

- Announcer: This is The Rich Dad Radio Show. The good news and bad news about money. Here's Robert Kiyosaki.
- Robert Kiyosaki: Hello, hello. This is Robert Kiyosaki, The Rich Dad Radio Show, the good news and bad news about money. Our show today is about how is President Trump doing. Some people love him, some people think he's doing a great job, some people say he's horrible, he's the worst I've ever seen, and some of them say we're going on the road to hell. It's going to be a very interesting show, it's a report card, an update on how the Donald is doing.
- Robert Kiyosaki: Our guest today is a man who knows what he's talking about, it's David Stockman, he's a best-selling author, he is a Washington insider. He was a former Director of the Office of Management and Budget under President Reagan. Some people say the greatest Republican president we've had in modern times.
- Robert Kiyosaki: David Stockman, he the wrote the book, The Great Deformation, the Corruption of Capitalism in America, and I send David a picture of my book of the Great Deformation, it had tabs all over the place. That book you can use as an anchor to hold an aircraft carrier down, it's so big. I went through that book, and it blew my mind to read the book, The Great Deformation. He wrote another book called Trumped, A Nation on the Brink of Ruin and How to Bring it Back, and he is the author of a new book, Peak Trump, he likes this guy a lot. The Undrainable Swamp and the Fantasy of MAGA, which is Make America Great Again.
- Robert Kiyosaki: David Stockman is one of my favorite, favorite guests, because as I said, he was on the inside of what they called the Reagan Revolution, that's when Reagan pulled America out of a great ... We were screwed up back in those days, horrible, horrible high inflation, the nation was coming apart. Reagan is credited for bringing America back together again.
- Robert Kiyosaki: He's going to be speaking today about a friend of mine, the President Donald, and I said, "David, you can say anything you like, because it's the Rich Dad Radio Show and we have no political affiliation, right Kim?"
- Kim Kiyosaki: Yes, and David's a wealth of information, so we're going to get started right away, because David actually has been in Washington since 1973, so he's seen a lot, he's seen a lot of presidents, been around a lot, and he's talking from really his experience in what's happening, not just an opinion. David, welcome to the show.
- David Stockman: Great, happy to be with you.
- Kim Kiyosaki: Thank you.

- David Stockman: We've got lots to talk about, that's for sure.
- Kim Kiyosaki: We do.
- Robert Kiyosaki: What is Peak Trump about? The Undrainable Swamp and the Fantasy of Make America Great Again. That's to me, and the swamp one ...
- David Stockman: I think it's pretty simple. If you remember on the eve of the campaign, Trump was campaigning from one side of the country to the other, he said, "We're facing one big fat ugly bubble." He was right, but at that point the stock market the S&P 500 was 2140. He correctly identified that we had an unsustainable bubble on Wall Street, Main Street was in big trouble, that's why he got elected, that's why people in Wisconsin, Michigan, Western Pennsylvania, the old industrial heartland of America, voted for him.
- David Stockman: Then, once in office he made a gigantic rookie mistake by embracing the bubble he inherited, when the risk is I think overwhelming, that it's going to blow up in his face. In other words, two years later, September 2018, last fall the S&P 500 peaked at 2940. In other words it was up 800 points in the first two years and it was only a worse, more dangerous, less sustainable bubble than the one that he identified during the campaign.
- David Stockman: Now some people want to say, "Well but he's changed everything," but the problem is he hasn't. I mean I think he had the intention, I think he was responding to an enormous failure of mainstream, Keynesian liberal Washington policy, but he's only made the deficit worse. He inherited a \$700-billion deficit, which was terrible this late in a business cycle, we're in year 10, we're in month 115 of this so-called recovery expansion, the second longest in history.
- David Stockman: At that stage of the game even the Keynesian professors always said, "You've got to reduce the deficit or even balance the budget," but instead of doing the right thing about that, he doubled-down, put through the tax cut, which was fine but it wasn't financed, it should have been financed with spending cuts or a more benign source of revenue like a consumption tax, didn't do that, just added 300-billion of deficit on what he inherited for the current year.
- David Stockman: Then he said, "We need more defense." Well that as crazy. The reason I call the book the Undrainable Swamp is the truth about the Washington swamp, and he's absolutely right on when he talks about that, is that the deep end of the swamp is on the other side of the Potomac, over at the Pentagon. That's where the real waste, and that's where the whole military industrial surveillance complex lives, and all the defense contractors and people that are living off the taxpayer's dollar.

- David Stockman: He doubled down on that by adding 80-billion to the defense budget, which was already 600-billion and far more than we needed, but, and here's the big but, to get it he had to give the mainstream Republicans, who I call them RINO's, Republicans In Name Only, because they really, they're unwilling to stand up to the spending monster. The Democrats, he gave them 65-billion of increased domestic spending in return for his 80-billion of defense per year now.
- David Stockman: Then we had all those disasters as you remember, the hurricanes and floods and so forth throughout last year, so they threw another 100-billion on top of that and didn't find anyway to finance it, they just borrowed the money. What I'm saying is, that he inherited a very bad situation at 700-billion of deficit this year, raised it to \$1.2-trillion, 6% of GDP, unheard of at this late stage of the cycle.
- David Stockman: Then, to add insult to injury, both Trump and the Republican majority on Capitol Hill utterly failed to recognize that the Fed had delayed and deferred and dithered on normalizing interest rates in its balance sheet for so long, because they were trying to help Obama look good, I think, at least that's what Trump said, and I think it's a fair criticism.
- David Stockman: They had reached the point where they had to pivot from quantitative easing, where they were buying up the debt in the market and thereby helping finance the Treasury's borrowing, to reducing their balance sheet, which means that they're going to be selling debt or government bonds into the Wall Street market and thereby putting even more pressure on interest rates. Now to put this in finance ... [crosstalk]
- Robert Kiyosaki: Wait, David. When the Fed buys US Bonds, treasury's from the US Treasury, that creates a bubble in the bond market, is that correct?
- David Stockman: Absolutely, because it's another source of demand that's based on fiat credit, in other words ...
- Robert Kiyosaki: Right, fake money.
- David Stockman: If you're an investor and you want to buy Treasury Bonds you've either got to sell something else or save some new money in order to have the means to buy the bonds. Well the Fed just says, "I'm going to buy a billion bonds today, a billion dollars worth of bonds, and I'll print a billion dollars worth of credit and give it to the Wall Street dealers that sell me the bonds.
- David Stockman: That really creates an artificial savings supply that obviously then, the law of supply and demand works, it wasn't repealed, if there's a lot more demand for Treasury debt, because it's all coming from the Fed, then obviously bond prices

are improved, the yields go down, you get a bubble, and then it spreads to the rest of the market.

Robert Kiyosaki: What happened was, so David, people were borrowing money because the yield was so low.

David Stockman: Right, yeah.

Robert Kiyosaki: That created a bubble in the stock market, the real estate market, the private equity market, everywhere that ... When the Fed was in quantitative easing, they created this bubble out of fake money floating around the place. Now they're in quantitative tightening, which means they're selling their bonds back into the market.

David Stockman: Right.

Robert Kiyosaki: What does that do now?

David Stockman: It reverses the dynamics, it reverses the flow. In other words, when the Fed was helping to buy it was driving prices up, now it's selling. Obviously when someone starts selling a lot of paper, that used to be a buyer, that changes the supply and demand dynamics of the market. What's happening now is there's enormous downward pressure on bond prices and yields have gone up.

David Stockman: Now I realize that they were at 325 on the 10-year a few months ago, but on a trend basis yields having been going up for the last year and a half as the Fed has begun the process of shrinking its balance sheets.

Robert Kiyosaki: What does that mean to Main Street? You're talking to me here, I need to understand.

David Stockman: Yeah, well what it means is that the 10-year bond of the US Treasury, is what's called the benchmark security, and what that means is that if the Treasury Bond is yielding let say 2.8% interest today, then almost everything else in the bond market gets priced on a spread, in other words a number of basis points above that. Because the Treasury is considered the risk-free security, so if you're a double A corporation, then if the Treasury is at 2.8%, maybe you can borrow at 3.8% ...

Robert Kiyosaki: Yeah, so your cost of money goes up, so that people ...

David Stockman: Yeah, so everybody's cost of borrowing cost is going to go up commensurately, and sometimes far more than the increase in the Treasury yield ...

- Robert Kiyosaki: Doesn't that slow down the economy?
- David Stockman: Yeah, because why did they do it? Well they said, "Well, we're trying to boost the housing market and force mortgage rates lower, so more people will borrow to either buy a new home or to trade up from the one they're in." The same way they were trying to stimulate corporate borrowing, but it, see the thing is it backfired.
- David Stockman: The household sector was so indebted at the end of the crisis, it still had 15-trillion of debt, that it didn't, the household sector, except for the top 10% or so of households, were not in the position to borrow a lot more money, even though the Fed was lowering the interest rates dramatically through this QE.
- Robert Kiyosaki: Now they've raised interest rates, and then Trump yells at this guy Powell, saying, "Hey, don't raise interest rates."
- David Stockman: Yeah, but see the thing is, it didn't work, it actually caused the bubble to be enlarged, to be amplified, because even the corporate sector said, oh, the yield on our bonds is going down quite substantially because the Fed has got its heavy hand in the market. Instead of borrowing money to invest let's say in new plants or equipment or technology or intellectual property, the overwhelming share of corporate borrowing in response to the Bernanke-Yellen interest rate suppression as we call it, was to borrow from Wall Street and buy in their own stocks, their funds ...
- Robert Kiyosaki: The price of the stocks went up.
- David Stockman: Yeah, so what I'm saying is, it never got out of the canyons of Wall Street. The Fed was trying to put this money into Main Street, households couldn't borrow much more, so it didn't get to Main Street through the households, and ...
- Robert Kiyosaki: The rich got richer.
- David Stockman: Yeah.
- Robert Kiyosaki: The poor got poorer.
- David Stockman: No, the 1% got richer, I mean do you want me to just give you a number on this, which I lay out in my book, and it's quite dramatic? If you take the median household wealth, now this the very center household, here's 120-million households, so this is, there's 60-million households at that point. The average household, the 60 median household in 2007 on the eve of the crisis had a net worth of \$120,000. Which isn't a lot if you consider what it costs to retire, but that's what it was.

- David Stockman: Today, after all of this money pumped in, after all this so-called recovery, and this huge boom in the stock market, when you talk about it the median real wealth of American households is 80,000, in other words it's down by nearly a third. Of course the median ...
- Kim Kiyosaki: The 1% is up.
- David Stockman: Well that's a third, that's nearly a third, okay.
- Robert Kiyosaki: Okay, so wait a minute, so ...
- David Stockman: The median ... Let me just finish there, so the median is down by a third even though the stock market has doubled in real terms during the same period, so who got all the winnings, I mean?
- Robert Kiyosaki: The rich.
- David Stockman: Yeah, the answer is the 1% and the 10% that own respectively 40% and 85% of the stock in the stock markets, okay. This thing was perverse, it was upside down Robin Hood. It was done in the name of bailing out Main Street. It never got out of Wall Street, it created the greatest bubble ever in financial assets. That was captured by the 1% and the 10% top households. Main Street is no better off than it was in 2007 and in many ways worse off, and that's why they voted for Trump. The problem was Trump wants the Fed to keep doing more of what caused the problem.
- Kim Kiyosaki: When you go back David, you talked about this rookie mistake that Trump made, and in your book Peak Trump you talk about had Trump ... On the campaign trail he's saying, "We've got this stock bubble, we need to handle it." Had he done what you said Reagan did when he took office, which was what, he said, "We've inherited this mess."
- David Stockman: Yeah.
- Kim Kiyosaki: Instead of embracing it.
- David Stockman: Yeah, I said, he really needed to have taken a page out of Reagan's playbook and I was there actually at the time, and participated in writing the speeches and press releases and so forth. He never stopped reminding the public that Jimmy Carter had left a huge mess on his doorstep, the Democratic policy had taken the country to the brink of ruin, and for two or three years he just preached that line over and over.

- David Stockman: He didn't take embrace the economy he inherited because he knew it takes years and years and years to turn the ship of state in this \$20-trillion economy. Donald Trump unfortunately ... And I'm not negative on him, as I say, I voted for him, so this is about his policy not about him. The problem is he's got this over-leaning, gigantic impulsive ego that is the surface ...
- Robert Kiyosaki: Really.
- David Stockman: That looked like they were favorable, he embraced them and it was like a big trap. I think, they didn't do this intentionally, but the Fed was basically saying, "Here's the bubble, own it if you want, but it's not going to last." Of course we've had a fairly decent correction since the peak. I identify it, September 20 2018, the market peaked and I think it's all downhill, not in a straight line, but it's you're regularly going downhill for many years to come, and that's going to be Trump's political problem.
- Robert Kiyosaki: One of the questions that confuses me personally is, if the stock market is ... If the economy is so bad, the debt is so bad why is unemployment so low? Because a lot of people say, "Well, he's doing a good job because unemployment is low." Now they hate him, but they're happy they have jobs and pay raises are going ... [crosstalk]
- David Stockman: The short answer to that ... [crosstalk]
- Robert Kiyosaki: Wait, David, hold it.
- Kim Kiyosaki: We're going to take a break, we're going to take a break, and also when we come back from the break I want to find out, because there are some things Trump is doing well, that you think, so we want to go into that too.
- Announcer: You're listening to The Rich Dad Radio Show with Robert Kiyosaki.
- Speaker 5: Don't be like Charlie. Charlie is that do it yourselfer who does himself in. Do-it-yourself is good for tile and grout, it is not good for asset protection. Charlie thought he'd save a few dollars forming his LLC online. With no guidance he did it wrong. When he sold the property he lost thousands and thousands of dollars. He did himself in by trying to do it himself. Don't burn yourself, use Corporate Direct to set up and maintain your LLC's and corporations.
- Speaker 5: Corporate Direct is owned and operated by attorney and Rich Dad advisor, Garrett Sutton. Garrett wrote the best sellers, Loopholes of Real Estate and Start Your Own Corporation. He is Robert Kiyosaki's attorney for asset protection. He and his team will do it right. Visit them at corporatedirect.com or

call 800-600-1760. Mention Rich Dad and receive \$100 off your formation fee. That's corporatedirect.com, corporatedirect.com.

- Robert Kiyosaki: What is your number one expense in life? Your number one expense is taxes. I want to ask the question, is how come, there's no financial education in school, but why isn't there education on taxes either? They tell you to save money, which is stupid. They tell you to invest in the stock market, which is stupid, but what do they teach you about taxes?
- Robert Kiyosaki: Here is Rich Dad advisor, Tom Wheelwright, we're talking about his revision for his book Tax Free Wealth, welcome Tom.
- Tom Wheelwright: Thanks Robert.
- Robert Kiyosaki: What is Tax Free Wealth about? What's different this time, so with that revised edition
- Tom Wheelwright: Well, so what we did was, is ... This is the first major tax reform we've had in 30 years, 2017.
- Robert Kiyosaki: Wow, because '86 was the last one.
- Tom Wheelwright: '86 was the last one, back when I was in Washington DC.
- Robert Kiyosaki: So many guys got wiped out because of that tax thing.
- Tom Wheelwright: They did, they did. It wiped out an entire industry, savings and loans. This new tax law is just as big, but in a very different way it affects different industries. The tax law is always a series of incentives, and the question is always, which incentives and which ones apply to me? The key to revising Tax Free Wealth was, what is it, what changed so much in this new tax law that we can absolutely take advantage of ... I mean seriously, the amazing incentives. For example, I mean the bonus depreciation for example, for real estate is unbelievable.
- Tom Wheelwright: If you buy a million dollar apartment, you get a \$300,000 reduction or more the very first year.
- Robert Kiyosaki: If you want to make more money and pay less taxes, like Donald Trump and myself, get Tom's book, Tax Free Wealth.
- Announcer: Log on to richdaddradio.com while you listen. Now back to Robert Kiyosaki.

- Robert Kiyosaki: Welcome back, Robert Kiyosaki, the Rich Dad Radio Show, the good news and bad news about money. Our special guest today is David Stockman. He's a best-selling author, he's a Washington insider, he's a former Director of the Office of Management and Budget under President Ronald Reagan. David Stockman is an insider, he wrote the book, *The Great Deformation*, a book I walk around with to show proudly that I read the whole thing, it's so big, but also a book called, *Trump, A Nation on the Brink of Ruin, and How to Bring it back*. His new book is, *Peak Trump*, has he already peaked?
- Robert Kiyosaki: The reason this show is so important, we have to know what's going to happen now, because I don't think ... Well it can't get much worse. I was talking to my friends a few days ago, I said, "We're basically a house of cards, and the foundation is getting weaker not stronger." That's why David is talking as guest on the show, you can listen to this Rich Dad Radio program any time, anywhere on iTunes or Android, and you can listen to this program again, because all of our programs are archived at richdadradio.com.
- Robert Kiyosaki: We archive it for one reason, it's because we're an educational program we're not political, we're not religious, and we have no, nothing to sell you. The Rich Dad Radio program is archived so you can listen to it again, so you can learn again, because *Peak Trump*, the latest book by author David Stockman, a crucial book, because I think, and many people think we're at a turning point in the world economy. Will we go up or will we come down? That's the question.
- Robert Kiyosaki: Listen to this radio program again at richdadradio.com. Listen to it yourself, your friends and your family, discuss it and you'll understand what's going on in the world of *Peak Trump* or MAGA, Make America Great Again. I don't know if that's happening. My guest again is David Stockman, and he's going to answer the question, if the economy is so bad why is unemployment so low? What is really going on? Any comments Kim?
- Kim Kiyosaki: Well I just want to turn it over to David. Why is, if the markets and the economy ... And I still don't understand why, because the stock market is up and they say the economy is doing well, but unemployment they say is low. Is it really low? Is the economy really good?
- David Stockman: Well no, I don't think the economy is good at all. I'll answer the unemployment thing in a moment, except to say the data put out by the BLS, Bureau of Labor Statistics, isn't worth the paper to blow it to hell.
- Kim Kiyosaki: There we go.
- David Stockman: Okay, and I can give some statistics which document that. The idea that because the stock market is up, the economy is booming, it can be refuted with a

comparison that is literally startling. If I go back to late 2007, on the eve of the crisis, before we had the whole Lehman bankruptcy meltdown sub-prime catastrophe of the great recession, if you start right before that, the NASDAQ-100, which is the technology sector of the stock market where all the boom has been, with Facebook and Google and all the rest of them.

David Stockman: It's up 200% in that 11 year period. 200%, even when you adjust out the inflation. That is a staggering increase. 200%, even if you take the inflation out of the stock ... [inaudible]

Kim Kiyosaki: From 2007 to today.

David Stockman: To today. On the other hand, if you look at industrial production in America, which is a good proxy for what's happening on the Main Street economy, because that's not just manufacturing, that's construction, that's energy and mining and oil and shale and electrical power production and so forth. It's up 3%. Now how do you get the Main Street economy in 11 years only up 3%, when Wall Street is up in real terms 200%?

David Stockman: Another statistic, during that entire period, despite what they're telling you about the unemployment rate, which is an apples and oranges count, I look at labor hours employed. Because the BLS counts a part-time job at McDonald's, 10 hours a week the same as a 50 hour a week job with overtime in a steel plant where the worker earns let's say 50,000 a year versus the guy running a hamburger stand that may be making 10,000 a year.

David Stockman: In other words you can't compare these jobs, and that's the problem. When you look at labor hours at least, you're counting a common metric. Now, I bring that up because in that entire 11 year period, the total increase in labor hours utilized by the US economy is up by only 8%. Again, the stock market up 200%, the total labor hours put to work in paychecks earned up 8%. Finally look at median household income after inflation, and this goes to your wage question as well. It's up 0% from 2007 to the present time.

David Stockman: Again, 200% on Wall Street, 0% on Main Street, and even though wages are going up by 3%, inflation has been going up by 2-2.5% and there isn't very much left after inflation, given the fact that even the BLS inflation index understates what's really going on.

Robert Kiyosaki: It's just more fake numbers and fake ...

David Stockman: Well, I call them ... Yeah, you could call them fake numbers, they're numbers that were designed to reflect a Keynesian economic policy that they [inaudible] adheres to, but it doesn't reflect the reality on Main Street.

- Robert Kiyosaki: Right, so David, when you use the word Keynesian, do you mean printing money?
- David Stockman: Yeah, I mean printing money, I mean the Keynesian's believe the more you borrow, the wealthier you are, the more the government injects into the economy, even if it's just borrowing money from future generations, it's all making things better. I reject that, and that's why we're in such a great crisis today.
- Robert Kiyosaki: David, let me ask you this, because we're speaking about Trump, and what did you think of the shutdown over the wall and all this thing about the budget and ... What's really going on?
- David Stockman: Well first of all I think he wasted a great crisis. In other words, I'm not opposed to a government shutdown if you use it as leverage to try to get the budget doomsday machine under control. By that I mean the entitlements run on, year after year, without any congressional action, so we're going to go bankrupt through the automatic entitlements unless someone throws rocks into the gears and tries to stop the system.
- David Stockman: The only way you can do that is leverage the debt, so even if you have to shutdown the government, do it. That isn't what happened here, instead he was trying to build this wall. I'm sorry, I don't agree that the wall, it makes any sense, is necessary, I think it's a big waste of money, it's a total delusion. He shut down the government, which is something that gives him leverage, for something we didn't need, and actually is going to add to spending.
- Robert Kiyosaki: You said something that few people know, these entitlements are on automatic ratchet up right.
- David Stockman: Yeah, yeah, two and a half ...
- Robert Kiyosaki: You can't stop them.
- David Stockman: Two and a half trillion a year, that's Social Security, Medicare, Medicaid, federal pensions for military and civilian employees, food stamps ...
- Robert Kiyosaki: We're going bankrupt.
- Kim Kiyosaki: You're talking about welfare state and warfare state.
- David Stockman: Yeah, yeah, and the warfare state, and that's the other area where Trump I think was totally mistaken, went in the wrong direction, the warfare state already costs 600-billion, that was the defense budget, but if you put on top of

that the 200-billion we have to spend on veterans, but that's really just the deferred cost of old wars, because you end up with veterans that have medical care and income support for life.

David Stockman: If you add to that the cost of all our security assistance, foreign aid, operations of the State Department, Voice of America, all the rest of it. I want to tell you, it adds up to 1-trillion a year. Now listen to this, you've got 1-trillion of warfare state spending, and it keep going higher, and Trump has added 100-billion to that already, you have the welfare state at 2.5-trillion on automatic pilot, all these entitlements, and then you have a 22-trillion national debt and rising rapidly, that will create an interest cost which is also automatic, unless we want to default and cause the whole world to go to hell in a hand basket.

David Stockman: It's going to hit half a trillion a year soon, this coming year, and be a trillion a year a few years down the road. Now that is a doomsday machine, when you're spending a trillion on interest from stuff you already borrowed and wasted years ago, 2.5-trillion on the welfare state and a trillion on the warfare state. That's the swamp, okay, and the problem is, Trump really has not effectively taken on any of it. The spending level for the whole budget was 3.9-trillion when he came in, it's going to be 4.5-trillion this year. It's going up just like it always does.

Robert Kiyosaki: The US is going bankrupt.

David Stockman: Yeah, yeah, and we're going ... We have been for a long time, but what's new, and that's what people really need to understand, is that for many years the Fed was easing the pain, because it was buying up all this Treasury debt that was being issued to fund the deficit. Therefore it created the illusion of a free lunch. In other words you could have big deficits, it didn't hurt the interest rates, it didn't squeeze out private investment.

David Stockman: That was what I learned as a young Congressman in the '70s and in the Reagan administration in the '80s, that if the deficit gets out of control, there's only so much savings available. The government gets first dibs obviously, it's got the sharpest elbows and the best credit, and you squeeze out everyone else, and that causes private investment to fall, businesses to be hurt, the private sector to be undermined, and that's what caused people to understand you couldn't just run these giant deficits year in and year out.

David Stockman: The Fed stepped in, and we talked about it before, after 1971 and Nixon taking us of the gold standard, which was a built-in discipline, the Fed stepped in and started buying. Now here's a number that will startle you, when Greenspan took over, he's the real villain, and then the rest of them only did what he did, and doubled down on it, but when he took over in 1987, the balance sheet of the

Fed was \$200-billion, and it had taken about 84 years to build it up from when the Fed opened in 1914.

David Stockman: At the peak of QE, a couple of years ago, the balance sheet was 4.5-trillion. In other words it went from 200-million to 4.5-trillion, that's 4.3-trillion of money they printed in 30 years, to buy up Treasury debt and make it easier to run deficits.

Robert Kiyosaki: Right, so David, this is ...

David Stockman: Now we're not doing that, and now we're at the end of that.

Robert Kiyosaki: Right, I understand David, but this ... Well look, we're speaking over the head of me and my audience here, because the numbers hurt us, because I can't count to 10 anyway. The point here is this, okay, so the point here is this, because you talk about something I talked about all the time, is the baby boom generation is the first generation really without a pension, because it went from ... That's when the 401K kicked in.

David Stockman: Right.

Robert Kiyosaki: We also have state pension plans, like CalPERS, which is the California State and Employee Pension Plan, which is underwater \$1-trillion. If you were a government employee in California, or you're a resident of California right now, and you knew that millions and millions of baby boomers are going to start to collect from their retirement plan, are the going to make it? I mean, if I was an employee of CalPERS right now, I'd be wondering if the government can pay for it, because a state government cannot print money.

David Stockman: Right.

Robert Kiyosaki: Wait, one more thing, so if I'm a taxpayer living in California, am I going to pay for those retirees? That was my question. We've got to get down to the brass tacks, you and me.

David Stockman: Yeah, well I think you've identified the elephant in the room. What's going to happen is, the state can't afford these pensions, so I mean when you look at the future projections, and it's just not CalPERS it's nationwide, state and local pensions are underfunded by three or \$4-trillion, and it varies from state to state as to what their constitutions say about the priority of pension obligations versus other government programs.

- David Stockman: The two things that are going to get hit really hard, besides the pensioners, who are going to face possible restructuring of their plans, or a reduction of their plans ... [crosstalk]
- Robert Kiyosaki: What that means is, states like New Hampshire have cut their pension.
- David Stockman: Yeah, well some states can and some states will try and they'll be taken to court by the public employees union, and then it will be fought out in court, and who knows what will happen. That's where the so called taxpayers in these states are going to get hit with whatever bill the courts decide has to be paid, and people who use services provided by the state are going to suddenly find that services have been sharply reduced because the money had to be reallocated to whatever the courts say is going to be needed for the pensions.
- David Stockman: They're going to be in a big, big mess, that's only going to get worse as the baby boom retires. That's state and local, what you're talking about, with the CalPERS etc, but federally it's the same thing. I mean ...
- Robert Kiyosaki: Yeah, yeah, let's ... When you speak about the ... Let's speak to the guy on the ground. If you were a resident of California right now, and you were let's say a teacher in California right now, what would David Stockman say to them about their future?
- David Stockman: Well I think there is a risk that when the rubber really meets the road, that there'll be some kind of forced settlement that comes out of the courts, in which everybody takes the pain. In other words, employee benefits get restructured or cut back, taxes get raised, and services get reduced. There is no other way to do the math when you're \$4-trillion in the hole nationwide, and a trillion or so as you say in California.
- Robert Kiyosaki: The baby boomer ... [crosstalk]
- David Stockman: Nobody can count on anything, right, yeah.
- Robert Kiyosaki: The point here, the big point here is this, the Fed can print money, borrow money, do what it does, but states cannot.
- David Stockman: That's absolutely right, and that's why the real debt problem at the end of the day is at the Federal level, because even the Fed can't print forever. They'll blow up, if they try to do this in a large magnitude for decades and decades, you'd blow up the whole system. They've recognized that they went too far, too long, and that's why in October 2017, and I just think the date needs to be circled in red on everybody's calendar, that's when the Fed finally said, after 30 years,

"We're not going to be buying any more bonds, we're going to be selling them. We're going to be shrinking. [crosstalk]

Robert Kiyosaki: Tightening. I don't know how to say this, but your latest book is Peak Trump, and if you had a crystal ball right now, how much time has Peak Trump got?

David Stockman: Well, he's in the down slope already. In other words, I'd say September 20, 2018, when the great bubble, the Trump bubble finally peaked, that was the peak, and it's all downhill from here, and I think as we get into the next budget crisis which is coming up ... [crosstalk]

Robert Kiyosaki: This is bigger than the shutdown we just came through, right.

David Stockman: Yeah, the shutdown was just like spring training for what's going to come with the debt ceiling, and the Democrats are going to be out for blood, and they're going to try force Trump to put all kinds of new money into their program. He's going to try to put money into his sacred wall. It is going to be one horrendous mess. It's going to last all spring and summer. It's going to scare the hell out of everybody, even on Wall Street, and that's when I think the day of reckoning is going to begin, in the next 12 months.

Robert Kiyosaki: David, is that why socialism is rising here, with Kamala Harris and AOC ... [crosstalk]

David Stockman: Well that's another risk, that's another risk. When people see the size of this deficit, and then the shock in the bond market and then Washington finally is forced to do something about the deficit, they're going to ... The Liberals and Democrats are going to want to soak the rich. [crosstalk]

Robert Kiyosaki: That's their proposal right now. Free health care tax, tax the rich. That's socialism.

David Stockman: Absolutely, and it would only make matters worse, but what it will do is create a massive blow to confidence in Wall Street. Because these guys down there are just oblivious to the storms that are coming up the seller corridor, as they call it, from Washington towards Wall Street.

Robert Kiyosaki: David, we're out of time, I'd love to keep ... Would you come back again? I love talking to you man.

David Stockman: Okay.

Robert Kiyosaki: Yeah, because we're an educational program, we're not political, we're not religious and we're don't money. Trump's a friend. I voted for him, you voted for

him, but I think we're speaking to the American public now who better wake up and smell the coffee. Final words Kim.

Kim Kiyosaki: Well I did want to go into it, but we'll have to ... You're going to have to get David's book, Peak Trump. I wanted to go into what Donald was doing correctly, but I don't think it really matters all that much right now, but read Peak Trump and find out. Because he was doing some things well and he's just ... [crosstalk]

David Stockman: Absolutely. Yeah, so he was trying to roll back the empire. We can't afford to be a global empire and global policeman. He is trying to get us out of Syria, and he's trying to do a deal with Korea, which I think is the right thing. He wanted to withdraw from NATO, which we should have. It's obsolete, the Cold War ended 30 years ago. He wanted to do all those things and they stopped him at every turn. The good things he's trying to do, they stop, the bad things he's doing, they want more of, so yeah, it's not a winning combination.

Kim Kiyosaki: No, no it's not.

Robert Kiyosaki: David, keep up the good fight man, keep up the good fight. Thank you.

Kim Kiyosaki: Thank you David.

Robert Kiyosaki: Thank you.

David Stockman: Okay, it was nice to be with you.

Kim Kiyosaki: You too.

Robert Kiyosaki: Right, thank you. When we come back we're going to a more popular part of our program, which is Ask Robert. We'll be right back.

Announcer: You're listening to the Rich Dad Radio with Robert Kiyosaki.

Speaker 5: Don't be like Charlie. Charlie is that do it yourselfer who does himself in. Do-it-yourself is good for tile and grout, it is not good for asset protection. Charlie thought he'd save a few dollars forming his LLC online. With no guidance he did it wrong. When he sold the property he lost thousands and thousands of dollars. He did himself in by trying to do it himself. Don't burn yourself, use Corporate Direct to set up and maintain your LLC's and corporations.

Speaker 5: Corporate Direct is owned and operated by attorney and Rich Dad advisor, Garrett Sutton. Garrett wrote the best sellers, Loopholes of Real Estate and Start Your Own Corporation. He is Robert Kiyosaki's attorney for asset protection. He and his team will do it right. Visit them at corporatedirect.com or

call 800-600-1760. Mention Rich Dad and receive \$100 off your formation fee. That's corporatedirect.com, corporatedirect.com.

Announcer: Your financial education continues. Now back to Robert Kiyosaki and the Rich Dad Radio Show.

Robert Kiyosaki: Welcome back, Robert Kiyosaki, the Rich Dad Radio Show, the good news and bad news about money. Once again I want to thank our very special guest today David Stockman. He's a best-selling author, Washington insider and when I mean inside, he was inside, he was next to Reagan in the Reagan revolution, which pulled America out of very serious financial problems. We had inflation going at, I mean interest rates at 20-something percent and everything was going to hell.

Robert Kiyosaki: It was David Stockman who was there when Reagan did what he had to do, with I think Volker and changed the whole US economy, so Stockman knows what he's talking about. He's the author of the latest book, Peak Trump, The Undrainable Swamp and the Fantasy of MAGA, which is Make America Great Again. He voted for Trump, he likes Trump, but he says Trump is a rookie right now, he's getting hammered.

Robert Kiyosaki: His book prior to that was, Trumped, A Nation on the Brink of Ruin, and How to Bring it Back. It doesn't sound likely. The book I loved was, The Great Deformation, The Corruption of Capitalism in America. If you need a boat anchor this is the book. I tell you what, this book will open your eyes, because exactly what David was talking about is what happened when the Fed started quantitative easing or printing money. David's website is davidstockmanscontracorner.com.

Robert Kiyosaki: Once again, you can listen to the Rich Dad Radio program any time anywhere on iTunes or Android, and all of our programs are archived at richdadradio.com. Please go to richdadradio.com, replay Davids Stockman's interview, because we're an education company. If you listen to David Stockman one more time you'll learn twice as much. The most important thing is get your friends, family and especially business associates to listen to this interview with David Stockman, especially if you live in California, or Illinois, because your pensions are about to explode with the rest of the US economy.

Robert Kiyosaki: Once again, you can listen to this radio program, go to richdadradio.com and now you can submit your questions to askrobert@richdadradio.com. Ask Robert is where you get to ask, the time to ask me a question. Final comments on David Kim.

- Kim Kiyosaki: Well I just think David nailed it when he said that Trump, when he was campaigning said, we have this bubble, we've got to fix it, it's a mess, the nation's in a mess, and he got elected. Then his ego just could not, not allow him to take credit for the stock market going up and everything that he should be not embracing. He said he could have taken a piece out of Reagan's playbook which said, "Hey, I've inherited this mess, we need to fix this mess," and just stay on point with that, then maybe something could have really happened here.
- Kim Kiyosaki: He had to take credit for things that were good, and so I just think he nailed it. The ego just would not allow him not to take credit.
- Robert Kiyosaki: David Stockman says he voted for Trump, I voted for Trump.
- Kim Kiyosaki: I voted for Trump.
- Robert Kiyosaki: I've written two books with the guy, and if it wasn't such a serious problem it would be funny. This thing is a comedy show as far as I'm concerned, but we're in serious trouble.
- Kim Kiyosaki: Yes, we are.
- Robert Kiyosaki: Anyway, please listen to the Rich Dad Radio program again with David Stockman. I think you'll ... Because he went into very, very high level stuff about the bond market versus the stock market versus the economy, unemployment, and those things are very sophisticated, heavy types of level of economy that most, I would say 99% of people have no idea what he was talking about.
- Kim Kiyosaki: Well I think 99% of the people think that it's going to somehow miraculously be fixed, and even ...
- Robert Kiyosaki: No, raising taxes is going to fix it.
- Kim Kiyosaki: That's what they're going to do, and if you look at ...
- Robert Kiyosaki: Tax the rich.
- Kim Kiyosaki: If you look at David's statistics and listen to the show again, how the bottom 90% have gone down, where the top 1% have gone up, it's just, it's not going to get better.
- Robert Kiyosaki: Right, and that's why the Rich Dad Poor Dad book was what the rich teach their kids about money, and the poor middle-class do not. Lesson number one in Rich

Dad Poor Dad is the rich don't work for money. Anybody working for money is getting hammered today.

Kim Kiyosaki: Absolutely.

Robert Kiyosaki: They're getting hammered, and it's really, really sad. Whether you've got a 401K or a state pension plan, you're in very serious trouble today. Because the printed, they started printing money in 1971. Let's go into Ask Robert, Melissa, what's the first question for Ask Robert?

Melissa: Our fist question today comes from Riko in Michigan, favorite book, Cash Flow Quadrant. He says, "Robert, you explained the difference bad debt and good debt, which one is our national debt and why?"

Robert Kiyosaki: That's a fantastic question, because if you're paying attention to the news, as all of us, from Kamala Harris and AOC, they say, let's just tax the rich, 70% tax if you make over \$10-million. The definition of bad debt or good debt is who pays for it. You see Kim and I borrow money, we may borrow \$20-million to buy an apartment house, but we don't pay for that debt, our tenants pay for it.

Robert Kiyosaki: When we have a national debt, the question, who pays for it? Well the working class pays for it.

Kim Kiyosaki: Yeah, through taxes.

Robert Kiyosaki: You see what AOC and Kamala Harris and the rest of communist republic are talking about is they want to tax the rich. If you're making \$10-million a year sports fans, which is the 70% bracket, you're smart enough to hire tax advisors, and the rich don't pay taxes. If you understand that, you're smart enough to know that if I'm making \$10-million a year, I can afford to pay \$200,000 a year for a smart tax advisor. All of these guys in socialism, I'm sure they're good people. I'm sure they're kind, they mean well, they want free healthcare, free manicures, free pedicures for everybody.

Robert Kiyosaki: Free food, free gasoline, tax the rich, because they're going to pay for it. I think they're in Lala land.

Kim Kiyosaki: Well what's happening in California right now, they want to keep taxing the rich and the rich are leaving. There's a lot of options for the rich if it goes that way, and it's going to come back down to the middle class and the poor, especially the middle class, they're going to get stuck with this tax bill.

Robert Kiyosaki: The national debt ... It's good debt if you don't pay for it, but it's bad debt if you pay for it. The poor and middle class are going to pay for it. You pay for it in

sales taxes, highway taxes, tax on ... I think there's 76 different taxes that everybody pays. When it comes to income tax, the rich are rich enough to hire tax advisors. That's why we have Tom Wheelwright on here called, Tax Free Wealth. If you want to find out how the tax ... How the rich do not pay taxes, get Tom's book, but don't get angry, get educated.

- Kim Kiyosaki: What if Robert, what if, because we've had guests on the show like Richard Duncan who talks about, if you're going ... If the government is going to have debt, then if you're going to spend money then spend it where there's production. Spend it on things that create money.
- Robert Kiyosaki: Yada, yada, yada, got it.
- Kim Kiyosaki: Then it could be good debt.
- Robert Kiyosaki: Yada, yada, yada.
- Kim Kiyosaki: That could be good debt.
- Robert Kiyosaki: Yada, yada, yada, yada.
- Kim Kiyosaki: Put the nation back to work.
- Robert Kiyosaki: Yada, yada, yada. It never happens sports fans.
- Kim Kiyosaki: If it did it could be good debt.
- Robert Kiyosaki: Yeah, in theory, I want free manicures and free pedicures for everybody, I want free filet mignon and free housing and free education and free medicare and we'll tax the rich.
- Kim Kiyosaki: That sounds like communism.
- Robert Kiyosaki: I don't think that's going to happen. Everybody uses Venezuela, one of the richest countries in the world, they're completely bankrupt because of communism and socialism and corruption. We're not that far away sports fans. Trump, it would be funny if it wasn't so serious, but he's spurred all of these communists to come out of the woodwork. They're good people. They way we solve this problem, we're going to tax the rich, and we're going to give you all these benefits, like free healthcare, free manicures, free pedicures, free food.
- Robert Kiyosaki: What that does is it attracts more immigrants. I've nothing against immigrants, but if you're living in some squalor and you found out across the border was you could get free healthcare, free food, free cars, free housing, free education.

- Kim Kiyosaki: Free cell phones.
- Robert Kiyosaki: Free cell phones. I'd climb that wall too, or I'd swim the river. That's what's happening. You look at what's happening all over the world, the immigration problem is driven by life, the cost of living. That's it, they're not bad people either. Do you think those people in those caravans from Guatemala want to leave Guatemala? No, they're being ... They are being murdered over there, but they also want a better life.
- Robert Kiyosaki: We create more free stuff, we attract more of the same. I read there was some city in New Hampshire or Vermont that said, please stop coming. The word got out, they had free food or something. Everybody moved there. They can't afford it. The town had I think 6,000 people, and they had 7,000 people move in for free food, or something like that. I'm not, I'm being facetious, but what happens is immigration is driven by lifestyle, they want a better life and they can't afford it. That's the big problem.
- Robert Kiyosaki: That's good debt and bad debt and national debt. Who pays for it? Everybody wants the rich to pay for it, they're never going to pay for it. Next question Melissa.
- Melissa: Our next question comes from David in Illinois. Favorite book Rich Dad Poor Dad. He writes you and Kim a note. Dear Robert and Kim, thank you for all that you do. I was blown away when I read Rich Dad Poor Dad, and I believe it should be taught in school. My question is, I have just sold my house and seeing how the market is looking, I believe the correction is coming as well. I was wondering about taking my gains into tangible gold and silver while waiting for a correction, then cash it out and invest it in real estate. What's your advice on this idea?
- Robert Kiyosaki: Our advice is always the same, you've got to get your own education. We're not financial advisors, we don't do that. You have to look at your income to expense ratios. If you have a \$1,000 coming in how much is going out? You've got to manage that. The thing with gold and silver, is generally the rule of thumb, and we don't recommend it, is 10%. The way I look at it is this, the question is, if David Stockman's correct, and they keep printing more and more money, what does that do to the value of money?
- Kim Kiyosaki: It goes down.
- Robert Kiyosaki: It goes down. That's why for the last ... I mean since Kim and I have met, all we do is buy gold, we don't save cash, we save gold and silver. We have short-term cash for operating. Our long-term savings is gold and silver. I'd like to remind people of something, not that long ago, less than 10 years ago, gold was only

500 an ounce, now it's 1,300. All the rest, the purchasing power of the dollar has gone down.

Robert Kiyosaki: Just look at the charts on gold and silver and things like that, you'll find out the more we print money to pay our bills, the more valuable gold and silver gets, but the less valuable your savings become. That's what you have to know. Final words.

Kim Kiyosaki: The other piece of that question is about real estate. I mean it if there is a recession real estate could get very cheap, there could be a lot of great deals out there, but if you don't know what you're doing, you can lose a lot of money. Just because the market, the real estate market crashes, if you don't have some experience and education, that might not be the best opportunity for you.

Robert Kiyosaki: Right, so thank you for your questions. We don't give financial advice, we probably have people who are real people, and my books coming out it's called, Fake. Fake money, fake teachers and fake assets. It's coming out soon. Most people are listening to fake teachers, and that's why we're in serious, serious trouble.

Robert Kiyosaki: Once again, thank you for listening, thank you to David Stockman, get his book Peak Trump. His website is davidstockmanscontracorner.com and submit your questions to askrobert@richdadradio.com. Thank you for listening.