Speaker 1 (00:05):

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. This week, Americans for Limited Government published a provocative and insightful piece about the banking system asking, "Has the United States banking system become too big to save? Here's the gist. In the past three years, US treasuries have increased by seven and a half trillion dollars to finance massive spending bills that have increased our federal debt to almost a little over $31 trillion. 3 trillion of the treasuries were bought by the Federal Reserve, aka monetizing the debt, but it means the other 4 trillion were bought by US financial institutions at a time when interest rates were far lower than they are today. What that may mean is that banks are sitting on more than $600 billion of unrealized losses in these bonds. Silicon Valley Bank looks to be the canary in the coal mine and maybe the first of many balance sheets are going to blow up because of mismanagement of both our fiscal and our monetary policy.

(01:31):

The banking crises of the past quarter century have led to greater and greater centralization of our banking system, where socializing the risks, as they call it, or too big to fail, which basically means tax taxpayers pick up the tabs for losses. Where this looks to be heading is towards a wholly government-based financial system where everyone's bank becomes the Federal Reserve, and our money becomes a so-called central bank digital currency, which will give the federal government power over most of all of our personal financial matters and our lives.

(02:10):

Farfetched? I don't think so. And joining me to talk this through is Rick Manning, president of Americans for Limited Government, and it's vice president, Robert Romano, author of the peace. I saw Rick recently at CPAC and told him, "I like what they're Writing." And he said, "I sure hope So." Each one is a result of the two of us arguing for about half a day over the issues. And when I heard that, I thought, "I want to join in that argument and get into learning about what we think is Happening." And I think generally we're on the same page about where this might be going, but I think it's complicated, it's opaque, almost nobody understands it. And so our goal today is to try to simplify it for what's at stake for regular people like us.

Rick Manning (02:58):

Well, thanks for having us, Bill. And I will tell you that process is, I think, really necessary for-

Bill Walton (03:03):

The process with you and Robert.

Rick Manning (03:05):

The process with Robert and I, and now with you, is necessary to really get to the bottom of things because you have to question all the assumptions. You have to question everything about how we got here. You can't just say, we're here and accept that there's a pathway that doesn't include an examination of how we got here, and what the people who are got us here are actually trying to do. We're for a limited government. We don't want a nationalized bank system. We don't want a system that we're banks, or there's no risk involved in banks because no risk means that you don't have real capitalism, you don't have the market, you don't have protections for the banking system because you don't have people competing.

(03:43):

And when you have a banking system that's based basically on how low they can get the money from the Feds so they can make a profit on the treasury bills, then that's a system that's doomed to fail because treasury bills go up and down based on markets and based on the supply and demand of the marketplace. So we have a doomed to fail system because the way it's been set up and [inaudible 00:04:07].

Bill Walton (04:06):

We have a doomed to fail system?

Rick Manning (04:09):

Yup, because the way it's set up is it's set up based around a dependency on government debt and the trading on government debt. And it was always for the last 10 years, 15 years, it's been dependent on that government debt becoming more and the interest rates going down but the cost of the debt going down also, so they had a guaranteed profit. And that's where you end up with a challenge in terms of the bottom, the banking systems' overall capacity.

Bill Walton (04:38):

Right.

Robert Romano (04:39):

Well, that's 6 trillion of new money that was created under M2 from the 7.5 trillion treasuries. And that was a 43% increase since February of 2020, which created the inflation, which then the Fed though never raised interest rates until after Russia invaded Ukraine. By that time, inflation was already at 7.5% and they've been hiking rates ever since. We just had another rate hike. We're up to 4.75 to 5% now on the federal funds rate. And they're still not above the consumer price index, which is at 6% right now. So everyone's still expecting more interest rate hikes, at least one more this year alone. But usually, that happens right before a recession is they're going to bring the funds rate right above the consumer price.

Bill Walton (05:27):

But could I boil this down though? The banks bought treasuries fixed rate. Most of them, they bought them in rates for 1.5, 2%. And the way bonds are priced is that if interest rates go up and let's say they go to five or 6%, all of a sudden those bonds you bought at 1.5%, you can't get a hundred cents on a dollar for them. You can get 90 cents or 85 cents or 80 cents. So it means if you're looking at your balance sheet, what you thought was worth a hundred cents is now really worth much less. And that's happened throughout the banking system,

Rick Manning (06:02):

Correct. But as you know in the banking system, you count what the value of the bond is, not what you can sell it for now. So if you have a bond that has a thousand dollars value, to make it easy, a $1000 value but because interest rates have turned around on you and you can only sell it for $850, it's counted on your balance sheet as being a $1000 worth of asset.

Bill Walton (06:25):

Well, but that sounds like China. I mean, what an interest rate phenomenon, but China had banks, a lot of its banks had billions if not trillion dollars of real estate investments and loans that went this way. And the Chinese decided to keep those at par even though they were worthless. And so they've got many, many, many what they call zombie banks in China. And our fear here is that we end up as zombie banks here in the United States where the assets are worth a lot less than we see on the balance sheets.

Rick Manning (07:01):

Yeah. The interesting challenge on this is, when they essentially nationalized Silicon Valley Bank and Signature Bank, they bought the treasuries, they essentially bought the treasuries for full par value.

Robert Romano (07:17):

It's the bank firm lending facility that they just established. It's explicitly for a year they get to consider that at 100 cent pennies on the dollar. They can, "Here, give us your treasuries." Now, I think what's going to happen at the end of this, if it gets worse, is the Feds just going to end up buying them back at a hundred pennies on a dollar, just like they did in 2009 when Bernacki did the mortgage-backed securities buyout, which is now up to $2.6 trillion the Fed has on its balance sheet right now. Those are agency backed. Those are Fannie and Freddie bonds that everyone was upside down on.

Bill Walton (07:55):

How big is the The Fed balance sheet now?

Robert Romano (07:57):

$8.2 trillion.

Bill Walton (07:59):

And what was it in 2008?

Robert Romano (08:03):

About $800 billion. It's up tenfold.

Bill Walton (08:05):

And where'd all that money go to, buying mortgage funds?

Robert Romano (08:08):

Buy treasuries. Yeah, they have more than 5 trillion of US treasuries right now. And then they have the 2.6 trillion of more mortgage-backed securities at the moment.

Bill Walton (08:18):

And so that's how we end up with the inflation, which is when the treasury issues a bond and the Fed buys it, that becomes money and money gets absolutely flashed around and that's why we've got 6%, 7% inflation.

Robert Romano (08:30):

It peaked at 9%, more than 9% in June, 2022.

Bill Walton (08:33):

Well, let's do a little trip down memory lane. I mean United States used to have a Wild West banking system. Every state had a couple thousand banks in it. It's like the Old Wild West where you'd have a saloon and a bank. And as recently as I think 1960, we had 14,000 banks in the United States. And that's now down to about 5,000. And those 14,00, 5,000, those 9,000 that disappeared, it was through the mortgage crisis, the SNL crisis. Why did all those banks disappear?

Rick Manning (09:14):

Well, it was also because we made a decision 30-some years ago to nationalize the bank and the banking system so they could do business outside state lines. And so the small in-state banks got bought by bigger banks that wanted to have a footprint.

Bill Walton (09:28):

I remember that. It used to be, if you had to bank and only in your own states. And then they made it cross border, and that shoved the smaller-

Rick Manning (09:36):

And so a lot of smaller banks then got consolidated. And then we had the SNL crisis, which did had the same thing where savings and loans were essentially gobbled up into the banking system. So the system has been over the last 30, 35 years, maybe 25 years, a consolidating system where every crisis is met with an opportunity for the big banks to take over little banks.

Robert Romano (10:01):

And that's what happened in the eighties with the SNL crisis. If you read the Federal Reserve's history on that. It was once again being upside down on interest rates, which had to go up in order to tame the inflation of the 1970s and the early 1980s. So every time we go through this process where we're printing too much money, we're spending too much money. Again, $7.5 trillion of marketable treasuries was done for COVID so that we could do production hauls, so that we could do economic lockdown, so that we could pay people not to work. And so you had too much money chasing too few goods. By definition, that is the inflation right there, is you don't produce enough goods on purpose and you print too much money on purpose. And the Fed couldn't figure out that there was going to be a mismatch is beyond me. Why didn't they raise interest rates in 2021 when they had the chance to get this under control was beyond us?

Rick Manning (10:51):

Well, I think their excuse was that we were still recovering from the shock of COVID. But where we really saw, in my estimation, we ended up with ego getting involved in our policy. And I will say President Trump in the last stimulus that was done in December of 2020, and then Joe Biden with a $1.9 trillion stimulus that was done in almost three months after you took office in 2021, just ignited the inflation. Because a lot of the money that had been sent out in that during COVID was sent out to basically keep people employed and things like that. The respite was just stimulative. It was designed to be stimulative. And truthfully, I think the Biden was mainly because he wanted to send people checks with his name on it. It really had no economic value and we were already recovered.

Bill Walton (11:52):

Well, Trump wanted to do that too.

Rick Manning (11:53):

Well, no doubt.

Bill Walton (11:55):

I like Donald Trump, but he [inaudible 00:11:59].

Robert Romano (11:59):

Well, he spent more than Biden did.

Bill Walton (12:01):

He spent more, yeah.

Rick Manning (12:06):

I differentiate him.

Bill Walton (12:07):

We can pile on Joe Biden all we want.

Rick Manning (12:10):

I know we can. I'll tell you how I differentiate it. We made a decision, Americans for Limited Government, to support the short term things that were done to try to make sure small businesses didn't collapse. When the government made a decision that they were going to shut down the economy, that they were not going to allow people to actually make a living and weren't going to allow people to actually go out and visit a restaurant or go to the local grocery store and the like, and they kept the Walmarts open, they kept the Amazons open, but they wouldn't let the small businesses be open, when they made that decision, the government has responsibility to try to make sure it doesn't comp go completely to shambles. And so we supported that initially because quite honestly, it was the only way we could see not falling into a massive depression with people losing their jobs and being essentially destroyed.

Robert Romano (13:01):

And all the same 25 million jobs were lost by April of 2020, but by the time Trump was leaving office, 16 million of those jobs had already been recovered. And I think attributing that to the Paycheck Protection Program, I think that's spot on. It was a wise policy considering the fact we didn't know how long we were going to be locked down, we didn't know how bad the virus, how deadly it actually was. Thank goodness it became less deadly, well, it has mutated. But the fact is that most of the recovery was already in place by the time Biden came in. And what Trump's comment has been since then, especially after the inflation, was that all Biden had to do with just sit back and watch as the economy fully reopened for the rest of the year in 2021. Instead they said, "Let's do a few more trillion."

Rick Manning (13:47):

Well, and the irony of course is the reason the economy hadn't fully reopened when Trump was there was because Democrat governors and big states didn't want to give Trump credit for fully recovering the economy. So, they deliberately kept their economies closed until Biden became president, then they started reopening their economies. So you saw California, and New York, Pennsylvania, others have their job losses basically got sucked up because they did the same thing that Texas, Florida did in June, July, August of 2020, they just did it six months later for political purposes. Essentially, they put their own own people, their own population, their voters, they put a gun to their head and said, "We're not going to allow you to prosper for until after Donald Trump's out, because there's nothing more important than stopping Donald Trump."

Bill Walton ([14:31]()):

This is the Bill Walton Show. I'm here with Rick Manning and Robert Romano of Americans for Limited Government, and they're shocking me with this idea that politicians put their interest ahead of the voters and the American people. And there's gambling going on in the casino. But the thing is, I think the parallel between what happened with the lockdowns and what's happening now with the banks is that big picture, the left is a enemy of the market. They're an enemy of small business, of entrepreneurship, of civil society. And what happened with the lockdowns was they took out tens of thousands, if not hundreds of thousands, of businesses. Some of whom recovered, but most many of them did not. And you had this ridiculous situation where Lowe's was kept open and it was Gretchen Whitmer and Michigan decided that this department and Lowe's was essential and this other department was non-essential.

Rick Manning ([15:29]()):

Yeah. They wouldn't allow them to buy seeds so they could grow their own food in Home Depot or Lowe's. So they wouldn't allow it to buy gardening stuff because they don't want people to go out, actually grow their own food and be self-sufficient.

Bill Walton ([15:41]()):

And they have this hostility towards self-reliance because they don't want you to be free of their power.

Rick Manning ([15:46]()):

Self-reliance means you're not reliant on them. Absolutely.

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

And this may sound like a conspiracy to those who are listening in Washington, and it is a conspiracy and it is what they do and that's what we need to worry about. And that's why I'm worried about this banking situation because they don't like small banks and medium sized banks any more than they like small business and medium business. They would just assume they went away because it'd be a lot easier for the federal government to control a much smaller banking system and control it the way they do JP Morgan and Wells Fargo and, what's the other one in there? Citibank and Wells. You got the four big ones. They would be happy with the banking system that had 500 banks in it, I think.

Robert Romano ([16:31]()):

I think that's where this is headed. In fact in Dodd-Frank, there was a mechanism to bring these companies into receivership, these small and medium, if they posed a systemic risk. That's exactly what they did with Silicon Valley Bank. And there's no incentive now to-

Bill Walton ([16:44]()):

Go slow on that. Explain a little bit. What do you mean systemic... What did they do? Take it down.

Robert Romano ([16:49]()):

They followed the law. The law says that if the Treasury and the Federal Reserve and the FDIC wave a magic wand then say, "You're systemically risky," they can take that company into receivership, wipe out the bond holders, wipe out the shareholders, and there's no incentive now to hold onto those stocks, which is why the regional banking index the past month is down 29%. First Republic has been under a lot of pressure, down 88% in the past month alone. And this is the mechanism, a perverse incentive in Dodd-Frank to put pressure on the small and medium. And then the only solution is further consolidation, more receivership, and you're going to put these... What if the bigger banks start getting similar pressure, I think is where this is going.

Rick Manning ([17:31]()):

But the key is the bigger banks are protected under too big to fail. And so the bigger banks are guaranteed under Dodd-Frank that they can't fail that we're going to bail them out.

Bill Walton ([17:39]()):

What does that mean exactly? Does that mean basically they're going to flood them with cash if something?

Rick Manning ([17:46]()):

The internal mechanism they're supposed to work is that the banks are going to actually they have to pay a higher rate, which means they're depositors and are going to have higher assessments. Basically, it's a backhanded way of taxing people because they're just going to tax the people actually have their deposits to the banks. So you're not going to be able to get paid for interest for your various accounts and the like. But that's how they devised it, and Congress devised it that way on purpose because Congress really, really hated when they had to make votes about whether to bail out Lehman Brothers and the like. They hated that. And remember when they were having those votes, Republicans in the house didn't vote for the bailouts the first day. They said, "No," and they got pounded by Wall Street.

([18:32]()):

And the next day they collapsed and they voted for the bailouts. Well, the Republicans, when Dodd-Frank came around, which was a year later, they said, "Nobody in Congress wanted to have that vote." So they outsourced the decision making to this council. And the challenge with the systemic risk is twofold. It's not a defined term. So they found, for instance, Silicon Valley Bank to have systemic risk because it was a bunch of lefties who had their deposits there, who were investing in things they liked and were engaged in woke capitalism in terms of the Silicon Valley startups and the like, all the green agenda stuff. So they said, "No, that's systemic risk. We can't allow those people to lose." But if you have a bank in Oklahoma and your bank is mainly, people are drilling and wildcatters and the like, they're not going to get bailed out. They're not going to have more than $250,000 covered.

Bill Walton ([19:35]()):

Sort of like East Palestines disaster relief tread

Rick Manning ([19:38]()):

Trade. Never. Palestine doesn't count, but

Bill Walton (19:41):

Because they all voted for

Rick Manning (19:42):

Trump. But if they'd been in San Francisco, you darn bet that every single federalist have been there.

Bill Walton (19:48):

Look at Silicon Valley, I mean, as I understand it, I've heard different numbers. Only five to 15% of their deposits were covered by the $250,000 insurance cap. What's your number?

Robert Romano (20:00):

It was 90% were uninsured.

Bill Walton (20:03):

Okay, so 10% was insured. So the mean 90% was uninsured.

Rick Manning (20:07):

They were the second most, had the seven most exposure in terms of all the banks in terms-

Bill Walton (20:12):

Well, and who were their clients. The clients were all the big VC firms and all the big venture capital investing firms.

Robert Romano (20:19):

Also big companies like Roku.

Bill Walton (20:21):

And every single one of them, I think I could probably say every single one of that, exception is a big Democrat donor.

Rick Manning (20:28):

The only one who wasn't with Peter Teal,

Bill Walton (20:31):

Did Peter Teal have money in Silicon Bank?

Rick Manning (20:33):

He had 50, what was it, 50 million in there?

Robert Romano (20:36):

Well, he advised people pull out about 40 billion.

Rick Manning (20:39):

His founder's fund was the first ones who said, "Wait a second, this isn't solvent." And pull out. He sent advice out to a people who was [inaudible 00:20:47].

Bill Walton (20:46):

And then everybody in Silicon Valley got on Twitter and said, "Let's get out of here." It was our first was virtual bank run.

Rick Manning (20:54):

But if you had I think 50 million of personal cash in, that he would've gotten 250,000 back.

Bill Walton (21:00):

Okay, well anyway. Except for Peter Teal, it was primarily people are on the left And they bailed them out and it's egregious of where they're just taking. And I understand Signature Bank is similarly favored because they've got a lot of depositors or Democrat and on the left.

Robert Romano (21:22):

Barney Frank was on the board.

Bill Walton (21:24):

And then the other one, First Republic, is almost in the same category, it's in California.

Rick Manning (21:29):

Very similar to Silicon Valley Bank.

Robert Romano (21:31):

It has a lot of uninsured deposits as well. But in fact, it was Silicon Valley saying, "We need to raise $2.25 billion of more capital," that preceded the Founders Fund and everyone else saying that they needed to get out because, "Oh, the uninsured deposits are"-

Bill Walton (21:46):

But these were big boys that put their money into these institutions. They knew the $250,000 rule. And yet they figured, "Well, there's really not that much risk because we are who we are and they're going to bail us out if there's a problem." And that's in fact what happened.

Rick Manning (22:00):

That's exactly what happened. And if it happened to you or me, we would've been creamed. And so the rest residents have to follow the $250,000 rule. Well, if it's above that, we're risking that. And they didn't have to.

Bill Walton (22:14):

That's where I see this as much more than just a traditional banking crisis, financial crisis. I think there's a political agenda at work here that's really deeply concerning. It's part of the weaponization of our money thing.

Rick Manning (22:26):

Well, let's put it this way. The old days of where you sit there and it's based on decisions in Washington are based upon various facts other than who gets hurt and who gets helped. Those states don't exist. If they ever did exist, they certainly don't exist now. The first and foremost consideration is who gets hurt and who gets helped. And that's a political decision. And if you happen to have invested in the right candidate, you get helped. And if you didn't, you get hurt. And that's the problem with corporate cronyism and all throughout the system.

Bill Walton (23:01):

Well, the weaponization of the government, or under Joe Biden, we've seen a weaponization of the government to push diversity, equity, and inclusion. We've seen the ESG, Environmental, Social, and Governments pushed, and that's essentially a shorthand for climate initiatives. I mean, there's a little bit of S and G in there, but it's mainly climate. Then the climate agenda is, as we know, the left agenda. But I think it's not just the agencies that have been weaponized. The regulators have been weaponized. I mean, if you look at the Federal Reserve, look at the Federal Reserve Bank of San Francisco. The head of that is a woman who, what she get her PhD? In gender studies or... I'm all for gender, but I'm just think saying it's not a degree in banking.

Rick Manning (23:55):

I can make a joke about it. I studied gender.

Bill Walton (23:59):

I would like to hear something funny.

Rick Manning (24:01):

But I studied gender a lot in college at University Southern of California. But the truth of the matter is I didn't get a degree in it.

Bill Walton (24:10):

So you studied gender.

Rick Manning (24:12):

I was studying it closely. And I think most guys would admit that they were too. Hey, I found my wife there. We've been married for over 40 years. I did well in my gender studies.

Bill Walton (24:28):

I don't think that's what she's doing.

Robert Romano (24:30):

Not what they had in mind.

Bill Walton (24:33):

They're writing. They've got all sort of, go on their website. Look at the papers. They write it on the website about the fact that that monetary policy ought to be based on social justice and equity.

Robert Romano (24:43):

That's so dangerous. So dangerous. And if you look at the perverse incentives that are in ESG and the regulations that have pushed retirement savings into that, there's about more than 30 trillion of retirement savings. Unfortunately, the labor department only addresses about one third of that. In terms of the regulations. We haven't even been really able to tackle this. I think from the Republican side of this question for more than 15 years.

Bill Walton (25:07):

Well, I had Pat Pizzella on. He was briefly acting secretary, and they put together some rules that didn't allow pension managers to use ESG. Now you're making a face. Maybe it wasn't as tough as we all [inaudible 00:25:23].

Rick Manning (25:25):

They made it made an attempt to do that. The challenge is in the law that they have to write it under. All you have to do is make sure the decisions are based on fiduciary concerns and not other concerns. And so you can invest in if the government is picking winners and losers.

Bill Walton (25:41):

See, the problem is you guys, the minutiae of all this.

Rick Manning (25:43):

I know. Sorry about that. I was at the labor department in the Bush Administration and the first things you see...

Robert Romano (25:50):

It was the same thing.

Rick Manning (25:51):

The first ESG guidance at that time came out in 2008, and I was the PR guy who had to sell it. And we got great press on it and I got in trouble for it. But it was, in fact, at the time, it made sense because ESG was, we're going to invest in crazy stuff and it's not profitable. 12 years later, the same language was no longer sufficient because the fact is because of the government incentives that have been built into the system to push the environmental stuff, investing in coal didn't make sense, but investing in windmills did. And so when they go picked winners and losers, that changed the investing dynamic.

Bill Walton (26:35):

I totally agree with you. Let me amplify. The way I would say it is that coal's subjected to free market return and investment return and capital, that sort of thing. And it's also out of favor. And so it's losing its customer base. So it's not a good investment. Wind and solar because of subsidies, government money coming into it, has become investible but it's only because of trillions of dollars of taxpayer subsidies and outright government financing for it that it has become investible. So we've got this blurring of the capital markets where it's been so distorted by... Robert?

Robert Romano (27:16):

Well, you have these BlackRock and Vanguard are able to take over even the boards that directors of companies like Exxon with the goal of restricting the energy supply, which raises prices and resulted in record profits. So, if the Republican rule on this is only going to address whether or not it's profitable, we'll never get to the bottom of it. I just say it violates antitrust to price gouge the American people like that. So maybe they should apply antitrust to no retirement investments into companies that are violating antitrust. If they're doing racial and gender hiring quotas, that violates Title VII of the Civil Rights Act. They could restrict that and say, "Hey, let's, I don't know, enforce the law."

Rick Manning (27:55):

What a crazy idea. Actually, and enforce the law, state AGs can do this. If somebody's engaged in racial preference hiring against the laws of the state

Robert Romano (28:10):

Or the feds.

Rick Manning (28:11):

Or the Feds, the state AGs can actually go after it. So in states like Texas

Bill Walton (28:15):

Go after it, you mean ESG...

Rick Manning (28:16):

Go after companies that are engaged in ESG on the personnel side doing the equity hiring and the like, because that in essence is a violation of the constitution itself, which says...

Robert Romano (28:30):

Equal protection.

Rick Manning (28:31):

Equal protection. You're not allowed to make a choice based on the color of somebody's skin. John Robertson hearing a case of the case on University of North Carolina and Harvard where they're doing racial preferences for admissions and denying Asians the ability to get into the schools and preferring other races. He said, "I thought we fought a civil war about this about 160 years ago. Didn't we get this settled?" And the University of North Carolina and Harvard, which we're trying to defend the racial preference in admission standards had no answer. So I think that we're going to see the Supreme Court go after that, which will then harden the capacity to go after these companies that aren't doing ESG and force them to back away from that and start hiring on merit. Because when you don't hire a merit, when you don't do things in merit, you lose and we no longer succeed as a country.

Bill Walton (29:24):

Okay, this is the Bill Walton Show. I'm here with Rick Banning and Robert Romano of Americans for Limited Government. And I thought this would be a wide ranging conversation. We've gone from interest rates to admission policy at Harvard.

Rick Manning (29:38):

True enough. Remember, Harvard still has a $50 billion endowment, so they're doing okay.

Bill Walton (29:44):

They're doing okay. But let's wander back into banking since that's what our topic is, although I think everything's our topic. We talked about Silicon Valley. I don't think we talked about ESG and the woke kind of things they did, they didn't go broke because they were woke. And I read something today I thought was very good. They went broke because they were spending all their management time and attention on being woke and they weren't spending any management time and attention on interest rate and balance sheet management. And had somebody been not thinking about all the great social things they ought to be doing, and instead focusing on their balance sheet, they would've noticed that they had this mounting loss in their bond portfolio and they would've begun to hedge that, and they would've gotten themselves out from under this. Yet they went for nine months without a risk manager. Instead, they had a diversity, equity, and inclusion person in that job.

Robert Romano (30:43):

What a distraction. But yeah, Jerome Powell was just saying in his press conference after the Fed meeting that they definitely were not managing what they called the duration risk in terms of having these long-term bonds on-

Bill Walton (30:55):

The duration risk, amplify.

Robert Romano (30:57):

Well, if you just buy a 10-year bond, you got to wait for that thing to come to maturity. If you buy a one-year or three-month, you can hold onto it for a little while.

Bill Walton (31:06):

The durations, you got to hold it to get paid a hundred cents on a dollar. And in the meantime, it can be worth almost nothing because of high interest rates.

Rick Manning (31:13):

And a shorter term bond, which matures faster, doesn't drop as much in value.

Bill Walton (31:17):

Exactly. Okay. I just wanted to-

Robert Romano (31:19):

Better not need cash, right?

Bill Walton (31:20):

So for those non-wokes who are paying attention...

Rick Manning (31:24):

Trust me, we've had to learn more about the banking system than we ever wanted to know. I just wanted to go and give them my money and assume it was going to be safe. Okay? That's what I wanted to know. But they forced us to have to learn about how this works. And you are exactly right. Your initial premise is exactly right. This is an attempt to consolidate the banking system. And so it's more controllable. And why they want it more controllable is because they do want to go to digital currency. They want to go to digital currency for everybody and not allow you to have cash in your hand. Not allow you to, you have to essentially ask permission. And if you don't believe that. Try to take $10,000 out of the bank right now and not have them treasuries notified when you try to take more than a certain amount out.

Bill Walton (32:08):

We've had a $10,000 rule for decades though.

Rick Manning (32:11):

Exactly right. But you see, it's the precedent. It's the precedent that there are triggers-

Bill Walton (32:17):

So if I go to my bank and I take out $9,950, do you think they notify the feds that somebody's doing that?

Rick Manning (32:24):

Yes.

Bill Walton (32:26):

So that $10,000 rule is simply what you cant get at the teller, but you end up in their system, there's a notification, "We've got a customer here who's pulling out lots of cash."

Robert Romano (32:38):

They've got that data. And so I think since the financial crisis, they even have better data now. And so they can see where the runs are occurring in real time.

Bill Walton (32:46):

Yeah, because I've had the people say, "You're going to need currency in case we have some cataclysmic Crash." And I think, well, if I go to the bank and start looking at 5, 10, 25, even if I send Sarah to do it. She's on camera. She's very suspicious. But they're still going to put you on a list and they're still going to manage that. And central bank digital currencies just take that totally out of the equation because in effect your checking account is on the ledger at the Federal Reserve.

Rick Manning (33:16):

100%. The reason I brought up the $10,000 is because it's the predicate. They've already started having measuring that. And now the system's built, it's actually built to try to drive people into using strict digital currency, get us used to only using credit cards-

Robert Romano (33:34):

And use the big banks.

Rick Manning (33:35):

And use the big banks.

Robert Romano (33:36):

So who wrote the regulations?

Rick Manning (33:37):

The big banks.

Robert Romano (33:38):

Precisely.

Bill Walton (33:39):

Yeah.

Robert Romano (33:39):

I think that's what the incentive was with Dodd-Frank. And when you would get to this situation again, I don't know if, is this an unintended consequence? They seemed to be unprepared for it when Silicon Valley Bank was going down. I think the regulators were caught by surprise. I think the Board of Governors was caught by surprise. So help us favor the idea that this was an unintended consequence because Congress should really re-examine what was done with Dodd-Frank, which I really, that orderly liquidation fund, which is what they're using, is a-

Bill Walton (34:12):

They're not going to unwind Dodd-Frank.

Robert Romano (34:14):

Well, it's a lethal threat though to the private sector if Treasury and the Federal Reserve and the FDIC can just say that the financial company or a non non-bank financial style company can be-

Bill Walton (34:24):

But they're never going to give up that power.

Robert Romano (34:27):

They can just take over any company in America on their own and say, "You're systemically risky."

Bill Walton (34:32):

Yeah. Well, look, I've used this story way too many times, so bear with me. If you've ever heard of Jamie Dimon and Lloyd Blankfein who was at the time CEO of Goldman Sachs after Dodd-Frank passed several years later. We're in investor conference telling people about why they should invest in their banks and they said, "Well, Dodd-Frank basically built an economic moat around our business model. And it's the capital requirements and the regulatory requirements are so high now because of Dodd-Frank that you can't start something new to compete with This."

(35:09):

And the proof is what's happened with community banks in America, and this is my world, the entrepreneurial world, there used to be 70, 80, 90, 150 community banks started every year, entrepreneurs deciding they wanted to do something. Since Dodd-Frank, I think we've had a total of about, I've heard as low as five, I've heard as many as 15, but that's over a 12-year period. And so new bank creation has been halted, been brought to halt. And JP Morgan, just to put the icing on the cake, last year had returned on equity of 18%. And banks like that used to be around 8%. So that regulatory barrier that they've got and that protection from the government is massively profitable.

Robert Romano (35:59):

It's a regulatory capture. When you create a favorable-

Bill Walton (36:03):

I think they've captured the regulator.

Robert Romano (36:05):

Well, no, what I mean by that though is-

Bill Walton (36:07):

Well, I guess that is what it means though.

Robert Romano (36:08):

It means that the bigger entities are then able to, via the regulations, they're the only ones who can meet up with those requirements. Plus they're too big to fail. So you result in more consolidation. What we were referring to earlier. And I do believe that that is a part of the plan there is fewer and fewer banks. And then you can say, "Oh, well, if it's too risky to go withdraw money from the bank, no more cash." And that, I think that's where you wind up. You get to the endgame, and we're getting there quickly.

Rick Manning (36:38):

Well, the other thing that is a proof of point on it, under the Obama administration, there was an active policy to bank certain industries and use the banking system and pressure banks to get out of gun dealers in particular.

Robert Romano (36:53):

Right. And that's part of the ESG thing as well.

Rick Manning (36:56):

Also part of the ESG thing, which puts private capital into that game to encourage people and give leverage to force people to debank. So we already have a federal banking system that is actively seeking to debank unfavored enterprises and unfavored people. When you put on top of that digital banking system, which then allows for them to control the actual flow of capital to individuals and decide what that flow is going to be to individuals, no matter how much is in your account, when you combine the debanking with the idea that they're going to control your capital flows, at that point you have complete control over somebody's wealth. And it's no longer your money anymore, it's theirs because they determine whether you can use it or not.

Robert Romano (37:41):

That's why Congress, Republicans really should be protecting entrepreneurship. They should be protecting small businesses. I think that's why they're elected. But when you look at federal law, there's nothing protecting somebody from being removed from a big bank, which we're going to need now, right? Would you want to put your money into one of the smaller banks for protection if they're not protected? But nothing that prevents political discrimination at these financial institutions. Although there are civil rights protections in banking law, Republicans should propose expanding that franchise, I believe, because we need those protection. Really small businesses are getting discriminated right now because of Section 230 on social media platforms but also on crowdfunding platforms which have Section 230. They're not banks, but people get discriminated on those platforms. So if you want to go out and start a small business right now on the internet using e-commerce, you're going to be depending on financial institutions that have it in for you.

Bill Walton (38:39):

I wonder wonder when YouTube and Google are going to find talking about central bank digital currencies and opposition is something they had a sensor. I'm wondering whether or not this...

Rick Manning (38:51):

Hopefully not today.

Bill Walton (38:52):

The show's been pulled a couple times from YouTube because of the masks and vaccine discussions we've had.

Rick Manning (39:00):

Well, this is dangerous discussion.

Bill Walton (39:03):

I'm not a big fan of either.

Rick Manning (39:04):

It's actually true, and it's something that people should be aware of. I am going to say one thing though. We've really dodged a bullet because the Jerome Powell was reappointed to be the chairman of the Fed. And that wasn't President Biden's first choice. His first choice was a woman who, and I don't remember her name unfortunately, but somebody who was really believed the Fed's job was to enforce ESG and their job was to engage in social engineering rather than being involved in trying to make sure the banking system doesn't fail. And so there's that whole strain on the left that the banking system is nothing more than a means to create an end. It's not the way to create a free from of commerce.

Bill Walton (39:49):

Is this the woman ended up a Deputy Secretary Treasury. She's married to Jamie Raskin.

Rick Manning (39:54):

Oh, oh, oh. Her last name's Raskin. Emily?

Bill Walton (39:57):

No, her name isn't Raskin.

Rick Manning (39:59):

Oh, you're right. You're right. I don't remember her name. She didn't get in.

Bill Walton (40:05):

She didn't get in because of her radical view.

Rick Manning (40:08):

The point is, that is now... At some point we talked about the Overton window. And the Overton window would tell you, "You stretch the cred credulity by putting somebody who's so radical out there that people say, "You can't do that." But the next time somebody with the same ideas are out there, suddenly they become a little more credible."

Bill Walton (40:29):

I want to start using the Overton window all the time. I mean, Kenny's our producer here. You're going to have to get bored with this. But the Overton window, when did it come into existence, 50 years ago, by some really interesting writer and said that there's a life of ideas, which is where in the Overton window, I guess, is like a Venn diagram or a circle like that, where an idea starts out as something that's absolutely reprehensible, farfetch, it'll never happen. Don't even talk about it. And then some people start socializing it. And then it becomes, well, that's really out there. And then it becomes something like, well, "Gee, maybe we ought to start thinking about that because such and such." And then it becomes, "well maybe is there a way to make this policy?" And then it becomes law. And so look at the trans bathrooms we have now. 15 years ago, 20 years ago, would you talk about a trans bathroom?

Rick Manning (41:26):

No. No, sir. And would you talk about a biological boy going to a biological girl's bathroom in fifth grade?

Bill Walton (41:32):

Exactly. So what my thought is we got to use that same sort of thinking for some radical change to some of these institutions that we're so troubled by.

Rick Manning (41:43):

100%. And that's really, all of our arguing tends to be about that. Trying to figure out how do we really fix this?

Bill Walton (41:48):

I think we got to go big.

Rick Manning (41:49):

We do have to go big. And one of Robert's ideas that is... Talk about the housing idea.

Robert Romano (41:57):

Everything that the Fed's holding, that's about the $2.6 trillion of mortgage-backed securities. Fannie and Freddie, that's about 28 million homes on, and the GSEs plus the public housing system. You could just end the Soviet style, the government is our landlord system just by turning title over to the current tenants of any government financed housing. And that's what Poland did. That's what some of the former Soviet Republics did. Because at the time of the Soviet Union collapsing, there was no private housing market. But I think you would get a lot rid of a lot of the debt overhang in the banking system right now. And it seems like they were anxious to get rid of their mortgage-backed security since 2008.

Bill Walton (42:38):

Are they privately owned and financed by Fannie and Freddie, or are they government housing?

Robert Romano (42:43):

They're GSEs.

Rick Manning (42:45):

Here's what we bounced off of each other. When I talk about this, I unlimited to FHA has foreclosures, okay? You've got Fannie and Freddie who have foreclosures. You have the whole public housing system. If you took the foreclosures and you did a deal and you put the foreclosures into the hands of the locals to then figure out how to deal with their homeless populations and to deal with that, get the federal government out of the business of owning homes, we have, we've, we've got more housing stock than we know what to do with. And we have the capacity to solve so many problems if we just let that housing stock be used where people know how to use it, know what to do with it. And so it seems to me that getting us out of that also has the happy occurrence of when you also get rid of Fannie and Freddie, you get rid of the GSEs.

(43:42):

What you end up doing is you actually create a private mortgage banking system again, where we aren't essentially having our mortgages sold to Fannie and Freddie before the minute we write the the finance. And Wells Fargo is merely somebody who's processing the mortgage and there aren't actually the people who hold the mortgage. Let's have a private mortgage finance system. Let's create real competition. Let's create a system that actually competes for our business and acts like a private entity as opposed to a government controlled entity. That's how you save the banking system is you privatize them.

Bill Walton (44:14):

How would you do that?

Rick Manning (44:17):

Well, in terms of the Fannie Freddie thing?

Robert Romano (44:20):

Congress would have to do that.

Rick Manning (44:21):

Congress has to do that. And what you have to do is you have to get somebody elected president who says, "This is the big idea solution that for one of the things we want to do, Margaret Thatcher tried it in Great Britain.

Bill Walton (44:33):

Yeah. Well, I wrote the treasury transition plan in 2016, and that was one of our centerpiece items, shut down Fannie and Freddie, get us out of that business. That was almost eight years ago. And Steve was hardly a champion of that idea. He was not a champion

Rick Manning (44:51):

Well, the fact of the matter is, and this goes to the Trump transition, which I was also on.

Bill Walton (44:57):

I know. You were at labor?

Rick Manning (44:59):

I was at labor. And I was surprised, I met with the head of OMD at some point and about first year. And he says, "Oh, well, we need to have you guys, all your conservative guys tell us the things that are wrong and all the things you need to do." And I asked him, "We produced a series of books, the transition team series of books from the floor to the ceiling. Very smart people, real knowledge. Has anybody read them? Does anybody even aware of them?" The challenge with the the policy part of the Trump transition is it didn't equate to the people actually had to do it. The people were actually the implementers inside.

Bill Walton (45:32):

In other words, the transition that we were involved with was the catastrophe.

Rick Manning (45:37):

I would say that the ideas that came-

Bill Walton (45:39):

It was frustrating. It was frustrating.

Rick Manning (45:41):

I would say that the ideas that came out of it were very valuable.

Bill Walton (45:44):

Well, they're great ideas but their-

Rick Manning (45:45):

But the fact is you have to marry the ideas with the personnel because as Reagan said, Personnel policy and [inaudible 00:45:50].

Bill Walton (45:50):

In my theory is, here's what's happened. Trump's up in Trump Tower. You've got all of us down in Washington. We're very bright, movement-oriented people, know a lot. We write these great plans. And Trump's attitude was, "Well, these people are Washington people. They're not New York people like me." And so he basically discounted almost all the work that it was done by the transition. And there was a big mistake. It was a big mistake.

Rick Manning (46:16):

It was a big mistake because we had the same goal as he did, would drain the swamp and limit the size of federal government. And there was a lot of good stuff there. This stuff you could reject. But there was a lot of good stuff in there. And I don't think anybody who came in, unless they were in the transition team, the policy part of it...

Bill Walton (46:36):

Didn't use it.

Rick Manning (46:37):

Not a single one of them knew it. And the failure of the system, and this just gets down to the way the policy works. They protected every single cabinet secretary from knowing anything the transition team did, because they didn't want them to have to answer any questions on it. They wanted to say, "Oh, I'm not sure."

Bill Walton (46:51):

Oh gosh, I remember that. I remember that we had these briefing books and they couldn't use them because they have ownership of the...

Rick Manning (46:59):

Right. So the idea was to, so they could be ignorant and not say anything and couldn't be held accountable. The idea was, "Oh, we just have to get them confirmed." So they get confirmed two and a half, three months later. So they're trying to hit the ground running, but the existing system just kept rolling. So at that point, they're not agents of change, they're agents of just trying to keep all the squirrels going in the right direction. And that's not how you drain the swamp. You drain the swamp, you make real change by having the leaders bought into the change and having them driving it from day one. And we didn't have that with our cabinet secretaries. And it was once again, a failure the way we did transition.

Robert Romano (47:40):

To go back to the GSEs though, and how to privatize-

Rick Manning (47:43):

Back to what we're supposed to be talking about.

Robert Romano (47:47):

Well, just think of the challenge there. So even if you wanted to privatize Fannie and Freddie, and that's 28 million homes right there, do you want to just turn that title over to the woke banking system that's all driven by equity? I'd say don't trust them.

Bill Walton (48:03):

But who do we trust, Robert?

Robert Romano (48:05):

I trust the people who are in those homes.

Bill Walton (48:09):

I would agree with that. We got to treat people as adults. And if you give them something, they might take care of it. I think they good.

Robert Romano (48:14):

They might rent it out. They might improve it. And that's exactly what happened in the former Soviet Republics, a private banking system and a private property system was put into place overnight in countries that hadn't known it for more than 50 years. And I think if we can get out of the Soviet style system, we'll get rid of the corporatist style of banking system that we have right now that I believe does not have our interest of liberty at heart. I think that they want to take away our liberty, and they're doing it by restricting what we can purchase. You were mentioning the gun shops that are being targeted. I think that's exactly where this is going. I don't trust them one iota because they haven't proven that they deserve my trust.

Rick Manning (48:57):

Well said.

Bill Walton (48:57):

We got to wrap it up here.

Rick Manning (48:59):

One of the great things that we know is consolidated power always corrupt, is corrupted, so the best way to do it is to blow it up and have not figured [inaudible 00:49:09].

Bill Walton (49:08):

Tell us, do a little ad for Americans for Limited Government. I love your mission. What's your mission?

Rick Manning (49:17):

Our mission is to our missions to limit size of the scope in government at all levels.

Bill Walton (49:20):

And maximize individual freedom.

Rick Manning (49:22):

And maximize individual freedom. Absolutely.

Bill Walton (49:24):

Treat people like adults.

Rick Manning (49:26):

We essentially look at the constitution of Declaration of Independence and say, "That's the DNA of the country, and that's what we're defending." And we defended it at every turn. And truthfully, it's hard because every mechanism in DC is against that. But it's a great mission. And believe it or not, folks, sometimes we win.

Bill Walton (49:48):

We do. I'm with you. So Robert, I guess you gave a great summary there. Do you want another oration?

Robert Romano (49:54):

Well, you could just check us out at dailytorch.com. That's where we post our op-eds.

Bill Walton (50:00):

You also publish. I get an email feed from you. Is that every day you're writing something?

Robert Romano (50:05):

That's dailytorch.com. Yeah. I probably have written more than 3000 articles for Americans for Limited Government since 2008.

Bill Walton (50:12):

And where do we find you again?

Robert Romano (50:14):

Again, that's dailytorch.com. That's where you will get the written op-eds and Tony Branco cartoons. We also do a lot of videos now that we're getting into that.

Bill Walton (50:23):

The cartoons are great fun.

Robert Romano (50:24):

Oh, absolutely.

Rick Manning (50:25):

And Tony Branco's brilliant. And most people have seen him on Fox News because Fox News picks him up because he's free. I pay for him, they get it for free, figure that out. They get my cartoons for free. But the point is, this is one of the things that I think matters because we send this to every editorial board in the country every day. We send it to the broadcasters, talk radio people all across the country, every day.

Robert Romano (50:50):

Every member of Congress.

Rick Manning (50:51):

Last year I was in 250,000 radio markets last year alone. So this stuff we're reaching people. And our goal is not to just do the, "Your job will drop." Our goal is to get people to understand what actually is going on in the world. And check it out, we put sources in it. We encourage people to click the link.

Robert Romano (51:12):

Read the bill.

Rick Manning (51:13):

Read the bill. Read the regulations.

Bill Walton (51:14):

Engage. Yeah.

Rick Manning (51:15):

Engage.

Robert Romano (51:15):

Don't trust the politicians fully.

Rick Manning (51:17):

And don't trust us. Okay. Do your own research, but we provide the means to do so. And as a result, we hope to make people smarter and better advocates for their own freedom, whether we exist or not.

Robert Romano (51:29):

And the members of Congress too, they need that information because I believe they're getting bad information right now.

Rick Manning (51:33):

We do send every member of Congress as well. We used send it to the administration, but they don't take it anymore.

Bill Walton (51:39):

We've got a lot of dangling stuff that we ever need to follow up. The big cliff hangar is we didn't talk about even non-bank alternatives for financing. And there's a big market emerging out there because of all the bad stuff. Anyway, we got to wrap it up. To be continued. How's that?

Rick Manning (51:52):

Very good.

Bill Walton (51:53):

This has been the Bill Walton Show, and I've been here with Rick Manning and Robert Romano of Americans for Limited Government in a wide ranging conversation where I think we've covered a lot. But the essence really is that we do need to be concerned about our banking system and its threat to liberty, which is something has not always been on a horizon, but it should be now. So anyway, stay tuned for upcoming shows. As you know, we're on all the major podcast platforms and YouTube and Rumble. We're on CPAC now in Monday nights.

(52:25):

We've now publishing on Substack where we're getting a very nice following, and also obviously on our website, thebillwaltonshow.com. And there's opportunities there, particularly in Substack to send your comments about what you think about what we're talking about here, and offer up suggestions about next shows we ought to be focusing on. Anyways, so thanks for tuning in with Rick and Robert and hope you enjoyed it, and we'll be talking soon.

(52:52):

I hope you enjoyed the conversation. Want more, click the subscribe button or head over to thebillwaltonshow.com to choose from over a hundred episodes. You can also learn more about our guest 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.