

Episode 147 Part 2 “Ahead of the Curve” with John Mauldin

Speaker 1 ([00:04](#)):

Welcome to The Bill Walton Show, featuring conversations with leaders, entrepreneurs, artists, and thinkers. Fresh perspectives on money, culture, politics, and human flourishing. Interesting people, interesting things.

Bill Walton ([00:25](#)):

Welcome to The Bill Walton Show. I'm Bill Walton, and I'm continuing our conversation with John Mauldin, an investment advisory extraordinaire and also a great thinker about markets, and technologies, and trends. The last segment, we touched mainly on the financial markets and money and came to some conclusions that we're pushing this about as far as we can without coming a cropper. On the other hand, there's the financial economy and then there's the real economy. And the real economy is filled with entrepreneurs, technological innovation, and all sorts of good things are happening, and I think John and I were talking in the break just about how we're both very optimistic about the real economy, human ingenuity, and kind of the interesting technical things that are going.

Bill Walton ([01:15](#)):

So, John, let's start with you talking about, I don't know, where do we want to take it? We've already got us a cataclysm.

John Mauldin ([01:25](#)):

Capital markets. It is kind of this bifurcation of a China wall down the middle of your brain when you recognize that we're pushing the limits in the financial worlds. And as I said last week, I mean, I don't want to know what the limit is. I'd like us to pull back from the brink. I am not optimistic that we will. I mean, I write all the time that I am long humanity, in the sense of I am very optimistic about the future. And I think what the future is going to be for you and me even at 72, just so viewers will know, Bill is my senior by two whole days.

Bill Walton ([02:27](#)):

Two whole days.

John Mauldin ([02:28](#)):

Two whole days.

Bill Walton ([02:28](#)):

October 2nd versus October 4.

John Mauldin ([02:30](#)):

October 4.

Bill Walton ([02:30](#)):

Yeah. I may pull rank. I don't know.

John Mauldin ([02:36](#)):

I think you and I ... How old were your parents when they died?

Bill Walton ([02:45](#)):

Oh, not much older. My mother was 73. My father was 82, something like that.

John Mauldin ([02:52](#)):

You don't have the best genes or just stuff happened to them?

Bill Walton ([02:57](#)):

My mother had arthritis, and it was just the medicines killed her. It wasn't the arthritis. That was before they knew how to treat it. I think my father died of loneliness when my mother died.

John Mauldin ([03:08](#)):

Okay.

Bill Walton ([03:10](#)):

But my grandparents though, we're talking 90, 95 years old. So I've got a couple of shots of going a little longer.

John Mauldin ([03:21](#)):

We're going to get to why you and I have an opportunity for the first time in the history of humanity. It's a small chance. Viewers can't see the young lady sitting over to the side and running the cameras and everything. There's a 95% chance they're going to be 150 years old. You and I, yeah, that's the way I think so too. Yeah.

Bill Walton ([03:58](#)):

Is that good news?

John Mauldin ([04:04](#)):

There's an outside chance that you and I will see that.

Bill Walton ([04:06](#)):

Okay.

John Mauldin ([04:08](#)):

I mean, we are at the cusp. There's much to be excited about when you think about the future is going. And I think the easiest way to segue if you will, is my friend, Neil Howe and Richard Strauss, who, unfortunately, died from pancreatic cancer 10 years ago, but Neil Howe is still living. They wrote a book called Generations, and then they wrote a book called The Fourth Turning in 1997 and predicted basically everything that's happening right now. I mean, Steve Bannon did a whole cult movie about it. Neil's going into isolation here this week. This is why I don't get to see him this week. He's going into isolation to write a book. He's updating his Fourth Turning book.

John Mauldin ([05:13](#)):

And the point is, is that we as cultures, as in the Anglo Saxon world, but it actually goes into every culture in a different form, we tend to have four different generational cycles. There are 20-year cycles that repeat every 80 years. And as one generation takes over from the next generation takes over from the next generation, and they each have different characteristics depending on who the dominant generation is. And the transition from the fourth turning to the first turning, he calls each of these generations a turning, is the most climactic, I mean, it's World War II. It's the Civil War, the war of the revolution, then you go back into England. I mean, it just keeps going for four or 500 years, these things keep happening.

John Mauldin ([06:34](#)):

And we are right now at the last half of the fourth turning, which is always the most tumultuous part.

Bill Walton ([06:44](#)):

When did the first turning start?

John Mauldin ([06:47](#)):

These things are hard to date, but the early 2000s, mid-2000s, 2007, or so forth. And it'll play out into this decade.

Bill Walton ([07:00](#)):

The fourth turning began in 2007.

John Mauldin ([07:03](#)):

So '27 is probably the-

Bill Walton ([07:04](#)):

So if we go back to the beginning of the first one, it would be 1940, 1920, something like that?

John Mauldin ([07:09](#)):

Yeah.

Bill Walton ([07:09](#)):

Okay.

John Mauldin ([07:18](#)):

I mean, it's not an exact 80 years, but it's close enough for government work. But the point is that it's generally been shooting wars, but I don't think that it's going to be a shooting war this time. I think it's going to be a generational political clash if you will. And we always come out of it, the generation that comes out of it, it becomes the silent generation, it becomes a period of greater calmity. And you never anticipate it because it's so hard to imagine, how do we get there from here, but we do. That's the cool thing. We always get through it. So I'm optimistic we're going to get through. Now it's going to be difficult.

John Mauldin ([08:17](#)):

My job as an investment manager, as an economic thinker and writer, is to help my clients get through to the other side. What can you do? And there are things that we can do. I mean, great companies are still going to be great companies on the other side of the great reset. Now they're going to have a different valuation. Okay. I don't know what that valuation is going to be. But they'll be there.

Bill Walton ([08:49](#)):

Could call the reset a financial reset? Because people ask me about, well, I heard this company goes into bankruptcy. Brooks Brothers is an example, went into bankruptcy. Well, what that meant was their balance sheet was out of whack. They borrowed too much money and they didn't have enough cash, and so they did a financial reorganization. But the stores were still there. The brand was still there. The people were still there, the people creating the new clothing things like designers were still there. So the real economy, the real people, the real innovation didn't go away.

John Mauldin ([09:23](#)):

Right. Absolutely.

Bill Walton ([09:24](#)):

So kind of the reset throughout all this catastrophic stuff we know about the financial markets.

John Mauldin ([09:31](#)):

And maybe it's the great reorganization.

Bill Walton ([09:34](#)):

Yeah, what is it, chapter 11? Not chapter seven, chapter 11.

John Mauldin ([09:42](#)):

Yeah. Because all of this stuff doesn't go away.

Bill Walton ([09:44](#)):

Yeah.

John Mauldin ([09:45](#)):

And we're in what I consider to be the age of transformation. And I keep threatening to write this book. I ought to get off my lazy derrière.

Bill Walton ([09:58](#)):

Well, you've only written five or six, you've got another one in you.

John Mauldin ([10:04](#)):

Here's why things are happening faster and faster and faster. Go all the way back to fire and the wheels, and a few things, and a few inventions. When get Newton saying we stand on the shoulders of giants, well, yeah. What you find out when you read Matt Ridley, and everybody should read everything Matt Ridley writes.

Bill Walton ([10:29](#)):

The Rational Optimist.

John Mauldin ([10:30](#)):

The Rational Optimist. The Evolution of Everything is absolutely important. How Innovation Happens, his latest book, you just must read.

Bill Walton ([10:39](#)):

And Caito's got a group too, that's focused on the innovation and the positive.

John Mauldin ([10:43](#)):

Yes.

Bill Walton ([10:44](#)):

Yeah.

John Mauldin ([10:44](#)):

As it turns out, something happens in the zeitgeist. And, yeah, we credit one scientist or one person was the breakthrough, but there are three or four guys there that would have done it, even if that guy hadn't been there. It just, it happens. And what happens now is, because we were making huge breakthroughs in material science and we're making huge breakthroughs in biotechnology, we're making huge breakthroughs in battery science, we're making huge breakthroughs in computer speed and computer science, and getting into quantum computers, and each of those things becomes additive. It's what really calls ideas have sex, and it creates more ideas.

John Mauldin ([11:43](#)):

Now, some of them are bad ideas. Oops, those ideas don't work, but some of them are good. And I think one of the most important positions in the future, if I was telling my kid that, let's say I've got a genius for a kid, I want him to be a generalist. I want him to know something about everything, and rent an apartment with, if you're a big corporation, knowing something about everything. So hey, if I take this material, and I put it into this product, it's going to make it cheaper, better, faster. But all of these things add, and it becomes an inverted V. Okay. Because we have more and more people appear creating. We're going to add 3 billion people to the internet access over the next four or five years. And there's how many Einsteins? How many Elon Musks? Not that Musk and Einstein ...

Bill Walton ([12:58](#)):

He would like that comparison.

John Mauldin ([13:00](#)):

Well, he would, but Musk is an entrepreneur. He's a visionary. So same thing with Gates. Same thing with Bezos. But they do it differently. That's fine. But we have more and more people creating changes and it makes the transformation go faster and faster because we're adding more people to create these transitions. And when you literally doubled the base of people who now have access to that information, there's going to be some kid and Kisangani who goes, wow, I can change this, this, this and this, and I can create this here. And that's how this transformation happens.

Bill Walton ([13:54](#)):

That's the same thing about what's happening in China is that those people exist in China, China was dead broke 67 years ago. Ding said let's do capitalism with Chinese characteristics, unleashed the kind of the natural entrepreneurial genius of the Chinese they created [crosstalk 00:14:16].

John Mauldin ([14:17](#)):

It's the natural entrepreneurial genius of humanity. It's not just the Chinese.

Bill Walton ([14:23](#)):

But they had been sat on for three or 4000 years by emperors who wouldn't let them innovate. They got into the market, they began innovating, they built great companies. And now you got Xi shutting them that shutting them down again.

John Mauldin ([14:41](#)):

I think between the demographic crisis they're going to have and Xi shutting them down, it's very possible that we look back at today, we look back 10 years from now and say, that kind of looks like Japan. At one point, we both remember in our careers when we thought Japan was going to take over everything, and they didn't. They came to the end ... They found out how far too far was.

Bill Walton ([15:13](#)):

And we thought the end for us was when they bought Pebble Beach.

John Mauldin ([15:17](#)):

Pebble Beach.

Bill Walton ([15:19](#)):

And then I had to sell it at 10 cents on the dollar.

John Mauldin ([15:22](#)):

I am the most optimistic man in the room. There's a company that I'm working with now, they'll be going public here soon. But they can teach a seed to evolve. And they can do 1000 years' worth of evolution in a growing season.

Bill Walton ([15:49](#)):

Is it public? Can we buy it?

John Mauldin ([15:52](#)):

You'll be able to buy it in two or three months.

Bill Walton ([15:54](#)):

Okay. Because at some point, we get to talk about what's investible.

John Mauldin ([15:58](#)):

Well, I mean, and this company, I think it's eventually going to change the way seeds are done everywhere because you can make it ... Europe has just said it's non-GMO. This whole technology is non-GMO, but you can make it herbicide-resistant, you can make it disease-resistant, you can make it more productive. And you can stack all these traits on top of each other. And that's just one side of the market.

Bill Walton ([16:25](#)):

Well, let me frame this in a way ... Let me try to tie it into the fourth turning concept. Oh, you're watching The Bill Walton Show. I'm here with John Mauldin. I got lost in deep thought trying to figure out ... This is really exciting. Because instead of just the gloom in the financial markets, we get optimism in the technology markets. Productivity, technology, industries get created. We look at the 1920s, we had radio. Television was there in the '20s. We had lots of home appliances. We had the automobile kicking in. We had all sorts of innovation then. And then we've had cycles of innovation. And now, in the Cathy Wood or people like her, we are beginning to identify industries. So instead of inflation happening, we might see deflation happening because there's all sorts of-

John Mauldin ([17:20](#)):

Technology is and of itself deflationary.

Bill Walton ([17:22](#)):

Deflationary. And what are some of those industries that she and you are identifying now as the future?

John Mauldin ([17:27](#)):

Well, I think, for me, and it's hard to pick a favorite, but I think this is going to be the decade of the biotechnological transformation. There's a very, very simple technologies plasma replacement. And it's done, I don't know, I'm just pulling a number out of the air, 100,000 times a year. I mean, it's done for specific diseases, specific syndromes. It's approved. It's not rocket science. Scientists out in California started studying it, and going, wait a minute, we can make mice live longer and younger, it changes the age. And they started realizing that when they changed these cells, they're removing the old dead senescence cells. That's interesting. Okay.

John Mauldin ([18:40](#)):

There's a paper that's going to come out in a major journal next week talking about aging and a drug that is having, it's not the fountain of youth, but it's looking like the fountain of middle-age. Which for you and me right now, middle-age sounds pretty damn good.

Bill Walton ([19:10](#)):

45 is a pretty good year.

John Mauldin ([19:12](#)):

45 is a pretty good year.

Bill Walton ([19:14](#)):

40, 45, yeah, I'll take that.

John Mauldin ([19:17](#)):

I bet you hit the ball a lot further at 45 years older than you do at 72.

Bill Walton ([19:20](#)):

My golf ball, yeah, my God, it's terrible.

John Mauldin ([19:24](#)):

I mean, the plasma replacement I was talking about, that's not the fountain of youth, but it's the fountain of middle age. Okay, I'm trying to figure out how to get into this gently. There's a gentleman by the name of Mike West that's been gone through a series of companies. He's now at a company called Ajax. But he refined the gerontology research into something called induced tissue regeneration. And a number of other leading scientists, Sinclair at Harvard, Church at Harvard, a group at Turn. Now Calico is coming out, it looks like they're chasing down that same path. Bezos just announced, they're going to go ... I mean, he's writing the check, a big check. Going down that same path.

John Mauldin ([20:46](#)):

And for humanity, I mean, I've got my horses I'm betting on. It's all private, so I can't really talk about that. But for humanity, it doesn't make any difference. One of those horses or maybe several of them are going to hit the target, the finish line. Because we are this close to being able to turn you and me, reverse you and me back to 20, 25 again. I mean, serious, honest to God, pulling us back in time in our bodies today. Knowing what we know, we're not that far. We'll be in human trials before the end of this decade, not in the US. Not unless somebody takes the FDA pulls them up by the roots and throws them away and starts all over again.

Bill Walton ([21:48](#)):

On your website or in your portfolios, can people take a look at what these are?

John Mauldin ([21:54](#)):

No, this is all private. That particular stuff-

Bill Walton ([21:59](#)):

Rats.

John Mauldin ([21:59](#)):

Huh? I mean, Calico is Google, okay?

Bill Walton ([22:01](#)):

Okay.

John Mauldin ([22:01](#)):

Okay. I mean, Bezos, he's going to do it on a private basis. Sinclair's private. Church. I mean, there's one public company, that I think they're going down the wrong path so I'm not going to mention their name. I think they're too far ... I don't think they're, in my opinion, investible, so I don't want to bring them up. I mean, they're investible, but I don't think they're the way to go. I mean, they're all pretty much

focusing on this same pathway. And it really does have the potential to change things. And what will happen, these things I'm talking to you about that are the fountains of middle age, that's going to allow us to live long enough to get to where ... Because the turning us back younger again is going to be very expensive, but it'll eventually, just like chips, just like any other technology, the price will come down.

John Mauldin ([23:17](#)):

So we have to live long enough, this is Ray Kurzweil's line, you have to live long enough so that you can live forever. Now, this now doesn't make you immortal. A plane can fall out of the sky, you can step in front of a London bus. It's the closest I've ever come to dying. I was not looking the right way, stepping in front of the London ... Somebody jerked me back.

Bill Walton ([23:39](#)):

It was on the wrong side of the street.

John Mauldin ([23:41](#)):

They drive on the wrong side of the street. They damn near kill me.

Bill Walton ([23:44](#)):

Don't they know better? One of the things I do with this show is I want to give people lines of action. And we sufficiently depressed ourselves in our first segment about the world's coming to an end financially. But it's not coming to an end in all these other things.

John Mauldin ([24:02](#)):

It's not coming to an end.

Bill Walton ([24:05](#)):

Well, hyperbole.

John Mauldin ([24:06](#)):

Okay, but-

Bill Walton ([24:06](#)):

Financial economy, real economy. Where can people read and learn about this?

John Mauldin ([24:11](#)):

Well, I mean, my letter's free.

Bill Walton ([24:13](#)):

Okay.

John Mauldin ([24:14](#)):

I write about this stuff all the time.

Bill Walton ([24:15](#)):

So a shameless plug here.

John Mauldin ([24:16](#)):

Shameless plug.

Bill Walton ([24:17](#)):

How do we find it?

John Mauldin ([24:18](#)):

Mauldin Economics Thoughts From the Frontline.

Bill Walton ([24:21](#)):

Thought From the Frontline. I highly recommend it. I've been reading it for 20 years now. It's great stuff. Okay.

John Mauldin ([24:27](#)):

Thank you. You're one of my one million closest friends. But there are other people who write in this vein.

Bill Walton ([24:44](#)):

Okay. So an entry point is Thought From a Frontline.

John Mauldin ([24:46](#)):

Yeah.

Bill Walton ([24:46](#)):

Because I know you've covered a lot of this and you also have got this network of people that you refer people to, and so people can get into this world through that. I sort of made a New Year's resolution in July.

John Mauldin ([25:01](#)):

My day job, if you will, I write newsletters and we have our publishing business, and that's on the left side of our brain. On the right side of the brain is have a Chinese wall, and there's a regulator wall there, the right side of my brain I manage money. I refer people to money managers. And I refer people to things that aren't, I don't know if we got into this, but they're not buy and hold. I think a buy and hold philosophy is going to be devastating when the financial markets have upheaval. And people will say, well, it'll come back. And the answer is, yes, it will. Have you got 20 years? I mean, I don't want to have to wait 20 years. You can get involved with trading strategies, you can get involved with private credit, you can get involved with some of the technology companies.

Bill Walton ([26:06](#)):

How much capital do you need to be in that game?

John Mauldin ([26:09](#)):

To be an accredited investor, you have to have a million dollars to get into some of the private stuff. Now, if you have less than that, there are managers that we find and ways that we can find to ... And, to their credit, the SEC is now putting out for comment, the potential for an individual to be able to take a test, and if they pass the test, then they're an accredited investor.

Bill Walton ([26:42](#)):

That's a great idea. From the SEC, you're kidding me.

John Mauldin ([26:48](#)):

I mean, okay, somebody comes out with a Harvard MBA these days-

Bill Walton ([26:52](#)):

You made my day.

John Mauldin ([26:53](#)):

He owes \$100,000 of student debt and he has \$50,000 in his bank.

Bill Walton ([26:57](#)):

If he can't pass a literacy test, he ought to be able to deploy his money.

John Mauldin ([27:05](#)):

I've testified to Congress about this.

Bill Walton ([27:07](#)):

What a great idea.

John Mauldin ([27:09](#)):

If you said Blacks can't invest in this, or women can't invest, or gays can't invest, I mean, people would be just angry. But you say poor people can't invest because we have to protect them. I don't want to be protective. Thank you.

Bill Walton ([27:26](#)):

I love this. Okay. Yeah.

John Mauldin ([27:27](#)):

I mean, it's kind of the last bit of acceptable government paternalism. It just angers me that I have to look somebody in the eye, and say, "You're only worth \$750,000. You've worked all your life, and you can't be a member of the clubs. And I can't do anything for you except this and this and this."

Bill Walton ([27:59](#)):

Absolutely.

John Mauldin ([28:00](#)):

I can do things for you. But I can't do what I can. If you could just make another \$250,001. Well, I'm already 70 and I'm trying to retire. It's just, it's maddening. I mean, the agricultural technology that I'm telling you about, I think in 10 years, I have to be careful, I cannot say what a multiple I think it will be, but it's going to be a multiple. I mean, I wish I could get more money into space technology. I mean, there's too much private stuff out there.

Bill Walton ([28:51](#)):

You are watching The Bill Walton Show with John Mauldin, and we're going to crack this down. He's going to give us some stock tips in a minute. Because you really, I mean, John, you talk to every major money manager in the world.

John Mauldin ([29:06](#)):

Well, not the entire ... But I do have a few.

Bill Walton ([29:10](#)):

I'm guilty of hyperbole. But truly, I mean, there are people that have got a lot of bets in places that are very interesting and there's going to be a lot of wealth created. Even though you read gloom in the headlines, there's an awful lot of wealth that's ahead.

John Mauldin ([29:24](#)):

I'll tell you what, I think Buffett went along with Gates in this. They're planning to put in micro-nuclear reactors for electricity.

Bill Walton ([29:39](#)):

That's a good idea.

John Mauldin ([29:41](#)):

It's not a good idea. It's a brilliant, absolutely, on top of it. Can I played too?

Bill Walton ([29:47](#)):

Well, that's what I meant.

John Mauldin ([29:49](#)):

I want to get into that. Honest to God. And they don't want the headache of being a public company.

Bill Walton ([29:56](#)):

No, no.

John Mauldin ([29:57](#)):

But it's like I want to play in that world. The fourth-generation nukes that are out there, especially the thorium stuff. Oh, dear God.

Bill Walton ([30:12](#)):

I don't want to go back into a gloomy financial segment. But it is a problem though that what's happening in the capital markets with Sarbanes-Oxley, Dodd-Frank, a lot of small companies, medium-sized companies don't want to be public anymore. So a lot of this wall is getting created in private companies and in unicorns, and the regular guy doesn't have a chance to participate.

John Mauldin ([30:32](#)):

When I leave here, I told you I'm going to go to a restaurant. I'll have two and a half, three hours, and I'm sitting and I'm putting together a proposal for what I think has the potential to be pretty significant. It's a biotech. It uses some of the technologies that I've been talking about. But I couldn't do it in a public market.

Bill Walton ([31:05](#)):

Explain why. Because I don't think most people understand what's happened to the public markets.

John Mauldin ([31:14](#)):

This technology is going to suck capital. If you do it in a public market, then you got guys out there that short you, and they drive your stock price down. And so now you're having to raise money in the capital markets at a higher cost than I could raise it in the private market. Plus, it just cost a million and a half to be public.

Bill Walton ([31:47](#)):

Just to comply, just the regulatory version.

John Mauldin ([31:50](#)):

I mean, I'm the world's smallest broker-dealer because all I do is refer. If I refer you to another broker-dealer, and they sell you some product that, I like that product, it gets on their platform, they sell it to my clients, I get a piece of the fee. So I don't have any clients. I don't manage any cash. I get one or two checks in a month. I write one or two checks out a month. My audit, simply because is a regulated broker-dealer audit, and the insurance the auditor has to have to be able to do that, my audit cost me \$20,000.

Bill Walton ([32:36](#)):

Wow.

John Mauldin ([32:38](#)):

The money that I have to write to pay every state because I've got to be registered every state because my letters go to every state, I mean, just to open my door is almost six figures. And I'm not doing anything other than referring. And, by the way, I'm happy to pay that money. And just so people will think I'm not bitching too much about it, while there are parts of Dodd-Frank and Sarbanes-Oxley that I think were overwrought, I do not want to ever go into a world where the financial markets are not regulated. I watched too much stuff go wrong. You saw it from where you were. You sat right in the middle of it.

Bill Walton ([33:41](#)):

Oh, yeah.

John Mauldin ([33:41](#)):

Okay. You sat right in the middle of it and you watched stuff go on that will curl your toes. I want somebody regulating that stuff. Now, as much as it's not fun to go through, I also recognize that it's necessary. But if on the public market side, take my cost of my little bitty company, and then spring it forward, then you have to deal with shorts, then you have to go through all the ... It's so much easier to do it when you're public, and especially on startup companies. How long does it take before you're cashflow positive and you're generating and you're growing? It takes a while.

Bill Walton ([34:31](#)):

Two, three, five years if you're lucky.

John Mauldin ([34:34](#)):

The technologies that I was talking about, some of them, they're going to try to change the markets in the US. I don't think the real breakthroughs are going to be done in the US. I think there'll be done by US companies, hopefully, US companies outside of the US markets.

Bill Walton ([35:05](#)):

Because of the regulatory climate?

John Mauldin ([35:08](#)):

The FDA doesn't see aging as a disease. If aging is not a disease, then you can't have something that could cure it.

Bill Walton ([35:15](#)):

Yeah.

John Mauldin ([35:15](#)):

So if you can't have something that can cure it, then they're not going to allow you to have a scientific test to try to fight it. I mean, you get into this catch 22, a circular firing circle, where they're trying to use 19th-century concepts of medicine in a 21st-century world. It's changing too damn fast for them to keep up.

Bill Walton ([35:50](#)):

Well, we've got a 19th-century regulatory framework with 21st-century technology. Yeah, absolutely.

John Mauldin ([36:00](#)):

You and I are old enough to remember thalidomide babies. And they approved that drug, and it was a problem. And they are bound and determined, they're never going to have another thalidomide problem. Well, I understand. I really do. Japan, for instance, if it's a stem cell therapy in Japan that can improve their aging, all you got to do is show safety, a phase one trial, you are immediately allowed to go to revenue model. Now you still have to do phase two and phase three. You still have to go through it all. But now, instead of having to raise hundreds of millions of dollars to do phase two and phase three, now you can start generating revenue. You have to prove safety. And then you have to expose yourself completely to the markets, and say, here's what we're doing, and here's the results we're getting, and you and your doctor can decide if you want to do this. Why don't we do that in the United States?

Bill Walton ([37:12](#)):

Let me try a couple ... What are you calling it, the great reset?

John Mauldin ([37:17](#)):

Yes.

Bill Walton ([37:19](#)):

It strikes me as a here you. I'm a victim of being headquartered in the middle of the swamp. We need a regulatory reset.

John Mauldin ([37:29](#)):

Yes.

Bill Walton ([37:30](#)):

Because you and I have both been through enough things. You want to go to FDA, but you want it responsive to 21st technology. You want a good Securities and Exchange Commission, but you want it to have to deal with the real risks and not something that existed in 1920. So we've got all these barnacles of the past, which weigh down the innovation machine. And it's almost like you needed to sunset these agencies to say, okay, well, let's rethink what you do based on what is now and not what was yesterday.

John Mauldin ([38:02](#)):

I mean, the Volcker Rule ...

Bill Walton ([38:07](#)):

The Volcker Rule, quickly explain.

John Mauldin ([38:13](#)):

It's how much banks can trade have their own capital.

Bill Walton ([38:19](#)):

Got it. Okay. I just want to make everyone clear about that.

John Mauldin ([38:22](#)):

And it was part of Dodd-Frank. Well, what happened was the ability of banks to make markets in the bond markets has diminished by 90%.

Bill Walton ([38:40](#)):

Yes, it did. So you've got liquidity.

John Mauldin ([38:44](#)):

But you have absolutely all the liquidity do you want up until the moment you need it, and then you don't have it. And we're going to have-

Bill Walton ([38:56](#)):

But as a lender, you only want to lend money to people that don't need it.

John Mauldin (38:59):

Right. I mean, and we're going to have a liquidity crisis in the bond market that is just going to ... I mean, I just read a while ago, I mean, the 10-Year Auction just boom, great 10-Year Auction. Okay. As low as our rates are our 10-year bond is the highest paying of all the major of yielding 10-years out there.

Bill Walton (39:29):

Germany is negative.

John Mauldin (39:30):

Germany's negative.

Bill Walton (39:31):

Right.

John Mauldin (39:33):

The 10-year Japan is 0.4. It's four basis points. I mean, at least it's not negative anymore. I don't think anybody at the FOMC doesn't want to experiment with negative rates.

Bill Walton (40:00):

Federal Open Market Committee. Yeah.

John Mauldin (40:00):

I think they've looked at Europe, and seen, nope, that's not a good thing. It's really going to destroy your banks. We're not going to go there. I mean, I think the Federal Reserve has already made the policy mistake. I think they have kept rates too long. They've kept QE up too long. Last December, January, they should have started dialing back QE. They've painted themselves into a corner. And when they tried to get out of this corner, the longer they go, they're building what we call those fingers of instability, they're all through the market now. Now, when they try to bring that out, it's going to be like the little Dutch boy with his finger in the dike, except there's going to be 20 holes. I mean, well, it's not going to be the mother of all crisis, but it's going to be a problem.

Bill Walton (41:06):

It could be the mother of all crises. So what do we do as individuals? I mean, if you're your million people watching, your newsletter people, okay, you've convinced us we've got an incredible house of cards, it's going to collapse, or a sand hill that's going to collapse or avalanche. How do you protect yourself so you can take advantage of the next opportunity?

John Mauldin (41:38):

You want to be invested in companies that are going to be the other side of the reset.

Bill Walton (41:41):

Pick the right companies.

John Mauldin ([41:44](#)):

This is very rifle shot, you do not buy an index fund that buys the 50 biggest or 500 biggest-

Bill Walton ([41:50](#)):

Do you know Chuck Akre?

John Mauldin ([41:51](#)):

No, I do not.

Bill Walton ([41:52](#)):

He's an investment manager, money manager out here. He owns 20 stocks. And he owns them because he's done a tremendous amount of research on them. He'll change out of one, but he's picking companies that have higher return on capital, will be on the resettings. Picking great companies. So you pick great companies.

John Mauldin ([42:18](#)):

It'll be more volatile, but it'll get you through to the other side, and it'll come back quicker, picking great companies that have had a 20-year record of increasing their dividends every year.

Bill Walton ([42:35](#)):

Yeah.

John Mauldin ([42:36](#)):

Okay. Just a straightforward ... And you can get foreign companies and you can get US companies.

Bill Walton ([42:44](#)):

So you don't buy the market, you got to pick the companies based on their fundamentals.

John Mauldin ([42:50](#)):

You buy on fundamentals. Value is out of favor right now. I don't care.

Bill Walton ([42:58](#)):

Who cares if it's in favor? You care whether it works.

John Mauldin ([43:00](#)):

Well. I care what works, but I want to make sure that I get to the other side because I don't want to find out when it is that we get too far. Because we look like we're trying to go too far.

Bill Walton ([43:15](#)):

Well, yeah. I had a similar-

John Mauldin ([43:19](#)):

Listen, is Johnson and Johnson, to pick a company that I'm not invested in, is Johnson and Johnson going to be there in 2035? Yes.

Bill Walton ([43:27](#)):

Yes.

John Mauldin ([43:28](#)):

Okay.

Bill Walton ([43:29](#)):

Yes.

John Mauldin ([43:29](#)):

Are they going to be-

Bill Walton ([43:30](#)):

I'm in Johnson and Johnson.

John Mauldin ([43:31](#)):

You are in Johnson, okay. But is Johnson and Johnson going to be increasing their dividend every year between now and 2035? Probably, just like they have been.

Bill Walton ([43:41](#)):

I don't know. Yeah. I hope so.

John Mauldin ([43:48](#)):

Well, I mean ...

Bill Walton ([43:50](#)):

But let me say this a different way. Here's what I used to say to my investors. They'd say, "Well, tell us about the economy." I said, "I really can't tell you about the economy. All I can tell you about are the 20 companies that we've got a stake in." And as we did our due diligence or investment in this, we like our odds in any type of macroeconomy. We think these companies are going to be okay. And that's really, I think the same thing you're saying.

John Mauldin ([44:15](#)):

I'm saying you've got to pick companies, and if you're lucky enough to be an accredited investor, you can pick private credit.

Bill Walton ([44:22](#)):

Boy, I hope they change that rule.

John Mauldin ([44:23](#)):

Well, that would be ... And because it's private, I can't mention them specifically. But you and I talked off the air earlier, you're saying, yeah, we did that when it was in your company. And you talked about what a great strategy it was, and it was one of the best things you've ever done. You can still do that today. It's in the private markets. And you can still make high single digits. It's a private credit. It's not a bond. It's not a bond fund. I don't want to invest in a high yield fund that's only paying 4% over treasuries. Really? Triple C credit paying 4%.

Bill Walton ([45:02](#)):

It's crazy.

John Mauldin ([45:03](#)):

You think you're getting paid for that risk?

Bill Walton ([45:05](#)):

And the leverage ratios are nine to one.

John Mauldin ([45:07](#)):

Oh, the leverage loan bonds ...

Bill Walton ([45:09](#)):

It's crazy.

John Mauldin ([45:10](#)):

It's absolutely absurd. But that doesn't mean there aren't plenty of opportunities.

Bill Walton ([45:19](#)):

Yeah.

John Mauldin ([45:22](#)):

There is one fund put out by a trillion-dollar money manager, whose name you all know, but it's a private part of their deal. And it's a sweetheart little way to just get some income. What you're trying not to do ... I mean, I think of splitting my capital up. And the older you get, the more of your capital should go into the core bucket. That's the stuff that I want to grow at six, 7% a year, 5% a year. So let's say 80% of my money, maybe if you're old, it should be 90%.

Bill Walton ([46:03](#)):

We're never going to be that old. Remember, we got this technology.

John Mauldin ([46:08](#)):

Well, okay. And by the way, this is do as I say, not as I do. Because I've got maybe more of my money in my ... I've got my core bucket. And I do have a core bucket. It's a big chunk of my portfolio. And I have my explore bucket.

Bill Walton ([46:26](#)):

But let me explain-

John Mauldin ([46:27](#)):

And my explore in companies that I think have the potential to be multiples.

Bill Walton ([46:32](#)):

Let me restate what you're saying in a way that I think other people ... Don't invest in something you don't understand.

John Mauldin ([46:38](#)):

Oh, number one.

Bill Walton ([46:41](#)):

And because of your bandwidth, the business you're in, you get to see a lot more than most of the rest of us do, and so you understand things because you've got smart people that are explaining to you how this or that works or doesn't work. That's less risky for you than somebody that just says to their neighbor, gee, I heard about this company doing the seed thing. What do you think? Oh, yeah, let's put 25,000 in that. That's pretty dumb. You really want to invest in what you understand.

John Mauldin ([47:11](#)):

Well, I mean, I said and looked at that company 47 ways to lose. But there's a good friend of mine, started a company called Royalty Pharmaceuticals back in 1996. And he'd go to a company and say here's a check, a \$100 million, \$200 million, and I want to buy royalty, you're in stage three, your drug, we're pretty sure it's going to come out, I want to buy a royalty on that drug forever. So here's this really big check, but it's nondiluted. I'm not investing in you. But this is going to get you past your stage three and into your public, and you don't have to reduce your equity, but you pay me royalties. Well, they end up with 13 out of the top 30 drugs in the world. They go public last year at 20 billion. Now they're 30 billion because the market values of royalty at higher. That's 25 years later.

John Mauldin ([48:18](#)):

Now, do they see every drug deal out there? Oh, yeah. Do the people on that board, I maybe know some of them, and I see sometimes some opportunities that aren't quite ready for primetime where they're writing the 100 million dollar check, but you're going, hey, this is cool. Maybe you should go take a look at it. We're this close to really, really affecting Parkinson's. I mean, it's amazing. There's stuff out there that's happening with ... I am invested in a cancer company that's private. I was seed round about four or five years ago. It's taken longer than we thought because FDA is just taking longer. But it could be a full-on silver bullet for cancer. I mean, we're to the point where we're 80 to 90% sure that our drug works. We're seeing results that are just staggering. You know what the biggest risk to my investment is right now? It's not whether that drug works. The biggest risk to my investment is the 10 other guys coming up on the outside that are going just as fast with their own cures that could be cheaper or better.

John Mauldin ([49:48](#)):

Now, I want my horse to win because I would like to have my payday. But for humanity-

Bill Walton ([49:55](#)):

That's a win.

John Mauldin ([49:55](#)):

... it doesn't make any difference who wins.

Bill Walton ([49:58](#)):

Yeah.

John Mauldin ([49:58](#)):

And that's what's exciting when I say I'm long humanity. Do you realize how fast computers are getting? How incredible artificial intelligence is becoming? By the way, I think, I said nice things about Elon a while ago, and now I'll say, I think Elon's stupid in his worrying about artificial intelligence, and somehow taking over and eclipsing us.

Bill Walton ([50:31](#)):

Eclipsing us.

John Mauldin ([50:34](#)):

And I'll tell you why.

Bill Walton ([50:35](#)):

The masters in universe in Silicon Valley are obsessed with that right now. That's their thing.

John Mauldin ([50:41](#)):

Here's what's going to happen because it's already happening. We will have neural nets in our brains connected by wifi to those artificial intelligences that will boost our capacity to think and activate. And when an artificial intelligence finally does wake up, he's going to meet 100 million humans that are already tied in, and we've had a million years of evolution to be the meanest son of a gun on the block. And we're going to look at the cute little artificial intelligence, and say, "Oh, he woke up. How cute." I mean, he won't have a chance. He's going to have to evolve for a million years. I mean, how do you take on ... The world is going to be so cool. I mean, we get through this bump of the fourth turning, and we will, with all of the incredibly new technologies, with all of the ... I don't know.

John Mauldin ([52:04](#)):

You don't look like you have to worry about it, but I have to worry about gaining weight. I mean, I work out. I don't eat nearly as much as I used to. It won't be too many years-

Bill Walton ([52:23](#)):

You can eat anything you want.

John Mauldin ([52:25](#)):

... when I go back to being 25, 30, and 35, and I can have a pint of ice cream at night. That's where we're going to.

Bill Walton ([52:36](#)):

I hate to wrap this up.

John Mauldin ([52:37](#)):

Oh, we're just getting started.

Bill Walton ([52:38](#)):

We're just getting started. All right. We got to do this again.

John Mauldin ([52:43](#)):

I'll come back to D.C.

Bill Walton ([52:45](#)):

The next time you're in D.C., let's do this again. We just are beginning to get going.

John Mauldin ([52:50](#)):

Can you get two people on this thing?

Bill Walton ([52:52](#)):

Oh, yeah.

John Mauldin ([52:53](#)):

Well, I'll see if I can get Neil to come with us. I'll bring some other technology guys.

Bill Walton ([52:57](#)):

Yeah, bring your tech guys. I really want to dig into this. And you and I can do financial gloom as well as anybody.

John Mauldin ([53:06](#)):

I've got the financial gloom down. But I get more animated and excited.

Bill Walton ([53:11](#)):

I know.

John Mauldin ([53:12](#)):

When you think about how cool ... I mean, I really do think I'm going to get to be young. I really do think I'm going to get to go to space. I really do think that the new technologies are going to allow us to do things that really will ... I don't know what kind of science fiction books the guy over my shoulder you said he writes.

Bill Walton ([53:41](#)):

Good ones.

John Mauldin ([53:42](#)):

Good ones. But it really is going to be better than science fiction.

Bill Walton ([53:51](#)):

Okay. That's a wrap. And we're going to get one or two more guys here.

John Mauldin ([53:58](#)):

We will. Now, you were going to get my best line though about is not riding the tiger that's the problem, it's the dismount. We were going to talk about the Federal Reserve, how do they dismount the tiger. But we'll talk about that next time.

Bill Walton ([54:13](#)):

There we go. To be continued next Saturday at the local Bijou. The cavalry is coming over the hill and we are the cavalry.

John Mauldin ([54:26](#)):

There we go.

Bill Walton ([54:26](#)):

John Mauldin and Bill Walton. You've been watching The Bill Walton Show, and we're available on YouTube and thebillwaltonshow.com. And join us again and join us with John Mauldin again because we're just getting warmed up here.

Bill Walton ([54:39](#)):

I hope you enjoyed the conversation. Want more? Click the subscribe button or head over to thebillwaltonshow.com to choose from over 100 episodes. You can also learn more about our guests on our interesting people page. And send us your comments, we read every one and your thoughts help us guide the show. If it's easier for you to listen, check out our podcast page and subscribe there. In return, we'll keep you informed about what's true, what's right, and what's next. Thanks for joining.