said, in number two, I don't quote me on this and I wouldn't write it or say it on TV, but I think Biden is aware of his age and his frailty. And I think because of that, he wants to do as much as he can quickly.

Bill Keen: Well, one thing that we talked about was just how it seems like there's not a lot that's getting done in Congress. And so it seems like in recent years with president Trump and even more so with president Biden, they're using executive actions to get things done. Can you talk about what is an executive action? What are the limits of executive actions and what might we expect going forward from President Biden as it relates to trying to get stuff done through executive actions?

Greg Valliere: Well, he can do it if it involves the Federal agencies and his cabinet agency. So he's done a lot now on energy in conjunction with the interior department. He'll do a lot more, I think with, as I mentioned earlier with the Antitrust Division at the Justice Department. So these are things that he can do with these agencies and he does not need to get approval from Congress to do that. Congress has the power of the purse strings. I've always said, I mean, the major power Congress has is appropriating money and it dealing with spending and taxes as I said. Obviously the president cannot do anything in that area, but I think you'll keep doing regulations. Trump did aggressively, and I would say, I try to stay on the 50 yard line, but I would say one of the negatives of Trump being gone is that Trump really got a lot of regulatory reform done.

Greg Valliere: And I think that by the time the Obama administration had been in power for eight years, I think there was a feeling among American business that Washington was an adversary, not an ally, and that was not a healthy place to be. So, so Trump made some changes. I think Biden will seek to get some balance, but when it comes to tough regulations, again the one to watch for is fossil fuels.

Bill Keen: I think we'll go ahead and wrap up. Greg, thank you again so much for joining us and Steve and Matt, you gentlemen are on the show with me regularly. You make me look smart. I'm a lucky person to have had you three on with me today. But for you all listening or watching, I just wanted to thank you for taking the time. The purpose of our show is to bring information and content, to try to sift through the noise to the real news that we think is important. And to help you get a good insight into what to be paying attention to, and then how do we apply this to our investment portfolios. And how do we not make knee jerk reactive decisions that damage our families long-term, and that's really kind of the theme of our program, really in education and information to help boats plug in to a source that they can rely on.

Bill Keen: So I want to thank you all for tuning in and we will have shownotes at Keen on Retirement.com. So with that in mind, I just want to... Greg, once again, thank you. And we look forward to talking to you sometime soon and take care out there in DC. Okay. We know you're here.

Greg Valliere: I wish you, and all of your listeners good health more than anything else. I hope everybody's stays healthy.

Keen Wealth Advisors is a Registered Investment Adviser. Nothing within this commentary constitutes investment advice, performance data or any recommendation that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person. Any mention of a particular security and related performance data is not a recommendation to buy or sell that security. Keen Wealth Advisors manages its clients' accounts using a variety of investment techniques and strategies, which are not necessarily discussed here. Investments in securities involve the risk of loss. Past performance is no guarantee of future results.