

Planes Trains and the Market Impact of Political Dysfunction in the West

Speaker Key:

DP David Pett
Gen. AL Lt. General Andrew Leslie
KM Kevin McCreadie
GV Greg Valliere

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00:00:06	DP	From the United Kingdom to the United States, political dysfunction has emerged as a large and growing concern for investors. On this episode of Inside Perspectives, Kevin McCreadie, AGF's CEO and Chief Investment Officer welcomes back Greg Valliere, AGF's Chief US Policy Strategist and special guest, General Andrew Leslie, to discuss the potential crisis facing some of the West's most successful democracies and the impact that could have on financial markets going forward. I'm your host, David Pett. Let's get into it.
00:00:40		Welcome back, guys. Good to see you. Greg, I won't ask you about the grisly details of your flight up here but appreciate you taking the time to do it. It makes a world of difference when we're all in the same room recording. And, General, I assume your train ride in was a little smoother than Greg's flight here. How long does it take approximately, a train from Ottawa to Toronto?
00:01:04	Gen. AL	About four hours. Roughly the same as a drive, roughly the same as a flight.
	KM	When I go down to London, I take the train. I don't drive. I get more work done on the train. When I go to New York from Washington for you, I would never fly.
	GV	There's been a lot of delays on the Amtrak Acela. I'm not a big fan of the Acela but a lot of people love it.
	KM	Joe Biden loves it.
00:01:22	GV	I've met him many times on the Acela.

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	KM	I've been on the Acela on a Friday afternoon coming from New York and he's had his secret service... This is before. This was when he was Vice President for Obama. He would have them clear the entire car out so he could sit there by himself. So, you were kicked out of your seat and had to stand. People would go absolutely bananas.
	DP	Wow.
00:01:42	KM	We could tell travel horror stories. My favourite one of the week is we had a crew of guys in for our investment offsite from our Boston office. When did you get into town, General?
	Gen. AL	Actually, I got here Monday.
	KM	All right. So, you were not here yesterday. You came into it. At points in time yesterday afternoon it looked like someone had painted these widows with grey paint. Couldn't see.
00:01:59		These guys were all flying out of Billy Bishop and one of them is a former US Navy aircraft carrier pilot who claims he could fly that plane if he had to. But, they were kidding them. There was no way that were getting out yesterday. So, they did finally get off the ground. They get down to Boston and Boston had closed. So, they had to turn around and come back last night.
	GV	Incredible.
	KM	So, they left the office here about three o'clock. They got in about midnight last night, back here.
00:02:25	Gen. AL	Ouch.
	DP	Yes. My understanding is they got to Boston and they were circling around...
	KM	Couldn't get in.
	DP	Bill's house. And then they ended up having to come all the way back.
	Gen. AL	There must be a way to blame Trump for that. Got to be. Absolutely.

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	KM	All right. We digress. Where do you want to go, Dave?
00:02:40	DP	I guess I want to start big picture. I remember a time, not long ago, when political dysfunction seemed to be the sole reserve of emerging nations with immature systems of government and tyrannical leaders that had no regard for the democratic principles of the Western world, so much so, I think this is true, many Canadians, Americans, Europeans often look down on these countries with a smug air of superiority as if to say that could never happen here.
00:03:08		But, that's no longer the case, as least from my perspective. Western democracy seems to be in crisis and our way of living, including how we invest in markets, is now subject to a divisive brand of politics that has not been experienced in at least a generation, if not longer. Why has the political arena become so contentious and so nasty in recent years?
	Gen. AL	I'd say over the last 20-30 years people are getting more worried, perhaps, than ever before, not in terms of one-off such as an enormous tragedy as war, but consistently.
00:03:37		They're worried about a host of issues in terms of wars, we've talked about briefly. We'll talk more about that in a couple of seconds. Economies. What does that mean? Their standard of living. The sense that a whole bunch of folk have been left behind by social progress or developmental activities or new cultural ideas. A sense of belonging that they felt fairly rooted in the past, perhaps not as progressive or forward-thinking as they might or should have been, but still they're worried about their place, what kind of future their kids are going to have.
00:04:06		And so that worry causes fear and when people are afraid they don't tend to react, all of them, perhaps logically or dispassionately, and here we are. And then once you get that vindictive counterattack at the political level starting to filter down from the national to the provincial to the municipal and even with neighbourhoods, therein lies danger.
00:04:30	KM	I would agree with the general. I date it back. It probably goes well beyond 2008 but I go back to the Great Financial Crisis, where we really created a scenario of

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		have and have-nots. There were protests in the streets in major cities of people camping out. Different movements popped up. It wasn't just a US thing. There was this idea of populism that was out of this have and have-nots world that really spread to most of the Western world. And you've seen it in various countries.
00:04:55		I can even go back to COVID here and what happened with the truckers, a version of that. So, we've had this splintering of societies in the West for probably at least 15 years, and it probably goes well beyond that but more evident for all of us probably in that crisis where clearly people suffered in that Great Recession and felt that they didn't get their share as others got bailed out and others.
	GV	Yes. I would agree. I think that economic populism has become a big issue and maybe it started when people said we bailed out the banks.
00:05:26		We didn't bailout the banks. They paid back every penny with interest but that false narrative took on a life of its own and there are a lot of people who aren't doing that well and they're looking for scapegoats. There are plenty of scapegoats to find.
	KM	I think what you've seen, take the US or you can take many countries, but now the moderate voter has really disappeared and you've forced these economies to really hard left and hard right agendas. You can look at all for the most part. So, how to get back to centre I think is going to be a tough task.
00:05:56	Gen. AL	It's almost like a search for stability. We all crave a certain degree of predictability in what's going on, not only in terms of the markets but in terms of how our families are going to be raised or what we're going to be doing over the next couple of weeks. The folk who have benefitted from the last 30,40, 50 years of unprecedented growth and wealth, they're very firm in respect for the rule of law. Establishment of the status quo, trying to maintain it.
00:06:20		Whereas those who resent the constraints are chaffing, essentially, under centralised control or an ability to solve problems through the United Nations, through the international courts. They see that as constraining their opportunities to succeed, to grow or to have power. And

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		that in turn can generate, especially when you've got huge, powerful nations such as, well, here we are, Russia and China.
00:06:42		They're willing to actually break free of what they see as barriers and that's leading to further instability, further concern, further fear.
	GV	And you know in the old days an election used to be cathartic. We'd say, well, we're going to have a new beginning now. We'll come together. We'll try to agree more. That's antiquated at this point. There's no catharsis coming in this election.
00:07:04		In fact, what I worry about is that right after the upcoming US elections there will be charges of voter irregularities, ballot stuffing. All of the stuff that went through a couple of years ago in the Trump election will probably resurface again.
	KM	The new norm.
	GV	Yes.
	KM	It seems to part of that is technological innovation and the ability now to scrutinise everything. Everybody has a voice.
00:07:26	Gen. AL	Social media has given us tremendous opportunities. It's a magnificent series of tools of differing degrees of complexity but, I'll tell you what, it's also led to some developing tragedies in terms of what's going on internationally and domestically. Now, if you repeat the lie on social media enough times, a million times, it can take on a certain degree of truth.
00:07:46		Now, it's not true at all but people start to believe the big lie and if the big lie is egregious enough and enough people say it, well, look what's happening not only around us, immediately around us, but in certain cases here at home.
	KM	Global unrest is not good for markets. When people don't like each other on the world stage, not good for markets. When you have civil unrest within developed nations, that's not good for markets either.

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00:08:11		And I think for the first time, I think what this populism may be moving to in certain places in the world is real civil unrest. Take the case of the US, what Greg just said, the new norm may be I don't believe these election results. What we saw on January 6th was a wake-up call for a lot of people that said that could never happen in the US but when you look at polling data or how people think how divided the US is, it's shocking.
00:08:32		But, you can roll this into Europe. You've got 27 countries now all trying to figure out one common currency in the EU all of a sudden saying I've got to do something different to take care of how I'm going to pay for energy and subsidise energy for my people and so things start to fragment, if you think of the EU as that civil, that grouping, they start to divide.
00:08:50		So, this is moving to a place and hardship drives that unfortunately. When you have economic hardship, inflation, it just draws out the differences that creates, probably, and magnifies some of this unrest that may be in front of us.
	GV	And you have to ask the question, could what Kevin just described, this unrest, this sense of grievance, could this metastasize and become a factor in the Ukraine war?
00:09:13		I say that because if you see the right and left in America and if you see protests in Paris like the Yellow Vest protests, could that convince Putin, rightly or wrongly, that there's a lack of resolve in the West? Could that become a factor if it's a long, cold winter? Could Putin say, well, if I just wait this out long enough I'll get what I want?
00:09:32	KM	It could be a warm winter in the US and you're still going to have the problem. If the Republicans take the House, you're already seeing it and it's not the just the Republicans. You had the Progressive Caucus of Democrats, 30 people basically came out and said, you know what, get this over with. Negotiate the end of this war because these higher prices, funding this defence budget, all of that could be inflationary.
00:09:49		So, it's not going to be just it's cold and we're fighting over we can't keep supporting this because it's killing us. There are going to be different factions come into play at this

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		that means the idea of supporting this noble cause in Ukraine may all of a sudden be second burner to the national agenda of that people.
	Gen. AL	I think Putin is waiting to see what the midterms produce and I think he's gambling that a variety of the more radical Republicans get into positions of power.
00:10:18		Some of them have already started to say quite forcefully that they'll reduce US support to the Ukraine and, of course, if they reduce levels of US of support that's also US levels of leadership which has helped enormously in coalescing a quite effective coalition in providing the provisions and military supplies the Ukraine needs, as well as funding. Disruptive times, dangerous times and those who remain calm will, I think, do better than others.
00:10:42		We've discussed in previous podcasts the idea of this being a long war. This is something that we're all going to have to live with for a great many years to come. The danger, though, is the escalation measures that Putin might be considering are not only dangerous, they horrifying in terms of their implication for everything, everything that our societies are built on, and that once again contributes to fear, to uncertainty.
00:11:06	KM	That's not good for markets, what you're describing. I'd say the other thing, if you think about what's happened since the summer, early September with the gains that the Ukrainians have made, you're now at the end maybe, and I defer to you as the expert, but you're now at the end of maybe a phase of this which is, if you're NATO you probably feel good.
00:11:25		You've beat the backyard bully pretty handily. You've exposed him on the world stage as maybe not the big tiger that he thought he was but maybe a paper tiger. You've probably pushed Germany closer to NATO and Europe and away from sole dependence on Russia and even thinking about becoming a bigger partner to China today. So, if you're NATO, you're saying maybe this is a good place to stop.
00:11:45		They won't be the ones to determine where it stops though and I think that's only going to be determined by the Ukrainian people and Zelensky, essentially.

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	GV	A very troubling development here for the markets and for all us is the emergence of a coalition uniting Iran and Russia and maybe even Saudi Arabia, which went against us on the OPEC decision. That was not a good story for the markets and this is sort of the evil axis of these countries that certainly do not want to help the West.
00:12:11		And I think because of Ukraine and all of the things going on with China, we may be overlooking another huge threat and that's the Iranians, who treat women horribly, who may be getting closer to having a crude nuclear bomb, who are in a de facto war right now, I would argue, with Israel, both sides using drones. So, the Iranians are an equal concern in many respects.
00:12:33	Gen. AL	The battlefield victories of the Ukrainians have been nothing less than magnificent and I think the whole world sees that, even inside Russia. I think from Putin's point of view he's never going to stop trying. He's going to keep coming like a rabid dog, barking and snarling and trying to do his best to claw apart Ukraine. From the Ukraine point of view they believe, I think honestly, that if they stop fighting they die and they're basing that on the rhetoric, the extraordinarily extremist rhetoric from a variety of opinion-shapers inside Russia, not the least of which is Putin himself.
00:13:02		But, war is a political act and there has to be a political objective which underpins, essentially, the logic of the war, even though war can take on a whole bunch of illogic. So, eventually war will have to be resolved by discussion and there does come a time when NATO says, all right, maybe this has gone on far enough.
00:13:21		And if it's a long, cold winter we will see what happens with European support, specifically to the Ukraine, especially from the large states who are contributing the most or who have the most to lose in terms of dramatic fluctuations in the price of energy or how many of their citizens don't have any power in mid-January and February. Right now, the Ukraine is firm. They want a variety of conditions which Putin can't meet and Putin is firm.
00:13:45		He wants all that he wanted to get and he wants Ukraine to whatever he wants. It changes day-by-day or maybe

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		it's always consistently bad but there does come a time when people have to say, all right, here's your position, here's the other party's position. Somewhere in between has to be that grey zone because otherwise it hurts us all, everybody, to an extraordinary extent, and the danger is only going to increase at time passes. It's not going to go down.
00:14:09	KM	From a markets perspective, we talked about this sadly when this started in the spring, which was after a period of time the markets would move away until it had an economic impact. So, when natural gas prices soared 600% they looked, they cared, they reacted because it was going to feed into inflation and feed into what central banks had to do, etc.
00:14:26		The phase, to General Leslie's point, of really taking tremendous ground here, it's not a market event. What will be a market event is if the Russians in the winter, when the ground freezes, they stage a large counteroffensive that all of a sudden maybe the West feels threatened again, this idea that maybe it's a colder winter and storage starts to drop quickly and some of the natural gas reserves that have been built up, that becomes a market event.
00:14:50		If there's a three of nuclear weapon, a dirty bomb, any of that stuff, even the discussion of it gets the market out of sorts. But, it feels like this phase is sort of at this, where we've talked about, it grinds from here but not market driven at this point until you get further into this winter where things start to probably heat up, if you will.
	GV	So, could I ask the general, is Putin reckless enough to really consider using a dirty bomb or a tactical nuclear bomb or chemical weapons? Is that really on the table or is that just a threat to scare people?
00:15:21	Gen. AL	Both. I think he's doing it to scare NATO, to position, essentially, the thinking in a variety of European nations as to what could happen unless he gets a certain amount of his way. It's a clear warning to the authorities inside the Ukraine. Winter is coming, so he is positioning himself to actually buy some time to develop his positions, reinforce his army with conscripts, and hopefully a whole bunch of

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		those will continue to flee Russia instead of serving in what's turning out to be a shambles of an army.
00:15:53		The Ukraine will continue trying to develop local attacks but I agree with Kevin. The time of the bold, huge thrusts that are covering many hundreds of kilometres I think is drawing to a close, partly because of the winter, partly because the Ukraine forces have been fighting so hard. They're very tired right now and their casualties are high. They're far lower than the Russians but they're still high. They need a break.
00:16:14		So, this is going to be around for a while and the course of the next events I think will flow into the political domain, dominated in large part by what the winter is like. Who is going to freeze?
	KM	As we sit here, heading toward the US midterms, it almost feels like, quote/unquote, the safest time. I don't think the Russians want to do anything to create an event that gives Biden any kind of popularity in front that election. I think they'd love to see the Republicans get in charge and cut that funding.
00:16:39		I guess the question is how real is that. If the Republicans take the House, how in jeopardy is funding this war?
	GV	I think Kevin McCarthy and Republicans will be dissuaded from big cuts in spending. I think the Democrats will stay fairly unified with the exception of maybe three dozen progressives but they're a small fraction of the caucus the Democrats have. But, just a quick digression.
00:17:00		I do think the election will have a big impact on investors. I think that investors who are worried about tax changes, are we going to change the capital gains rate or the estate tax or the top rate? No. I think we now are looking at two years at least, '23 and '24, where there's remarkable stability because any kind or radical legislation that made it over to the House would get killed and Kevin McCarthy would be able to end it. So, I think, from that standpoint it's an interesting a positive story for investors.

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00:17:28		One other quick point. I do feel if the Democrats loses are severe, Joe Biden is going to have to seriously think about during the winter that he will not see re-election.
	DP	I want to pick up on that. Before we started recording, we talked a little bit about that idea and also the idea that Biden, with respect to the Ukraine, has actually done a fairly good job in your mind, General Leslie.
00:17:50	Gen. AL	He's a foreign policy wonk. He's been in and around Washington for close to 50 years working hard on a variety of committees in a host of different positions with different responsibilities, so he knows where the skeletons are buried, he knows how to get things done. But the single key characteristic, I think, of any leader nowadays is how much respect do your citizens have for you.
00:18:10		And I think the Republicans have done a good job of attacking President Biden with a variety of clips which purport to show that he's either out of touch or he's forgetting things or he's starting to slow down and lacking energy, all of which contributes to this narrative of perhaps, even though he's done a good internationally, actually a brilliant job in terms of bringing NATO together, domestically I think he's vulnerable. So, I agree with the analysis that I don't think he's going to run again.
00:18:36	GV	Amazingly a majority of Democrats say they don't won't him to run again.
	KM	There's a bit or irony in all this, though. If you think about the first impeachment of President Trump was about withholding arms to the Ukrainians because they wouldn't give him the dirt that he wanted on Biden and Biden's son. So, things do come full circle, I suppose.
00:18:54	GV	The one problem, quickly, with the scenario of Biden saying I'm not going to seek re-election is that there's no obvious successor, certainly not in the Democrats party. Kamala Harris has been viewed as kind of a disappointment. We'll see about Gavin Newsom of California. It's a state with very high crime. But, there's no obvious success. Whereas, the Republicans have a pretty deep bench. If it's not Trump, and he's got lots of problems obviously, there are candidates that most Republicans could accept, like Ron DeSantis of Florida.

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00:19:21	Gen. AL	I think a lesson that perhaps we have ignored at our peril is that when times are complicated and there's lots of dangerous things going all around us, that is the time for calm. That's not the time to do too many radical experiments, be it with the economy, be it with your armed forces, be it with social development, be it with anything. Why? Because in a time of hard decisions, essentially, which may or may not be necessary, but hard decisions, you alienate a whole bunch of folk, and the last thing any of our nations need internally is more alienation.
00:19:52	DP	I wonder when I hear you guys speaking, if this doesn't end up great for Biden, does that maybe not end up great for NATO, destabilising it a little bit because you have a bit of a vacuum there without Biden's leadership on that particular front?
	Gen. AL	Yes, it could. On the other hand, I'm delighted to hear that the senior Republicans, serving Republicans in Congress and the Senate have backed away from this idea of arbitrarily cutting support to the Ukraine because, first of all, their polls are telling them that that's against the wishes of the American people and they're starting to think of the second and third order consequence.
00:20:26		And anything which can buy the West and NATO stability and a degree of calm when everything around them is in turmoil and unstable, stability and calm are good.
	KM	I'm going to separate NATO from this but I know you can't. I think NATO has actually come out of this pretty well. They've gotten commitments from the European countries now to ramp up their budgets for the next decade.
00:20:47		They have coalesced better than NATO has in probably two decades. Then, I think back to the unrest question. I think the unrest is, and we can talk about, again, the Republicans and Democrats funding for Ukraine. I think it becomes in Europe, you've seen it with the political unrest in the UK, who are now on their sixth head of government there since 2010, which is if you look at what's gone on in Italy...
00:21:11		And if you think the problems in the UK are bad, they make what Italy is facing child's play from a debt-to-GDP

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		standpoint. So, there's a portion of this to, this new government, Meloni has got to now toe the line. Looks over her shoulder and saw what happened to Liz Truss and says maybe I can't be as hard right as I can. I'm facing down a cold winter too. 40% of what Italy needs is natural gas.
00:21:34		So, if things get tough, and it's not just UK and Italy and the new government there, it's Macron's standing in France as well. So, I think the longer this goes on, it's not just about support from the US and NATO can sit over here, but you've going to have a lot of countries all of a sudden saying maybe our wherewithal to do this isn't as great.
00:21:52		The market actually showed some real discipline around the whole UK scenario. One could argue that the bond market and the FX markets forced political change. The same may happen in Italy if things get out of whack there. So, you can see market reactions to this are going to be things that you should watch here.
00:22:10	GV	And I would argue, maybe I'm a contrarian, that some of the stories right now, macro stories are somewhat positive. I would be enthusiastic because the markets I think can happily live with the election result. I think they'll be happy with it. The markets may be premature but they're starting to think about the Federal Reserve ending their tightening maybe by mid-winter. So, those are two big deals. If we could see any sign of a truce or negotiations beginning with Ukraine, that would be a trifecta.
00:22:36	KM	I fully agree but I think that that's this next phase that we talked about. The end of this phase is a big of yawn for the markets in terms of it's caused the inflation problems to be exacerbated in Europe. This next phase gets, I think, more challenging.
	DP	Can we talk a little bit more, Kevin, about what went down in the UK over the last couple of weeks and just how the markets did influence the resignation of Liz Truss?
00:22:59	KM	Boris Johnson had his bake off for who was going to replace her. There were two camps. The new prime minister's camp was fiscal discipline and austerity. It makes sense when you have inflation running at these levels and

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		a deficit that was running pretty high. Liz Truss basically came in on an agenda, which also would have made sense at a different time, which is more supply-side driven which is let cut taxes, let's cut corporate taxes, let's drive some spending.
00:23:21		When you have this much inflation in the system there's a bit of tone deafness to that because the last thing you need is more spending driving prices back up. And so while appealing to some people in parts of the country, the market basically reacted and said you're out of your mind, and you saw the drop in the pound to levels we hadn't seen in decades. And it caused financial distress, where the Bank of England had to basically step and say even though we want tighten rates because there's inflation, we have to go bail out the bond market over here by buying bonds.
00:23:47		So, a fair amount political dysfunction caused a market reaction and now you again, more ironically, Sunak is now back in the chair. He is going to raise taxes, and he had warned that this was going to be a problem, and I think the market reaction had proven him right. More interesting, Jeremy Hunt, who is the new Chancellor of the Exchequer, he also ran to replace Boris Johnson, and she also ran on a similar agenda to Liz Truss, which was to cut taxes and other things.
00:24:12		Again, the market reaction, though, was pretty severe around the world, so I think there's some discipline being put in place here. I think if you're Italy, you've got to look at the situation and say maybe we can't spend our way of it given our debt-to-GDP scenario is very different and worse than the UK, and we just saw what happened there.
	DP	I'm just curious, General. Hearing what Kevin is saying about he sees that situation unfolding, I'm just wondering from your perspective, which wouldn't be from a market perspective, how did you see the last few weeks playing out?
00:24:39	Gen. AL	Good generals, great generals are very good at developing and identifying patterns and linkages. If I do this, my opponent will do that. I will then respond with X, Y, Z. At the same time, what are my allies doing one country

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		<p>over to the right? What's happening overseas? What's happening with shipping? What's happening with the markets? And so this whole of idea of identifying linkages and patterns of behaviour and trying to figure out, not necessarily what's going to happen next with a degree of certainty but being prepared for a variety of options is key.</p>
00:25:13		<p>So, in the UK's case we had Boris, who had a vision and a plan, slightly incoherent. Actually, more than slightly incoherent. The markets didn't like that. Off he went, not necessarily only because of the markets but his peers, his immediate MPs and, indeed, his party lost confidence in him because he was demonstrating aberrant leadership behaviour.</p>
00:25:30		<p>Replaced by Prime Minister Truss who really didn't consult widely, was driven by ideology perhaps more than anything else, and the markets literally thrashed her and, guess what, the system responded very quickly. And now we have an expert in the markets, that's part of his bio anyways, and he appears to be much more reasonable in terms of being able to find patterns and what causes A, B, C, and looks what's happened with the markets.</p>
00:25:59		<p>So, I think it's been instrumental and educational and I wish our American colleagues and, indeed, here in Canada, we pay attention to the consequences of not thinking through some of the more socially progressive ideals, which are wonderful to have if things are calmer, if you can afford them and if you can consider the market impacts.</p>
	DP	<p>Is there anything out there that you guys are looking at that you're think, okay, we've got to pay a little bit more attention to this from a market perspective?</p>
00:26:26	KM	<p>I'm not sure of it's more attention but the situation in China has got an exclamation point put on it with Xi being voted as leader for life, essentially. The politburo is now all his folks. So, China once being ruled by a committee is no more. It's a committee of one, essentially. So, that raises the question where does Taiwan fit in this? You've seen the US get very aggressive about semiconductors, technology talent in general supporting the semiconductor industry.</p>

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00:26:50		If there is one common ground in Washington that Greg and I have always talked about it's China. So, I think that one is one that bears watching now. Not that that's an outcome that none hadn't talked about but market reaction the day after, you saw the H share market, the Hong Kong, which is where many foreign investors invest, down 7%, basically saying I can't put capital there. The local market, which is where the local investors, was down 3%, a moral victory.
00:27:16		But, the H share market down almost 40% year-to-date told you this was not about a slowing economy and not about zero COVID policies, this is about a fear of possibly putting capital in the way of rule of law and other things with someone now where the balance of power has changed very dramatically for a long time.
00:27:34	Gen. AL	I think the re-election of the president or the appointment or the acclamation and the speech, which is more or less the same which he gave last year, but banging on about Taiwan again is a negative and that's a disruptor. It lacks a projection of confidence and the market has responded, just like the international community is responding.
00:27:54		The fact, that he's going to be around for a long time or not, theoretically around for a long time is not necessarily a good thing because he has in the back of his mind this vision of reuniting Taiwan by all means including force, and that is not good for his own economy. And I think there will be a price to bear in terms of international investment. You all know I'm not an expert, but also in terms of international confidence where China's role, where do they fit into the international order?
00:28:20	GV	And I would just add that the antipathy towards China in Washington is very apparent in both parties. It's bipartisan. A feeling that China wasn't transparent with COVID. They treat their dissidents horribly. They threaten Taiwan. They spy on all these US companies. So, I think we're in for a rocky stretch before things get better.
	KM	One other point there. The era of globalisation has now move to deglobalisation .You'll see US companies already

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		moving, looking for second sources of supply chains and other things.
00:28:48		The era of cheap labour and cheap imports from China, which was deflationary and had a productivity driver to it too. If you can lower the cost of goods because you were making them in a cheaper place, profit growth was great. You may be now facing a more balanced view. I wouldn't call it inflationary but certainly the deflationary aspects of what China helped with the West with are probably behind us here.
00:29:09		In this outcome, obviously, whether it starts with semiconductors, it moves to intermediate goods. Maybe the Chinese don't buy chemicals from the US or other things. You could see where this can escalate from an economic standpoint.
	DP	Finally, maybe I'll just ask you quickly about Canada. We're not immune to political dysfunction, if you will. I'm just wondering, things going on right now, Alberta's Sovereignty Act and passing that. Does that worry you from a market perspective, Kevin?
00:29:36	KM	Thinking about Canada and the US, we talk about lot about Europe and you get why. If you're living in Europe today the fear is very different, when you don't know what your neighbour is going to do to you the next day. If you're Finland, if you're Norway, anybody on the border, or Poland. I don't think we'd ever wake up about and worries about the Canadians stealing Buffalo or Detroit. They may get Detroit.
00:29:54		But, my point is we don't have that insecurity in North America, so we look at these things from afar and a lens of fear that may not be as high as what you see in Europe, and I think the relationship between the two countries is one that will bear watching as you have this political change. Probably, under Biden we thought it would get better, the two relations between these two countries.
00:30:15		And I think day one or day two the salve of killing a pipeline, which now interestingly and more ironically would have beneficial, I think set a tone that has been repaired since the early days of Trump, really, that started a change in the dynamic. So, there's an opportunity

Time code	Speaker	Text
		<p>maybe to thaw between the two countries but I don't worry about the Alberta thing. We've tried it once before in this country and this is a worse scenario given the landlocked nature of that.</p>
00:30:36	GV	<p>I would just say as an American who follows the political dysfunction in my country fulltime, you guys have got it good. I think the climate here, in Canada, is quite calm compared to what's going on in the US. One other quick point. I think Canadians who follow energy have to conclude that our energy policy in Washington is totally dysfunctional. We don't realise how important it is not to just drill and explore. It's important to have refinery capacity to be able to ship energy to other customers, and we don't get it.</p>
00:31:05	KM	<p>But Keystone would have been a big help. It's one of those when you look back two years later.</p>
	Gen. AL	<p>Our favourite sport is full-contact hockey. I love my international friends, bringing them over here over here over years and they're astonished when you take them to a hockey game and they just see how brutal and violent it can be. And, they say, well, that's not your nature. I don't know. I think we're calm, we're moderate, we have almost unending natural resources.</p>
00:31:26		<p>We've got a well-educated population. We have access to more water than anybody else in the world, our fresh water. Rare earths, minerals, a good education system. We're actually kind of boring at times, and that's a good thing, but funnily enough we seem to squabble with renewed energy and enthusiasm, yelling at one another about differences which are kind trivial, be it at the provincial or federal level, with municipalities.</p>
00:31:50		<p>I think if we could all just grow up a little bit, I hate to sound like a teenager, chill out just a bit more, remain calm, we'd actually see the benefits of being Canadian in comparison to the rest of the world. I don't think that's appreciated. I would also say that we have to grow up in terms of our maturity as a nation in seeing ourselves. Where do we want to be and how can we help the rest who aren't quite so fortunate.</p>

Time code	Speaker	Text
00:32:14		I think we've dropped the ball on that quite a lot over the last couple of years. We're not contributing that which we should internationally for a nation whose GDP is as good as it is. We're not stepping up to the plate in terms of providing leadership on a whole host of issues, perhaps, leadership where we can, keeping in mind we're a mid-range player, if that.
00:32:35		So, I still have a great deal of confidence in Canada. A have a great deal of confidence in our people. Amongst the leaders, not so much, because I think they're so busy hammering away at one another trying to emulate other nations in terms of yelling and snarling and snapping and hissing and playing gotcha, I think they've forgotten who we're supposed to be. We're the good guys.
00:32:53	DP	I'll end it on this but I'm curious. I know you were an elected politician at one point and I don't know how long ago that was but do you miss that, given that climate that you've just described?
	Gen. AL	I'm glad I ran, I'm glad I won and I'm glad I left. I learned a great deal about myself and what it means to be an elected official in Canada. I was always intrigued by it. I saw how the actual product was made in the deep, dark depths of whatever political party I was with. I was the Chief Government Whip, so you get to see a lot of interesting things and try to resolve them.
00:33:24		But, I just wish we had more elected officials, are you ready for this, who had business experience. Please, round the cabinet tables, just a few. We need people who are willing to step up to the plate, perhaps after they had a successful career running a large investment firm or such, who will actually run for public office. They probably won't enjoy it but it will be good for the nation and I think there's lots of good that can be done.
	DP	That's really interesting. Kevin, you have dual citizenship now, don't you?
00:33:53	KM	I'm a permanent resident. I don't think I qualify. Sorry, gents.
	DP	Have you ever had any thoughts about running for politics at any point?

Time code	Speaker	Text
	KM	That's one of those where instead of playing the game on the field, I'd rather watch it in the stands.
	DP	How about you, Greg, same thing?
	GV	Absolutely zero interest.
00:34:09	DP	Well, I think that makes four of us. Great conversation, as always. General, thanks for being here again. Greg, thank you for being here and Kevin, as always, we'll see you next time. For a full transcript of today's episode, visit agf.com/podcast and don't forget to subscribe to hear more from us at Apple Podcast, Spotify, Google Play Music, Stitcher, Podcast Addict and Pocket Casts.
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