

The Great Simplification

Helen Thompson (00:00:00):

There are so many contingencies, particularly actually on the geopolitical side that can derail what seemed to be passive development at any one time. And it is strange, and this is why I think it's hard to think about because on the one hand it is systemic, but on the other hand, it is vulnerable to contingent events.

Nate Hagens (00:00:24):

Today's guest is Professor Helen Thompson. Helen works at Cambridge University where she researches the political economy of energy and the long history that underpins the democratic, economic and geopolitical disruptions that we are seeing now in the 21st century. Her most recent book, *Disorder, Hard Times in the 21st Century*, is a political science, mirror twin of the logic of *The Great Simplification*. Today we talk about the history of the United States and the Middle East, Israel and Hamas, and Qatar, Ukraine, and Russia, the importance of energy in the history of the world and some speculation on what's ahead. Please welcome Professor Helen Thompson. Hi Helen. Great to see you.

Helen Thompson (00:01:32):

Hi, Nate. Good to see you too.

Nate Hagens (00:01:33):

Although we've never met in person, maybe I should call you Professor Thompson.

Helen Thompson (00:01:39):

No, call me Helen.

Nate Hagens (00:01:41):

You have an impressive economic, political, science background covering history, energy, economics, politics, and much more. Can you just give a brief introduction on how did you first get interested in these topics all the way back to college or high school, or what was your path?

Helen Thompson (00:02:01):

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Not at all really. I basically got seriously interested in energy in I think 2013. And I came at it via really the monetary environment of the post 2008 world. And I was sufficiently, I wouldn't say aware about energy questions, but I was sufficiently aware of the macroeconomic implications of energy to understand that there was a relationship between the post 2008 monetary environment, quantitative easing, zero interest rates and the shale boom in the US. And to understand that the world economy needed shale oil. I wouldn't say that my understanding was much better than that at that point, but I was trying to work out what I might write as a long book project for academic leave that turned out not to materialize for various reasons. And I kept thinking, "You know what? I'm going to have to bring oil into this." And I kept trying to work out a way of doing what I wanted to do about the crash and about the Eurozone Crisis and bring oil into it.

(00:03:14):

And then I realized that was completely the wrong way to think about things and that I just needed to go in via oil. I started trying to think about how I might write a short book by this point about the macroeconomic consequences of what I now believe to be a serious oil problem for the world economy. But I quickly understood that in order to think about that, I needed to think about geopolitics in a way which I'd never really done before, not in any sharply incisive way anyway.

(00:03:44):

I try to teach myself to think geopolitically around this time as well, and things have really moved from there. The only thing I would add to that is I'm a child of the seventies. I was born in 1967 in Britain. My first memory of national life in Britain is the winter of 1974, sitting around at home, seven years old, my mother trying to cook in the dark, evening after evening with her two small children, candlelight. I understood in a quite visceral sense in a way that energy had a profound impact or could have a profound impact on daily life. And I never lost that, but I wouldn't say that until some point after 2013 I connected that in any way to what I was trying to do as a scholar.

Nate Hagens (00:04:37):

I have a ton of questions for you, as you might imagine. Could you give a one or two minute elevator pitch of your latest book, *Disorder, Hard Times in the 21st Century*?

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Helen Thompson (00:04:49):

What I really wanted to do in Disorder was try to explain the political shocks of the 2000 and tens with which people obviously were very familiar, not at least in Britain and the United States because high on the list of shocks of that year were obviously Brexit or seemed to be anyway, Brexit and the election of Donald Trump, and to give them a long history. And I didn't think that they were just episodes, if you like, of psychodrama in British politics or American politics. I thought that each of those two things had more of a structural explanation than that. And I wanted to run with the thought that actually if I started thinking seriously and systematically about these events having an energy history, that I will be able to get somewhere in explaining them that more conventional accounts wouldn't. Now I'm not enough of an energy determinist where politics is concerned to think that energy explains absolutely everything.

(00:05:50):

And indeed, if I had thought that I probably wouldn't have spent time in the third part of Disorder writing about democracies quite in the way in which I do. But I wanted also to grapple with what I see as the longstanding, historical problems that representative democracy faces as a form of government. And I thought there were some things, particularly actually in relation to the United States and its history as a domestic oil producer, where it was possible to say that there was a story to be told about the American Republic and what was going on in oil politics as well. My book tries to say, "Look, we should have expected the disorder of the 2010s because there were these significant structural forces at work centered around not only the problems of fossil fuel energy, but the difficulties of the energy transition, the geopolitics of the energy transition. And unless we could understand those things. We weren't going to get really anywhere in understanding the economic, political and geopolitical world in which we live."

Nate Hagens (00:06:54):

I'm glad we're finally having a conversation on camera. My work as focuses around the concept of energy blindness in finance, in economic theory and in broader culture, and it's always refreshing to talk to someone who sees not energy as everything but energy in everything like I do in a different field. You are a political scientist and a political

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economist in your academic stripes, are your fields political science? Is that energy blind as well? And is that changing?

Helen Thompson (00:07:34):

I'd say that political science is energy blind, largely. I'd say that political economy has a more complicated relationship to this. I think if you go back to the 1970s and the political economy that came out of the 1970s, indeed, some of the stuff that say I was taught as an undergraduate, I don't think it was energy blind. I think that political economy was relatively energy aware, not necessarily in the system dynamics of energy, but the economic and geopolitical importance of energy. And then it lost that awareness. I think it lost the awareness at the same time in a way in which the politicians in western countries lost their awareness. And I struggle sometimes to know where I think this began. I think it was the late eighties or sometime in the nineties when I think then an energy blindness took over.

(00:08:34):

I think in political economy over the last few years, there is quite a bit of evidence that actually at least some people are getting serious about energy again. And I've had a lot less difficulty explaining to people since my book, this book came out, this longer book, Disorder, why energy is as important as I'm presenting it to be. When I wrote this short book called Oil and the Western Economic Crisis, which came out in 2017, then I still think most people thought, "Well, why is she writing about that?"

Nate Hagens (00:09:14):

It didn't hurt the tailwinds for your book that it came out the exact same time that Putin invaded Ukraine.

Helen Thompson (00:09:22):

In the UK it came out on the actual day of the invasion.

Nate Hagens (00:09:26):

Oh my gosh.

Helen Thompson (00:09:28):

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That was a strange experience in itself. But there were things that I was saying that suddenly people who weren't particularly interested in energy and I think didn't think they wanted to be interested in energy suddenly would tell me that they were reading it and they would say, "That makes sense." And I give you one clear example of that was what I wrote about the Suez Crisis. And I spent a lot of time thinking about the Suez Crisis trying to offer a somewhat different interpretation than certainly we usually get in Britain.

(00:09:57):

And I remember when I was writing that chapter and I just took the decision one day that I was actually going to make it the structural pivot of the second geopolitical chapter, and I thought, "This could go very wrong. People would just think that it's some kind of apology for British imperialism." And then because of what was happening with Ukraine and the pipelines and the issue of transit and these big shifts, then almost everybody who was asking me questions in the first few weeks after the book came out and the UK wanted to talk to me about the Suez Crisis.

Nate Hagens (00:10:29):

I'm going to jump around a bit, Helen, but since you brought that up, could you briefly describe the Suez Crisis and speculate on whether we're going to have another one?

Helen Thompson (00:10:42):

Yeah, the second part of that's a really very interesting question. I think that what's important to see from the British point of view, which I'll start with on the Suez Crisis, is that in 1956 when the British took military action with France and Israel against Egypt in light of Nasser, the Egyptian president nationalizing the company that owned the Suez Canal, in the British mind, government mind, the British were doing exactly what they were supposed to do in the post-second world war world, which was to act as an imperial power in the Middle East to guarantee the oil security of Western European countries because American presidents were very clear in the post-war, second world war world, they wanted largely the oil of the Western Hemisphere for the Western hemisphere, obviously not least the United States itself, they were only willing to provide oil to Western Europe countries in an emergency.

(00:11:48):

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They didn't really want Western European countries buying oil from the Soviet Union, certainly once the Cold War got going, that meant Western European countries and Japan needed to import oil from the Middle East, and they didn't want to have any military responsibility in the Middle East for ensuring the free flow of oil through the Persian Gulf. That was the British job. Obviously, they didn't want the British behaving in brazen ways like an imperial power that made it very difficult for them with Arab states. But nonetheless, if there was a threat to West European energy security, then Britain was supposed to act as an imperial power and do something about it, which is what British did in the autumn of 1956. And then Eisenhower obviously up for reelection, didn't want that display of European imperialism, particularly at a time when the Soviet Union was sending tanks into Budapest and put such financial pressure on the British government, financial pressure that was made possible by Britain's desperate need now to find dollars to buy American oil.

(00:12:56):

Because the Arab states were boycotting the sale of all through one of the pipelines and the Suez Canal was closed, that it was very easy for Eisenhower to tell the British Prime Minister, Anthony Eden, "You are out." And with the British not being able to continue, neither could the French and neither ultimately could the Israelis. If we just look at it for a moment from the Israeli point of view, what that showed in 1956 was how vulnerable that they were on transit issues. And that was both about the Suez Canal itself, but it was also about the Strait of Tiran, which is like water that gets them up the eastern side of the Sinai Peninsula and would make it possible in time for Iran to sell oil to Israel. And that became a really central issue for Israel, including then in 1967 when Nasser closed the Strait of Tiran again and then kept Suez Canal closed for eight years the second time.

Nate Hagens (00:14:03):

What happened then during those eight years, the ships had to go all the way around?

Helen Thompson (00:14:08):

Yeah, if it wasn't coming pipeline, it had to go all the way the way around Africa. And interestingly, in that context, that is part of the reason then why from 1967, the British

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government concludes it can no longer stay in the Middle East. It can no longer carry on being an imperial power there because suddenly the oil costs that Britain faces in the wake of the Six Day War where it's also subject to embargo, a much greater.

Nate Hagens (00:14:38):

In addition to into culture being energy blind, it's possible that energy experts and culture are geopolitics and complexity blind. Can you imagine, I'm sure you can, you're an expert on this, the importance of the Suez Canal and the Strait of Hormuz as being open and free and navigable for the rest of the world's just in time things? And both of those are within the arena of the current conflict. I think most people don't even think about those important choke points.

Helen Thompson (00:15:18):

Obviously this raises the second part of your question, if we look at Israel's position in this though, there's been a really quite substantial change from the situation either in 1956 for Israel or in 1967, in the aftermath of the Suez Crisis through to the Iranian Revolution in 1979, then Iran was the principle exporter of oil to Israel. None of the Arab states were willing to sell oil to Israel. The United States was operating with its, not exports except in an emergency. The only state really that was willing to sell oil to Israel on a contracted basis were the Iranians. And that was one of the reasons why in 1967 that Nasser blockaded the Strait of Tiran because he wanted to stop Iran selling oil to Israel. He thought that that was a fundamental weakness of the Islamic world in dealing with Israel back in 1967.

(00:16:33):

But then when we get to the aftermath of the Iranian Revolution, although that there's some covert selling of oil by Iran to Israel, this timeline through a land pipeline rather than through the Strait of Tiran, Israel starts looking for other options. It gets a guarantee from the Americans that in an absolute emergency, the Americans will provide oil. But if we look at who is the number one exporter of oil to Israel today, it's Azerbaijan. It comes via pipeline. The vulnerability for Israel in that is actually Turkey's position because the pipeline's coming through Turkey. In terms of the relationship between the Israeli government and the Azerbaijani government, it's quite strong.

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Israel's also selling arms to Azerbaijan, but it's the transit. It's the transit through Turkey that is probably on that respect, Israel's vulnerability.

Nate Hagens (00:17:33):

Let's put a pin in that. 1979 was a key year in the Middle East because Egypt recognized Israel, the Shah of Iran was overthrown. Israel gave up its oil in Sinai as a part of developing better relations with Egypt. And the Iranian Revolution then cut off Israel from oil supply that the Shah had provided, as you mentioned. You've observed that these events made the USSR somewhat irrelevant in that part of the world until the Syrian Civil War 30 years later, 40 years later. Is there a parallel between the Abraham Accords in which Saudi Arabia was poised to join the UAE, Bahrain and Morocco in normalizing relations with Israel earlier this year, and Iran now feeling potentially less relevant in the Middle East in the same way Russia became after 1979?

Helen Thompson (00:18:34):

I think there are possibly some parallels here. I think that there's a paradox, which I don't still think I really have got to grips with in trying to understand the events of the last few weeks. Because if we think about the course of the last few years, and particularly actually the first part of this year, we could see two different things, at least two different things, really opposite things going on. The first of them, as you said Nate, was the possibility, the strong possibility it would seem that the Abraham Accords were going to be extended to Saudi Arabia.

(00:19:15):

And at that point you could see that actually not only was Israel going to be able to normalize relations with a growing number of Arab states, including now the most significant one, but that was quite complimentary to various of the economic relations, including energy relations that Israel was cultivating with Arab states not at least being able to do so because since some point in the 2010s, Israel has been able to export, I think it's from 2017, is being able to export gas from its offshore Eastern Mediterranean gas fields, and two of the states that it exports to being Jordan and Egypt, you've also got UAE involvement in at least one of those gas fields.

(00:20:05):

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You could see that there was, not economic unity would be going too far, but economic interdependence growing between Israel and various of the Arab states, take Saudi Arabia into that, that is a big deal, a really big deal, and in one sense, transformative, I think from Israel's point of view. And then you might say, "Iran shut out of that. No possibility of that relationship between Israel," and Iran tries to sabotage it, though that runs into the issue of whether they really did know that Hamas was going to attack.

(00:20:43):

But on the other hand, if you look at what was going on this year is you had the reproachment, the diplomatic reproachment between Saudi Arabia and Iran, brokered, it would seem on the surface anyway, by the Chinese, perhaps united, don't remember if it's played some part. Perhaps Putin played some part. Actually you had, apparently anyway, growing Saudi-Iranian relations or defrosting, let's say, relations during the same period in which Iran might look like it's being left out of the Abraham Accords. And I still think trying to understand how both those things were going on at the same time, I still think that's a bit of a puzzle.

Nate Hagens (00:21:26):

I am absolutely no expert here, which is why I'm asking you. But there has been obviously tribal conflicts in humanity back to the Pleistocene, but a big one is between the Shia and Sunni factions of the Muslim faith. Is it possible that the aversion to the West, the United States, Israel is enough an aversion that it could unite some of the previous antagonistic tribes in the area, and it could be Middle East Asia versus the West from this current conflict? Do you have any thoughts on that?

Helen Thompson (00:22:13):

I think that that is quite hard to imagine, or at least not to see that the fault lines would reassert themselves quite quickly. I give you one example, is the complete difficulty that the Bush administration had persuading the Saudis that they had to make some accommodation with post Saddam's Iraq once the Shia majority were the dominant political force in Iraq. And in that sense, it was easier for the Saudis to have, I wouldn't say necessarily straightforward, positive relations with the United States, but

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at least complicated relations with the United States that had some payoff potentially for each side than it was to reestablish Iraq-Saudi relations in the posts Saddam era.

(00:23:14):

I think as well that if you look at the internal politics of a number of Arab countries, including now like Egypt as well, the idea that they really want to make common cause with Hamas, both in its relationship to the Muslim Brotherhood who obviously were in power in Egypt from 2011, 2013, but also then around support for Hamas. That's I think, pretty destabilizing prospect in Egyptian politics. I think we always have got to factor into this, like what the risks around domestic political stability are for any of the Arab states in their relations, not only with Iran, but also with the Palestinian cause.

Nate Hagens (00:24:06):

The Palestinian cause is obviously prominent in everyday news right now. This is recorded on Monday, October 30th. Obvious to those people that understand the centrality of energy to our world, the effects of the Israel-Hamas situation have clear consequences for the availability of oil globally. Something like half to two thirds of the world's oil reserves are within 800 miles of Israel. But how has this conflict, taking a bird's eye view, especially during the late 20th century, how is the energy at the center of this current conflict? Can you give a stratospheric view of that?

Helen Thompson (00:25:00):

I think there are several different things going on here. The first of them is that Iran's position in the Persian Gulf, and to some extent its relationship with China around the Persian Gulf, are pretty central to any question about the conflict between Israel and Hamas, spilling out into an regional conflict or a regional war. And I think that there's a way of thinking about that question that actually goes back to the summer of 2019, which is actually where I started Disorder, because there we saw what happened when Iran responded to what Trump called, the maximum economic pressure being applied after Trump had ended the Iran nuclear deal with various attacks on shipping in the Persian Gulf. Then there was the attacks probably by Iranian proxies on the Saudi oil facilities. Saudi air defense system essentially failed. And then it looked like the

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Americans, even under Trump, weren't going to make any response to that, which made the Saudis incredibly angry.

(00:26:22):

And then in January of 2020, just as the pandemic was starting in China, we had Trump ordering the assassination of Soleimani, the head of the Iranian Revolutionary Guard. And the response of a lot of Trump's critics to that was, "He's so mad, he's just about to start World War III." Even in quite recent years, the pandemic got in the way of people, I think remembering what was going on in the second half of 2019 and early 2020, we can see that conflict in the Persian Gulf has got the potential to be incredibly destabilizing. And for any conflict that moves into regional war in the Middle East, that will be central to it.

Nate Hagens (00:27:12):

How are we going to avoid a major war in the Middle East? I think you don't need to paint the worst case. Worst case is nukes all around the world. You don't even need to paint the bad case, which is the Strait of Hormuz closes and there's giant bombs and destruction in Middle Eastern countries. What would be a somewhat benign and a hopeful outcome of the current situation?

Helen Thompson (00:27:47):

I think the benign version is that the presence of the American Navy in the way in which it is now in the Mediterranean is sufficient deterrent to Iran to ensure that Hezbollah stays out of doing anything particularly significant in Northern Israel. And Iran understands that there would be very direct consequences for it, if it were to engage in even maybe even the kind of action that it engaged in the summer of 2019 in the Strait of Hormuz.

Nate Hagens (00:28:30):

A lot of times when there's, and here's me saying this to a political scientist expert, but it seems like there's a conflict between a country and another country. But here it's like this complicated rat's nest of multiple countries and multiple groups and demographics and initiatives. There's Lebanon, there's Syria, there's Russian support

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there, there's Iran, there's Hezbollah, there's Hamas, there's all kinds of Houthi rebels, and it seems like there are tiny little Archduke Ferdinand possibilities everywhere.

Helen Thompson (00:29:11):

Absolutely. But I think some of that though, there's a positive story to tell about some of the complexities of the interdependence. For instance, as I said earlier, Israel exports gas now, at least it has been to Jordan and to Egypt. That means that these are countries that have got something to lose from conflict with Israel in a way which has never historically been true before the 2010s when the offshore Israeli gas production began. Now, there is some difficulty for Egypt coming out of this, and unfortunately it does have, I think, potential ramifications for Europe because one of the fields, the three main fields in the Eastern Mediterranean that belong to Israel, Tamar is in the rocket range of Hamas.

(00:30:12):

And production is shut down at the moment, which means that Egypt isn't getting the liquid natural gas exports from Israel that it would usually do. It also exports itself because it has fields in the Eastern Mediterranean. That means you'll be exporting less to Europe. And we know that European demand for liquid natural gas is much higher than it was two years ago because of the Russia's war against Ukraine. And these things become interconnected and disruptive.

Nate Hagens (00:30:40):

I'm an American, and I remember what happened with President Bush and the war in Iraq, and I have other memories of subsequent presidents. Can you outline the shifting relationships and perspectives with the United States President's administrations?

(00:31:02):

... with the United States Presidents' administrations, towards Saudi Arabia and the Middle East, from Obama to Trump to currently Biden with the fist-bump to MBS, or he refused to shake hands. But it seems like this is all an unfolding soap opera with massive consequences for our future.

Helen Thompson (00:31:21):

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Yeah. I think we'd probably need to just start with where things were in the Bush, Jr. presidency.

Nate Hagens (00:31:29):

Okay.

Helen Thompson (00:31:29):

Let's say particularly by 2005, so once it's clear that Iraq is going to be a quagmire at best, and that if a crucial purpose, which to my mind it was, of the Iraq War was to remove the sanctions from Iraq's oil exports, rebuild the Iraqi oil industry, get international oil companies back into Iraq, turn Iraq into a large-scale oil producer rather than, as it had previously been before the sanctions, a medium-sized oil producer, so be producing more like 10, 11 million barrels a day, like the Saudis could, that wasn't going to work out. It's very clear by 2005.

(00:32:20):

So, what we see in 2005, and I think that this shapes our world that we still live in, is essentially that world oil production stagnated. And then into that in the 2010s came the shale oil boom in the United States, and meant that that stagnation of production that was there I think by 2005, and it was for a whole set of reasons, including geopolitical reasons, didn't play out in the way in which it would have done otherwise. So, there was no way that George Bush could find a way out of the Middle East, or even think that he could find a way out of the Middle East. I think that the Iraq war should be understood as trying to address what that administration understood really quite well was the stagnation of production that was coming in a world in which Asian demand in general, and Chinese in particular, was growing quite rapidly.

(00:33:18):

I think by the time that Obama's been in office a couple of years, by 2011 probably, the people in the White House with him buy this idea that shale is the fix. No. Shale is a partial fix. It stops, I think economically, the 2010s being a lot more difficult than they would otherwise have been, but it isn't actually a route out of the United States from the Middle East altogether, not least because there's the question of where the shale oil is going to be refined, and whether the American refineries are themselves well suited to all the shale that's being produced. So, the United States isn't actually

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losing its need to import oil from the Middle East. It's simply reducing its need to import oil from the Middle East.

(00:34:08):

But I think the Obama administration is emboldened by shale. I think it does several things. It first of all thinks, "Okay, we can now sanction Iran," which they've been quite wary about, because the Europeans will protest, that oil prices will go too high if too much Iranian oil is taken off the market. We sanction them, we bring them to the table, we get a nuclear deal with Iran, the sanctions can come off, we can largely normalize relations, like with Iran. That will put the Saudis in their place a bit too. We don't have to treat them so seriously as we've generally been doing since the 1970s, because we don't need them so much. And obviously it doesn't turn out like that in terms of getting out of the Middle East, not least because ISIS comes along, and then he's got American troops out of Iraq by 2012, but the Air Force is going back in in 2014.

(00:35:06):

Now, Trump, I think, then comes in the exact opposite way of... Well, I use Trump as a shorthand, because who knows who exactly was making all the decisions in the Trump White House, but... Comes in, and he is like, "No, we need to be close to the Saudis still. We need to be tough on Iran." And so he's willing to be quite tolerant of most things to do with MBS, cultivates a personal relationship, probably gets some payoff in terms of his own corporate material family interests. But I think it's quite then revealing that, even when Trump is the president in the September of 2019, when those Saudi oil facilities are attacked, that the Americans don't actually make a response.

(00:35:59):

I think Biden comes in then, and he's back to flipping it the other way, and he's got an added component to it, which is that he, I think quite desperately, wants the Iran nuclear deal back, because he wants more Iranian oil on the world markets, because he doesn't want to look like he's got an oil policy at all. He wants his energy policy to look like it's just about climate and the energy transition. So, Iran nuclear deal, you have to know something to understand that that's an oil policy, but he's not able to do that.

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Nate Hagens (00:36:36):

But in that case, you just made the supposition that Biden cares more about appearing to be a climate president rather than actually being one, because he wants the US to use less oil, but if more Iranian oil is on the world market, from a CO2 perspective, that's more fossil carbon being burned, right?

Helen Thompson (00:37:06):

Yeah. I think there obviously are levels of complexity to that. I mean, you might also say... I don't suppose to know how much deep thinking there has been about this question inside the Biden White House. You might also say that it's quite useful if you really understand that might be a medium to long-term oil problem, that actually you keep some American production back and let others take the strain. So there's quite a bit of...

Nate Hagens (00:37:41):

Okay. Yes. Draining America first. Absolutely. I don't think that's the deep thinking, but maybe it is.

Helen Thompson (00:37:51):

But what we know, whatever thinking was going on, the policy didn't work. And so already by the summer of 2021, he was having to ask the Saudis essentially to increase output, which they weren't willing to do. He then made his rather humiliating visit to Riyadh in the next summer, in 2022. And the Saudis have shown no willingness really, despite the fact of working with the administration about the Abraham Accords, to accommodate the Biden administration's persistent desire for more oil output from OPEC+.

Nate Hagens (00:38:40):

So, what do you think about the fact that if you add UAE, Saudi Arabia, and the new BRICS nations, including Russia, that the amount of oil purchasable in the open market, not the oil production, but the available oil exports, are now over 50% controlled by BRICS nations? First of all, is that important? And a related question, I'm just curious from a political perspective, people living in those nations in the

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Middle East that are selling the stored sunlight from beneath their lands to the Global West, and of course they're getting dollars or financial remuneration for that, but it's their legacy of what they have in their lands, and it's being sold to the West. Do the people there ever get patriotic and nationalistic about that? I mean, what is the real feeling beneath the dollar signs and barrels of oil that are flowing?

Helen Thompson (00:39:58):

I mean, on the first question, I think that OPEC+ matters a lot more than the BRICS. I mean, I think if you look at it in energy terms that India and China and Brazil, as the founders, are in a very different position than Russia. And I think that China has its own really quite severe still constraints around its foreign oil and gas dependency, and I think it's well aware of those. I think in this case, the Chinese leadership really is energy aware. So, I think that in terms of, is there a power bloc that would use energy as a weapon against Western countries, we should think in terms of OPEC+ and not think in terms of BRICS.

(00:40:59):

And I think you might say that it then really is quite significant that the Saudi-Russian axis in OPEC+ has held through Russia's invasion of Ukraine, indeed strengthened. Because if you go back to the aftermath of those attacks on the Saudi oil facilities, you pretty much had Putin laughing at the Saudis about the fact that the air defense system that they bought from the United States didn't work. If you go to the spring of 2020, so when the pandemic's really started, you have bin Salman trying to flood the market with oil after you can't reach an agreement with Putin about how to deal with the pandemic, and then you effectively have Donald Trump putting OPEC+ back together again, because he doesn't want the price of oil on the floor for American shale producers, and having to threaten the Saudis with military withdrawal, or less military support, unless they play nice with him about that.

(00:42:03):

So, OPEC+ looks pretty weak as any kind of cohesive bloc in spring of 2020. We are a long way away from that now. OPEC+ can choose to inflict harm on the Biden administration, and I think chose to do so in the run-up to those midterm elections last November, when a quite substantial cut was announced just in the weeks before, when Biden had been pressing, obviously, for increased output.

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Nate Hagens (00:42:36):

I was going to ask you this near the end of the interview, but I'll ask it right now, given what you just said. Have we reached the point, or are we approaching a point, where the rest of the world can decouple, or de facto sanction the US and other countries in the US orbit, without it having disastrous effects on their own economies?

Helen Thompson (00:43:02):

I think you can see that, in Russia's case, that it has been able to inflict quite substantial harm on European countries, and in particular Germany, by cutting off the supply of gas through the Nord Stream 1 pipeline, which [inaudible 00:43:24] began to do from the summer of 2022. If you look at the economic data coming out of Germany over the last few months, it's pretty difficult, but Germany has experienced a major industrial blow by what has happened.

(00:43:41):

And it's not clear that the Russian economy has taken such a big hit for having done this. Certainly where oil's concerned, it's been able to sell pretty much the same amount of oil as it was previously doing, for a reasonably long period of time at a lower price than the market price, but even that's not clear that that's true any longer. It's been able to increase its liquid natural gas exports. It obviously doesn't yet compensate from those for what it's lost through selling through the pipelines, the Yamal pipeline and the Nord Stream 1 pipeline to European countries, but it's got the capacity to increase LNG exports further.

(00:44:31):

I think the Saudi question is more difficult, because the Saudis are obviously more integrated financially into the US world, in the way that the Russians were, much less so even just since 2014, and certainly since those financial sanctions. And Saudi obviously does have a military relationship with the United States, and so that acts as some kind of constraint on what the Saudis can do too.

Nate Hagens (00:44:57):

So, it was three weeks ago, just over, when the Hamas-Israel situation exploded. And at that time, I thought that the implications would be a premium on long-dated oil

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futures and instability to the financial system. And instead, oil as of today, three weeks later, is about at the same level it was before that happened, maybe because you say the US Navy is suppressing volatility. But I was surprised, and I don't like to talk about this much because you can get in social trouble really easily, but since you're a professional in this domain, it almost feels like this entire situation, unexpectedly to me and many people, is like a Middle East version of a George Floyd moment, where there are people around the world reacting to what's happening, and it seems like that puts the international social contract of agreements and supply chains and geopolitical alliances and everything that we kind of assumed would continue before October 2023 might change, just because of this zeitgeist is changing. What do you think about that, Helen?

Helen Thompson (00:46:39):

Well, I think there's definitely something going on in that respect. I think that, particularly consequentially for the Biden administration, just because the US is much more important as a power than the European states are, though they face some of the same domestic political issues around this, they're going to come under considerable pressure. And obviously in the case of the United States, with an election next year, that is going to intensify that pressure of how far they can go in supporting Israel without causing themselves very considerable political problems. I mean, I think that it is, though, aided by the fact that the energy situation thus far is not particularly... I wouldn't say it's not particularly worrying, because I think it is worrying. But we're not seeing a serious crisis in the energy markets, in a way in which we did pretty much immediately on Russia's invasion of Ukraine. And I think that does go back to the fact that the energy situation in the Middle East, including Israel's vulnerability on energy security issues, is just not what it was in the past. Then we can add in the fact that the United States, as well as being a now not insignificant exporter of oil, has got the capacity to release more oil from the Strategic Petroleum Reserve, 180 million barrels released really in the context of Russia's invasion of Ukraine. None of these things were true in the 1970s. Indeed, the whole Strategic Petroleum Reserve was created in response to the crises of the 1970s. Instead of being an exporter, the United States was on a trajectory in the 1970s to becoming the

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largest oil importer in the world. And so, I think that the immediate crunch points around the energy situation are nowhere near as difficult as they were in the '70s.

(00:48:52):

But just to go back to your question that I didn't answer, and I think this does come into matters though, is I do think there is still very profound resentment in a lot of oil-producing countries amongst citizens, about what looks to them like foreign extractivism with heavy legacy, heavy undertones still of the imperial past. I think if you say, "Why was it not possible for the international oil companies that got those contracts from the Iraqi government, the Western ones, essentially to stay there and do well and turn Iraq into the kind of large-scale oil producer that the Bush administration had in mind?" And partly it is because of the domestic resistance that they ran into in Iraq, the political situation. Now, partly that's to do with ISIS, but it was also to do with direct attacks on the headquarters of oil companies from angry Iraqi citizens. I mean, if the experiment was, can Western oil companies go back into a Middle Eastern country after the age of energy nationalism of the 1970s and succeed? Well, the answer turned out to be no, they can't.

Nate Hagens (00:50:07):

Have you been over there? Have you traveled in Iraq, Iran?

Helen Thompson (00:50:11):

No. I've never been to the Middle East, no.

Nate Hagens (00:50:13):

Okay. And just as an aside, are you teaching right now, this semester?

Helen Thompson (00:50:17):

Yes, I am teaching. Yes, I am. Yes.

Nate Hagens (00:50:19):

What classes are you teaching? What is the title of the class?

Helen Thompson (00:50:22):

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I part-teach a first year course, which is the Introduction to Politics for the students in the undergraduate program. And then I teach a course called The Politics of the International Economy to third years.

Nate Hagens (00:50:34):

Wow. And how do you enjoy that?

Helen Thompson (00:50:37):

A lot. I really like teaching.

Nate Hagens (00:50:39):

Yeah. I miss it. I'm kind of teaching with a podcast, but it's not the same as sitting in the room with 20 19-year-olds and having a conversation, and they're so curious and bright and have their whole lives ahead of them, and it feels like a privilege and also a responsibility.

Helen Thompson (00:50:59):

No, completely.

Nate Hagens (00:51:00):

Yeah. Yeah. So, we're going to get back to the Middle East, and I also want to talk to you about Ukraine. But you're a historian, and could you speak briefly, because I also want to talk about the United States, can you talk briefly about how energy and oil in particular really set up Britain and later Germany to become key powers in Europe? I don't think most people look at that history from an energy perspective.

Helen Thompson (00:51:32):

Yeah. I think that if we look at the 19th century, and the real rise to economic preeminence of Britain, Britain had obviously established itself as perhaps the dominant naval power even by the middle third of the 18th century, before the Industrial Revolution, but its economic preeminence comes with the Industrial Revolution. And if we say then, "Well, why did Britain industrialize before any other country in the world?" I think that the answer is not only that it had significant or

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abundant domestic coal, but also, because it'd been using coal actually for a very long time for heating purposes, pretty much, again, unlike anywhere else, going back even the 12th century, certainly by the 13th century, it had incentive to find ways of extracting deeper coal. The first purpose of the steam engine was to do precisely that, to be used in mining, and then the steam engine ran off coal, so it's a circular phenomenon.

(00:52:57):

If you then look at the way in which British naval power developed in the 19th century, and you look at something that I think is pretty significant in world history, which is the... And I say world history very deliberately, is the First Opium War and the opening up of Imperial China, it's British steamships that now are able to be much more powerful than any sail-based navy could be. If you then look at the German story, Germany is advantaged, like Britain, by having coal, a lot of coal. But unlike Britain, it actually doesn't have iron deposits that are adjacent to the coal. Quite a lot of the iron deposits are in Alsace-Lorraine. France doesn't have coal. Even just saying that like that explains, I think, quite a lot as to why, between 1870 and the creation of Germany, through the Second World War, Alsace-Lorraine is a central part of the conflict between France and Germany. Explains why the European coal and steel community, the first part of the European project, effectively was a means of giving France access to that West German coal.

(00:54:19):

If we then bring oil into it, the thing that's really hard for every European power, except for Austria really, in the beginning of the 20th century, is they don't have any domestically. If you look at the beginning of the 20th century, the two large oil producers are the United States and Russia. I don't think it's a coincidence that they are going to go on, albeit in the case of Russia, in the form of the Soviet Union, to dominate the 20th century geopolitically, to take over the European imperial powers, by contrast, are going to be eclipsed. Britain tries to deal with its oil problem, which it does moderately successfully, by extending its empire round oil, i.e. sphere of influence in Persia, what was Mesopotamia, what will become Iraq in the post-First World War world. Germany loses desperately in that contest, in the First World War. It ends up with nothing in the Middle East. It tries to take Baku, which is the basis of the now Soviet oil industry, and fails.

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Nate Hagens (00:55:26):

So, Hitler's invasion of Russia has puzzled historians, but you suggested it was at least partly about oil. Did I understand that correctly from your work?

Helen Thompson (00:55:37):

Yeah. I mean, I'm not the first person who's made this argument. There are people who know a lot more about this than I do. But I think that, if you understand that Germany was in, from its point of view... And this is, I'm now talking about Weimar Germany, so after the First World War, in a really very difficult position, because it had lost the war in the Middle East. One of its most important banks, if not its most important bank, Deutsche Bank, which had effectively operated as its international oil company in the pre-1914 world, held 25% of the shares in what was then called the Turkish Petroleum Company, which had the concession for drilling in Mesopotamia. And as part of the peace then, Deutsche Bank had to hand over that, ultimately to France.

(00:56:45):

So, the Germans begin in the Weimar period on a program of creating synthetic fuel, which is essentially to create an artificial version of oil from coal.

Nate Hagens (00:56:58):

Fischer-Tropsch.

Helen Thompson (00:56:59):

Yeah. Hitler expands that program. But there is no way that the Nazis under Hitler can engage in war of conquest without much more oil supply than they actually have. And by 1941, the second half... Well, by the summer of 1941, it's pretty clear that the conquered territories that Nazi Germany has by that point, plus synthetic fuel, is not sufficient. And Hitler was, I would say, apocalyptically obsessed with energy, is that he thought that the only way forward for Germany, if it was going to stay in the war, was to conquer Baku, which is in present day Azerbaijan, which was then the center of the Soviet oil industry.

Nate Hagens (00:57:47):

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This is going to sound like a obtuse question, but if oil is the master resource, and what you said, Hitler was obsessed with oil, and homo sapiens historically have gone to war when there are resource or geographical limits, could you imagine fighting a kinetic war on renewable energy?

Helen Thompson (00:58:17):

No, not the same way. I mean, I think that there is a difference between the geopolitical ramifications of the arbitrary distribution, either under the Earth's surface or under the Earth's waters, of oil and gas, than there is of metals, which is what is obviously an issue in low-carbon energy, leaving the uranium question aside on nuclear. And at a certain point, people who are engineers... Engineers is perhaps not the right word, but there are people who know a lot more about metals, let's just put it that way, than I do. It's not difficult, I think though, to imagine that at a certain point that it will be possible to recycle the metals that are necessary for the energy transition. And that it is also possible that it will be possible to innovate technologically and find ways to do what are presently being done, let's say, by lithium in relation to batteries, in different ways.

(00:59:52):

Now, energy, as we both know, Nate, isn't like that. You extract oil or gas, and you get to use it once, and I think that that is quite a fundamental difference between where we might be going geopolitically with... Now, that isn't to say that I'm somebody who is really gung-ho optimistic about the energy transition. But I'm not, at least yet, convinced that the geopolitics of metals has to be quite as dangerous and fraught as the geopolitics of oil and gas, and particularly oil, were in the 20th century.

Nate Hagens (01:00:44):

So, your summary comments there are that we're going to need a lot of metals and materials in order to decarbonize, but that rematerialization won't have the same geopolitical constraints of those nations that happened to live where there were ancient oceans, and therefore hydrocarbons were buried. But let me ask a subset of that, which is, is the global cooperation and the geopolitics such that, with this George Floyd moment in the Middle East, and the anti-colonialist simmering up around the world, will the Global North and West be able to forge agreements in African nations

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and in Southeast Asia, where a lot of these metals reside? Is there still the political economy that existed 50 years ago to scale that? Is that a constraint?

Helen Thompson (01:01:55):

Yeah. I mean, that's the point where I'm much more pessimistic. I think it's a particular problem for

(01:02:02):

European countries both because European countries are significantly more resource-poor than the United States. They're also largely quite densely populated. There's going to be much more resistance to domestic exploration for mining in European countries than I think that ultimately will be in the United States. I'm not saying there won't be. But I just think, in Europe, it may prove to be a really hard constraint on exploring those domestic possibilities.

(01:02:41):

Then, for the European countries... They're going back to try and cultivate private sector investment backed-by-state support, often in parts of the world that they once colonized, where people have got long memories about Europeans and resource extraction in those countries. I think you can see that in what was happening in West Africa just over the course of the summer. Niger, in particular, where France had been getting a quarter of its uranium from... There was a coup. The language of this is partly bound up, I think, with a certain kind of resource nationalism.

(01:03:37):

I think that is going to be the norm for Western countries, particularly the European ones, in trying to cultivate economic relationships in places that are metal-rich. It's going to be even harder when, actually, European... Well, it's not here. It's just actually everybody, Western countries, are saying, "Look, we're going to do the energy transition. Well, we've got to keep our fossil fuel energy system going. We're going to use that basically as our insurance policy. But you can't do that. You've got to jump straight into this energy future that we don't really trust is quite coming. We're going to make it a condition of us doing things that might help you with the energy transition and facilitate our investments in your metal supply chains with conditional

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demands that you don't build new pipelines, say oil pipelines or gas pipelines, or you don't build new coal-fired power stations."

(01:04:46):

I just think that that's just politically just not... It's not going to work at all. I think that everything that happened last year in terms of Russia's invasion of Ukraine and the European reaction to that, which was, when there was a difficulty, European countries, including Britain, which was hardly the most exposed where Russian gas was concerned, went back to keeping coal-fired power stations that were due to close open. They did this, in the British case, just months after they'd been caught at Glasgow lecturing the Chinese and the Indians and the Indonesians about how they had to make commitments to phase out coal by 2045.

(01:05:25):

What they showed... Britain and others, European countries, was, in the emergency where electricity was concerned, coal was the energy source of last resort. Why should anybody listen to anything European countries have got to say about phasing out coal when they've seen that? I think you can hear quite a number of Indian diplomats or Indian ministers say things that make pretty clear, "Well, your hypocrisy was exposed really very, very clearly. We're not really interested in listening to what you've got to say."

Nate Hagens (01:05:58):

Right now, as we speak, India is bursting through all-time coal production in that nation and the world, for that matter.

Helen Thompson (01:06:08):

Yep.

Nate Hagens (01:06:09):

Yeah. Let's move to the United States. I knew that I would be running out of time with you. We're halfway through the time period that I promised. There's horizontal and deep vertical complexity on this entire situation. There's geopolitics. There's history. There's energy. Then, there's money, which we haven't talked about. A large part of the United States' geopolitical strength in the mid-20th century came from dominance in

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energy markets. Then, we had the conventional peak of US crude in 1970, followed by Nixon eliminating the gold standard. From that period on, much of the US's geopolitical power has come from a huge expansion of dollar-denominated debt, predominantly in developing nations in combination with the petrodollar to support the largest military in the world. Is this source of strength from dollar-denominated debt strong enough to hold the geopolitical sway that the US is used to, even if the dollar were to become unlinked from the purchase of oil, in effect, a decline of the petrodollar?

Helen Thompson (01:07:34):

I think this is a really important question, Nate. I think if we go back to the '70s, and we say, "Why didn't American power unravel more than it did in the '70s?" Because, obviously, in significant ways, militarily, it really did unravel in the 1970s. I think the moves towards financial liberalization and the ability to reconstruct a new dollar system after dollar-gold convertibility had been ended by Nixon and after the fixed exchange rate regime had come to an end in March 1973... That is absolutely central to that. If you push that thought a little bit further and said, "Why didn't the world that was imagined by some in what now gets called the Global South of commodity exporters becoming more powerful commodity importers falling down the hierarchy, so to speak?" I think a significant part of the answer is because finance became much more central to the way in which the world economy worked.

(01:08:49):

The United States was able, as you said, to basically have world economy on the debt side/credit side run through dollar debt. It was able to pay for its own imports of oil in its own currency, which was a luxury that nobody else had. The British had it for a while. Got them, in a way, through the '60s. But in the '70s, they were into... Well, until the North Sea oil started. But they end up with a buying-oil-in-dollar problem. Indeed, just on that, I mean, the French in the 1980s described the strength of the dollar after the Volcker Shock as the third oil price shock. There's lots of things that privileged the United States still about the world economy that emerges out of the 1970s.

(01:09:55):

Now, I think there's absolutely no doubt whatsoever that some of the large oil importers, obviously starting with China, would like nothing more than to be able to be

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done with the dollar when it comes to buying oil imports and gas imports, for that matter, too. I mean, China has enough problems that's generated by its foreign and oil-gas dependency without having to deal with the need to pay for this in dollars on top of all else. But I think it's not so clear yet that that's really a very attractive proposition to the sellers and, certainly, where Saudi Arabia is concerned because Saudi Arabia became deeply integrated itself into that dollar world, the post-gold dollar world, let's call it that, that emerged in the '70s. Its willingness to buy American debt.

(01:10:55):

I think then what has happened since 2008, or really actually since 2007, since the first bit of the financial crash in August of 2007, is that in terms of dollar credit, the position of the United States and the Federal Reserve in particular... They've become significantly more important since then, even than they were before, and that China is much more vulnerable to the Fed's monetary decision-making, to crisis of confidence in the Eurodollar system than it was pre-2008 because it was less involved in it. I think now that the Eurodollar system and dollar debt is actually probably more important than ever, in some respects at least. Whenever the incentives to get out of the system which are overwhelming from the point of view of China, the actual capacity to do that is much harder than it would seem, I think.

Nate Hagens (01:11:59):

There might be a desire to get off of the dollar as the world's reserve currency and the way that countries have to buy oil, but the mechanics of doing that... I mean, the dollar has lots of problems, but it's better than all the alternatives. Let me ask you this.

Helen Thompson (01:12:15):

It isn't really. If you look-

Nate Hagens (01:12:16):

Go ahead.

Helen Thompson (01:12:17):

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No, no. Go on.

Nate Hagens (01:12:18):

Well, this is a meta question. But what really underpins the strength and ubiquity, and confidence in the US dollar? Is it the productivity and the size of the economy, or that we're 90 plus percent energy independent? Or is it really the military? If it's the military, we're printing more dollars and going further into debt, a trillion dollars every couple of months to pay for the military and everything else. There's this unraveling there of how it was all put together. What do you think about that?

Helen Thompson (01:12:56):

I think that this is a quite hard question to unpack all the different ways in which dollar strength works. But my instinct is that actually it's the way the international banking system works that's actually the most important thing now about the dollar's position. I think you can see that in the ways in which the United States has, under the last few presidents, pretty much all of them, been able to use other countries' companies' access to the American banking system to basically make various bits of foreign policy work.

(01:13:41):

If you say, "Why were they able to bring the Europeans in line on the sanctions against Iran, both in terms of Obama's initial policy of getting Iran to the negotiating table and then in terms of after Trump ended the Iran nuclear agreement?" It's because it's just too difficult for anyone's companies to be shut out of the American banking system. Now, again, the willingness to use that weapon incentivizes resistance to it. Because who wants to be constrained by American foreign policy if they can not be? As I understand it anyway, the European countries tried quite hard to find ways of still being able to make financial transactions with Iran after 2018 and found it really pretty much impossible to do so.

Nate Hagens (01:14:50):

Let's move to Russia and Ukraine since we're doing a whirlwind tour of international political economy. Russia's invasion in Ukraine, despite the tragedy there, nicely timed for your book release, had profound energy price and security implications for Europe

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as well as other parts of the world. Putin, my colleague Art Berman said on a podcast, has a degree in economics focused on energy and there's some people believe it was ghostwritten or plagiarized. But still, he seems to know a lot more about energy than most of his Western counterparts. How much of this Ukraine invasion in February of 22 was about energy versus just a territorial play? How did his earlier campaign and Crimea fit into this strategy?

Helen Thompson (01:15:45):

I think that you can't begin to understand relations between Russia and post-independence Ukraine, so going back to December of 1991, without making energy quite central to that. A significant part of that is obviously the pipelines that ran through Ukraine or run through Ukraine, I should say, both oil and gas-wise. From the point of view of Russia, disillusion of the Soviet Union and the independence of Ukraine was a complete strategic disaster where energy was concerned because, at that point in the '90s, all its oil and gas markets go westwards. The pipelines now go through an independent state with which it's got, historically, extremely complicated.

(01:16:42):

Then, I think you can say is, is that Putin, relatively early from when he came into power, worked quite systematically to try to change that on terms of European markets. That was really not just what the Nord Stream pipelines under the Baltic Sea were about, but his moves to build more pipelines under the Black Sea. He wanted to be able to weaken Ukraine by shutting it out of Russia's transit system and, indeed, from his point of view, eliminate the risk that Ukraine posed to the reliability of Russia as an energy exporter.

(01:17:25):

I think if you then go to the Crimea crisis, you can see that even with Yanukovich... He was supposedly Russia-friendly, in office, is Yanukovich had been making deals with various other Western oil companies, including for further exploration under the Black Sea. By taking control of Crimea and proving Russia's position in the Black Sea, the direct control of Sevastopol, there was a certain energy logic to that, too.

(01:17:56):

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I think, if you then go, though, to the events of February of 2022 and say, "Is energy an explanation of this move?" This is where, I think, it's a lot harder to say that there was an energy motive. That doesn't mean to say that there aren't energy resources at issue, particularly in the Donbas, and that was the area, or part of the area anyway, where there were some prospects of Ukrainian shale, though I should say, shale gas that is, that even by the time that the annexation of Crimea had happened, it was already clear that the shale in Poland, which had been particularly hyped up as possibly the equivalent to the United States, turned out not to be like that. The rocks didn't fracture in the same way. It may be that Ukrainian shale was always a dead end, but he brought that to an end by the moves in 2014.

(01:18:58):

But I struggled to see, really, an energy motive for what happened last year. I think that's much more about a basic rejection of Ukraine as an independent nation-state and some concern about the growth of NATO power around the Black Sea.

Nate Hagens (01:19:17):

Do you think Putin imagined or predicted, or believed that he would lose Europe as a gas market when he invaded Ukraine?

Helen Thompson (01:19:27):

I think this is hard. I think you can see that he tried to put some pressure on the European governments in the latter months of 2021. There was some reduced supply through various of the pipelines going on, often presented as being for technical reasons. But I think it's probably better seen as warnings that... "I could inflict a lot more harm on you than this." I think that the thing where you can say that he may have misread the signals quite a bit is actually on Nord Stream 2, encouraged really by the Biden administration, which removed the sanctions on Nord Stream 2, about six... I think it was either May or June of 2021.

(01:20:26):

From that point of view, I mean, the Germans, who've basically been fighting a rearguard action, trying to defend Nord Stream 2 ever since the annexation of Crimea... sorry, the year after, so 2015, when they made the agreement to build Nord Stream 2, must have looked like, "Well, we've held on, despite all that American

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pressure. We've been vindicated. We've got our pipeline. We won't be dependent on that unreliable supply coming through Ukraine for very much longer."

(01:20:58):

I can see that Putin could have thought the Germans aren't going to give up on this, just at the point when they've secured what they've spent a lot of political credibility on. But I think he just misjudged really quite profoundly how difficult it would be for a German government to legitimate the energy relationship with Russia in the context of all-out war against Ukraine. I just think that was such a shock in Germany that for Germany to then carry on with the status quo... Now, in lots of ways, I think they carried on with the status quo more than it seems. But they had rhetorically to repudiate that relationship. I think perhaps he didn't really understand that.

Nate Hagens (01:21:46):

How did Europe become so dependent on Russian oil and natural gas? Given your knowledge of history and the world wars in the 20th century based on oil and coal underpinning the first industrial economies led by the UK and Germany, is this going to be the beginning of a phase of de-industrialization because of what's happening in Europe?

Helen Thompson (01:22:19):

I mean, I think the answer, from Germany's point of view, which I think is the crucial European country where this Russian energy relationship is concerned that... That, in the age of oil, that Russia, whether it was Russia, whether it was the Soviet Union, whether it's back to Russia again, is the most obvious oil relationship for Germany to have. If you think of it as there being three big blocks, the Americas, the Middle East, and Russia, just geography alone would align Germany in Russia's direction.

(01:23:08):

Then, if you think about it historically, the periods of aberration, until what's happened in the last year, were the period when Hitler went from the Nazi-Soviet Pact to outright conquest and then the period between, well, the first 15 years or so of the Cold War when West Germany wasn't buying oil from the Soviet Union. In one sense, you could put the question the other way around, is, is like, "Let's explain why those ones were the way that they were."

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(01:23:52):

If you look at it then in terms of post-war history, so why did that period of the early Cold War come to an end, the beginning of the answer for West Germany is the serious crisis because Adenauer, the Konrad Adenauer, the West German chancellor at the time... He was utterly appalled by what Eisenhower did. He went off to Paris to see the French prime minister, Guy Mollet. He was there, I believe, when Eden rang Mollet to tell him that they were going to have to pull out. Adenauer said, "Europe will be your revenge," meaning the creation of the European economic community. But in practical terms is they began, which had already been started by an Italian oil company, further discussions with the Soviet regime about buying oil from the Soviet Union.

(01:24:52):

Now, the Americans put sufficient pressure on West Germany to make that really difficult: again, threat of extraterritorial sanctions. Actually, West Germany was quite late of the European countries... Put it this way. It wasn't the first of the European countries to either get Soviet oil or later to make gas agreements. But once the taboo in Cold War terms had been lifted, which it really was by the Johnson administration in the United States, then I think West Germany went back to what is the more geographically obvious thing for it to do, which is to have an energy relationship with what was then the Soviet Union.

(01:25:36):

The big problem for Germany in the post-Cold War world was really this Ukraine issue. In this sense, Germany and Russia were in the same place about this because the Germans didn't want to be dependent for their energy supply on a Ukrainian economically-crisis-ridden country for a lot of the time in the post-independence period, where, at times of difficulty, there was siphoning off of the gas coming through the pipelines in terms of the conflicts about pricing between Russia and Ukraine, and that Germany would take an energy security hit for the nature of the Russia Ukraine relationship. Far better, logically, from its point of view, to have two pipelines that went under the Baltic Sea and bypassed Russia... sorry, bypassed Ukraine and allowed for direct Russia relationship.

Nate Hagens (01:26:31):

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But now that's ancient history. Now, they're dependent on Middle Eastern, LNG, and stuff from all over the world. But now, the Middle East is in crisis, too. That adds further risk to future energy imports for Europe.

Helen Thompson (01:26:48):

No, completely. I mean, you can see that this nightmare in terms of which poison do you pick here continues. You have three European countries in the space of the last three months that have signed long-term 20-year plus... 27-year plus, I think, in each case, LNG agreements with Qatar. The Dutch, the Italians, and the French. Qatar, as we know, is at least as important sponsor, in a way, of Hamas as Iran is. If there's the equivalent of the Arab oil embargo on the US and the Netherlands back in October '73 to March '74, it would be Qatar embargoing the sale of liquid natural gas to European countries, including Britain with which it's had long-term contracts for quite some time.

Nate Hagens (01:27:54):

Well, if that were to happen, I mean, that would be a cataclysmic event for the world economy and for Europe.

Helen Thompson (01:28:00):

Yeah. This goes back to the question that you asked, and I don't think I answered, about the prospects for de-industrialization essentially in Germany. I think that that is real. I mean, maybe de-industrialization is too hyperbole, but we can see that the German industrial economy benefited very much from relatively cheap pipelined gas from Russia. Take that away. Germany has to import significantly more expensive liquid natural gas from a starting place in which it had no liquid natural gas ports, let alone any long-term liquid natural gas contracts. It had to be bought in the spot market. You can see all kinds of industrial production that was heavily gas-dependent close down during the course of last winter. That's one of the reasons why European countries got through last winter without more problems where gas supply was concerned because there was demand destruction in the industrial sector, particularly in Germany.

(01:29:10):

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If you then were to have Qatar being willing to use a gas weapon against European countries after they've already taken it from Russia... Because we should remember it wasn't European countries that stopped buying pipeline gas through Nord Stream 1. It was Russia that effectively embargoed the sale of that gas.

Nate Hagens (01:29:32):

Is Qatar politically and diplomatically friendly with Iran?

Helen Thompson (01:29:41):

I think that that's not an entirely straightforward relationship, either. But what is true is, is that, unlike the other Arab states, they have shared gas interests with Iran.

Nate Hagens (01:29:57):

Those two countries have massive amounts of natural gas.

Helen Thompson (01:30:01):

Yeah. I mean, it's because they're basically... It's one big gas field with a Qatar side and an Iranian-

Nate Hagens (01:30:08):

Got it.

Helen Thompson (01:30:08):

...side to it.

Nate Hagens (01:30:10):

Where does the UK, your country, stand in all this? You're well past peak in your domestic energy production. But like the USA, you're also a financial and a military hub. Is the multipolar world, the United States, the UK, and then a few satellites that need our military and energy support? Or where does the UK stand in all of this?

Helen Thompson (01:30:34):

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Well, I think one of the things that's really interesting. If you look at long history and look for the patterns over time, is Britain withdrew from east of Suez. It ended, as I said earlier, its imperial presence and a military presence in the Middle East in 1971. Announced that in January of 1968. The British Navy did have some presence around the Persian Gulf by the end of the decade, but nothing like the scale of the Americans.

(01:31:11):

Then, we have the period from late '70s through the '80s into the '90s of domestic oil production being quite high via the North Sea. Then, since, I think, it's 2004, Britain's basically become a net energy importer again. We're nearly two decades into Britain being back to being a net energy importer. What you can see in the 2010s under David Cameron's government is a reorientation back to the Middle East. You might even say that Britain has gone back East of Suez again.

(01:31:54):

2015 announced there'd be a new naval base in Bahrain, clearly cultivating relations with the United Arab Emirates, which is an important investor in the UK. I think there was actually another agreement with the United Arab Emirates just a couple of weeks ago, a new investment agreement tied to energy transition, too. Britain's going back to where it's been. It's gone back into the Middle East because it's still got that historical relationship, particularly with those smaller Gulf states because it's become much more dependent back on that part of the world post-North Sea oil and gas.

Nate Hagens (01:32:41):

When I talk to you, Helen, it's like a positive feedback dynamic that I don't have fewer questions. I have more questions. Let me ask you a couple of really hard questions about the Middle East. If Israel pursues the brass ring moment of evicting Palestinian populations from Gaza and the West Bank, possibly. Is it possible that Arab governments collectively will have to respond to that and what would be the implications?

Helen Thompson (01:33:15):

I think that Arab governments would have to respond to that, but I think that that very fact, and the fact that the Israelis need to find a way of dealing with, or they

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have to have some kind of plan for what happens in Gaza once the military action is over. Meaning that they can't alienate Arab states like that and cause them that kind of difficulty.

(01:33:45):

I think in this respect we really need to understand just what a colossal problem Israel now faces after what has happened. Because the status quo, any version of the status quo, the previous status before the 7th of October, is completely gone. They basically, under Netanyahu, treated Hamas as a quasi partner, even I would go as far as saying, for isolating the Gaza problem from Israel and then relying on the technology of the wall and the Iron Dome to deal with any potential security threat from Hamas.

(01:34:33):

So let Hamas rule Gaza, let it be the case that because they're Hamas, we can't engage with a question about a Palestinian state. We defend ourselves with technology and it's all come crashing like down around them. But when all said and done, whatever they do militarily, somebody's going to have to take responsibility for Gaza. Because I cannot believe that they're going to go back in there either and expel the entire population, because the United States won't let them do that, or think that they can rule it directly themselves. They need Arab help in order to do that, by some means or another.

Nate Hagens (01:35:14):

Okay, this is a crazy question to ask and I know you're not a religious scholar, a political scholar, but how much do end time prophecies around various religious groups play into this situation? Specifically Israel's claim to rebuild the third temple and Muslim and evangelical Christians and Mormons saying that such event would trigger the return of Christ? I've heard this opined in the recent weeks.

Helen Thompson (01:35:47):

I actually am very interested in religious questions, but I don't even begin to know how to answer that question. All I would say is this, is that I think that one of the conceptual failures, let's call it that, of the way in which the Israeli government under Netanyahu dealt with Hamas, was an inability to see its fundamentally millenarian tendencies.

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Nate Hagens (01:36:18):

Millenarian, what is that?

Helen Thompson (01:36:21):

Meaning the end times justify any kind of destruction in order to bring the new world about. And I think that they didn't understand that aspect. They turned a blind eye to that aspect of Hamas.

Nate Hagens (01:36:47):

Let's bring it down to a fine point here. With everything going on, China, Russia, the US, debt, Hamas, Israel, energy depletion, we haven't talked much about climate change, but as geopolitical tension increases across these different power nodes globally, I think energy insecurity for a number of nations will increasingly be politically very important. Do you think that this is going to push nations towards green energy aspirations, in contrast to a resurgence of coal use? Or maybe we're going to have to learn to cope with a lower energy lifestyle, which we've seen some previews with last year in Europe. What do you think about all that?

Helen Thompson (01:37:42):

I think that there's no doubt, you can see this clearly in Europe, that energy insecurity driven by geopolitics increased the desire to speed up the energy transition. But nothing that happened in Europe last year in that respect changed the difficulties facing the energy transition. Indeed, you could argue, and I would argue, that they increased the difficulties because they made the monetary and financial environment in which it has to happen harder than was previously the case because they intensified what were already the growing pressures on energy inflation.

(01:38:26):

So you can try and speed things up, but desire, as I say, isn't going to do that. I find it hard to see a world over the next 5 years, let's say, certainly 5 to 10 years, where there isn't going to be a politics of reduced energy consumption. I think the politicians in western countries will try very, very hard to avoid that. They will keep looking for fixes that aren't really there to deal with these problems, to kick the can down the road some more.

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(01:39:10):

But there are just a whole set, and I think we would agree about this, of systemic energy difficulties across the different energy sources. They interact with each other in quite dysfunctional ways and there is going to be some kind of reckoning with that. I know enough to understand that making predictions about when those dynamics are going to play themselves out, or the form in which they're going to take, is very, very difficult because there are so many contingencies, particularly actually on the geopolitical side, that can derail what seemed to be passive development at any one time.

(01:40:11):

And this is why I think it's hard to think about because on the one hand it is systemic, but on the other hand it is vulnerable to contingent events.

Nate Hagens (01:40:20):

Well, it's been forestalled by debt writ large around the world. I want to be respectful of your evening, but let me ask you a few more questions. You're an energy scholar and a historian. Given everything you just outlined for me, what would be a couple of unofficial pieces of advice you would have to the leaders on Downing Street, or in your country, ahead of probably reduced energy use? You said earlier the political football of energy and using less in the UK is probably in not too distant future. Do you have any thoughts or recommendations?

Helen Thompson (01:41:08):

The thing that frustrates me in terms of what I see in Britain, and I won't go any further than that in this respect, is that I don't see much evidence that politicians think about energy across the board. I think they have bits of energy policy here and there, some of it perhaps better thought out than others, but I don't think that they see the ways in which all these different problems interact with each other and all the way in which that they interact with the monetary environment. In a way, I think they've got better understanding of the geopolitics perhaps in the last year to some extent.

Nate Hagens (01:42:02):

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Is it possible that they could? Could they be educated, or is this systemic story that you and I are painting almost like impossible for an elected official to integrate?

Helen Thompson (01:42:18):

I think this is a really interesting question because I think in the past the politicians have actually understood this quite well in Western countries. So I think that energy blindness, to use your language, Nate, has got a history to it. It's not just a static conceptual failure. Things happened at some point, in let's say 80s, 90s, whenever it is, some understanding that was passed generationally down, at least top level politicians and officials, let's say, and civil servants like in Britain, somewhere got lost. So I don't have a really worked out history of that, but I have a strong sense that general picture that I just said there is true.

(01:43:19):

So in principle, I can't see any reason why today's politicians, today's officials, can't understand the kind of things in which we've been talking about. And to quite the contrary, I'd just say look at myself. Ten years ago when I started, so this is literally 2013, I couldn't have begun to have had this conversation that we've been having now for the best part of two hours. Most of this is like self-education over a decade because I understood enough back in 2013 to think I really, really should try to understand this because I think it's going to shape the world in which we all live for some time to come.

(01:44:03):

Now, I see no reason that I can't educate myself to do that. I take it from your story, you've done that at some point too, that other people who are in positions of power can't do this, as well.

Nate Hagens (01:44:14):

Well, the difference is they are playing whack-a-mole every day and they have 15 minute time spans. Let me ask you this, so you're an energy scholar and a teacher. I was a professor, but only a teacher really. How much time do you spend, Helen, every week reading or listening to podcasts, or educating yourself on the world or the world's history?

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Helen Thompson (01:44:44):

I try to spend quite a reasonable amount of time each week. I'm also very busy as an academic. I teach quite a lot. I enjoy teaching quite a lot. So some weeks that I do better than others and sometimes a few months will go by and then I'll see something and think, God, I should have understood that at least six weeks ago and I've missed something quite significant here.

Nate Hagens (01:45:14):

And then you dive into it to catch up?

Helen Thompson (01:45:15):

And then I dive into it and try. And so I learn a lot on the run, to be honest. That's partly the nature of the world in which we live.

Nate Hagens (01:45:26):

Me too. So like me, you are an analyst that sees all this unfolding, but we're observing it like we're watching a movie and we're explaining it, but we're also living it, Helen. So how do you personally cope with learning about the energy, geopolitical financial crisis that we're facing and then living? And this is your life and our life that we're a part of that. Do you compartmentalize or how do you manage that?

Helen Thompson (01:46:02):

That's a good question. There are times, and to be honest, it's usually at night when I just think this is a world of such danger. It's quite terrifying. My day mind is generally a lot better at coping in that respect than my-

Nate Hagens (01:46:30):

Because you're surrounded by bright, smiling, curious young humans and nice buildings and lots of books and food and such.

Helen Thompson (01:46:38):

... night mind. Yeah, but I'm quite a fan of Lord of the Rings.

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Nate Hagens (01:46:43):

Me too.

Helen Thompson (01:46:44):

And I say to myself, and I say this to my niece sometimes, that I like that bit when Gandalf's trying to explain to Frodo when Frodo says, "I wish it hadn't happened in my time." And Gandalf says, basically, "So do I, so does everyone who gets to live in such a time. But we don't get to choose when we live-

Nate Hagens (01:47:09):

We just get to choose what to do with our time.

Helen Thompson (01:47:11):

... we just get to choose what to do with our time." And I think that is probably the way that I do try and live in this respect. And I find for myself, I'm not saying this would be true for everybody, that I find that trying to live open-eyed, and trying to cultivate inner resilience, that is better for me than living with denial.

Nate Hagens (01:47:39):

Well, I think that is true for many of us and many of the people listening to this podcast. And building on that, do you have recommendations for those listening who agree with your overview and synthesis and foresight of how things might, if you squint your picture, will hold together in coming decades? Do you have advice for listeners?

Helen Thompson (01:48:09):

I'm always very cautious about advice because I just think it's hard enough for me to get to grips with advising myself. I think that the qualities that are needed for the times in which we live, or the quality perhaps is resilience, and that we have to cultivate that in ourselves. And sometimes that is going to mean changing.

(01:48:45):

I think particularly in western countries, those of us who've been incredibly privileged in so many ways, certainly those of us who live affluent lives in western countries,

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because obviously there are people who don't, the more that we can understand, I think the economic and the geopolitical contingency of the material lives that we have, then the easier it is psychologically to deal with what is coming.

(01:49:18):

And I think it does matter how we choose to live in these times. I don't think there's any reason to say that because it's hard and there's so many difficulties and dangers ahead, that doesn't mean that we can't live our lives well.

Nate Hagens (01:49:40):

And you're a teacher, and I don't know how much in those two classes you're currently teaching you get to the depth of what the conversation we just had, but clearly your students are aware of what's going on in the Middle East and Russia and Ukraine. So what advice do you give your students at the end of the semester, and what advice would you give to young humans listening to this episode?

Helen Thompson (01:50:08):

I don't tend to advise the students I have. In the way that the Cambridge system works, I have about 25 students who I have a very direct responsibility for beyond teaching. I'm very interested in their lives and I try to engage with them about that. I have a strong sense that it really matters what is passed from one generation to the next. I'm very conscious of what my inheritances have been in that respect. And I'm interested, I suppose, as much in trying to give something back to them in a way in which I think something was given to me and that they then might pass on too. I do think I probably encourage them to try to historicize the moment and to try to understand that human beings, they've lived through some much harder times than even the ones that we're, far harder, and that they've survived and that the human spirit has survived through that.

(01:51:29):

I think about Europe through the Black Death century and that there are all kinds of good things in the future, we may well not live to see in this respect. But it's never, if you look at human history, just a story of permanent disaster from which that there is no escape. And I'm not saying that because I want to minimize any of the

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catastrophes of the first part of the 20th century, which quite the contrary, but we don't have to, where our own lives are concerned, we don't have to be fatalistic.

Nate Hagens (01:52:13):

Yep, I agree. Let me ask you this. It's my belief that there's around 240 million college students in the world, and I think humans in grad school particularly, and postdocs, are an incredible and underutilized natural resource that we can have help tackling the systemic overview that you and I have discussed. But within the current academy, which is part of the energy hungry super organism and linear and business as usual, I don't think that creativity is being directed towards its best use.

(01:52:56):

So in your field, political economy, political science with an energy lens, can you offer a few big questions that postdocs and such around the world listening to this program could be working on that need research and answers, but might not be what's conventionally chosen?

Helen Thompson (01:53:23):

I think there's one here I really would pick for political economy, and that is the relationship between monetary history and energy history. I spent some time in disorder trying to think about that in relationship to the end of dollar gold convertibility and in relation to the 2008 crash. But the nature of the book meant that I was just scratching at the surface.

(01:53:56):

I actually had an idea of trying to do something more systematically about this myself, including trying to think out about the relationship between the 1929 crash, the end of the gold standard, the interwar gold standard, and changes in the energy world, particularly the return of the Soviet Union as an oil export. And I think there may be something in that, but I think that that gets as well at a question that I think that is really important beyond political economy. And in some ways it goes to the heart of the way in which economics is done academically, which is this presumption that actually we understand the economic world via a monetary lens, rather than via an energy lens. And I think that once you bring the energy lens into political economy, a lot of things start to look quite different.

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(01:54:58):

And so, I think a project which looked at the relationship between monetary history and energy history through the entirety of the 20th century, and maybe even going back to the origins of the gold standard in the 1870s, would be very revealing and would have some significance beyond just the actual history in terms of trying to move the dial away from a monetary focus to an energy focus and understanding the economic world.

Nate Hagens (01:55:36):

Okay, thank you. Couple closing questions, Helen. What do you care most about in the world?

Helen Thompson (01:55:45):

That is a hard question.

Nate Hagens (01:55:47):

Very non-academic question.

Helen Thompson (01:55:49):

Yeah, because it presumes a quite high level of self-awareness that one really knows what one does care about. In a personal sense, I am passionate about the pursuit of knowledge. I'm very intellectually curious. That drives quite a lot of what I do. I'm also very interested in cultural and spiritual questions. I don't think of this in terms of being focused on political economy. I don't think of that as being at odds with a more spiritual way of thinking about the world. I'd rather try and think both materially and spiritually.

(01:56:46):

Beyond myself, I go back in a way to the answer that I gave earlier. I care very deeply about what is passed between the generations. I feel that inwardly quite strongly in terms of my own personal history, but also the fact that I've been working in a university as an educator for nearly three decades now, and that I find that it's just rewarding. I was going to say emotionally, but that's not actually sufficient. It's

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rewarding to me as a human being to do that, and it's very important to me that I continue to do that.

Nate Hagens (01:57:29):

I fully agree. I feel the same way and that is why I continue to do this podcast, because I think education is the single no regret strategy, given what we face, to pass the baton to the next generation, as you say. And I know you listen to my podcast, so you know what question I'm about to ask. If you had a magic wand and there was no personal recourse to your decision, what is one thing you would do to improve human and planetary futures?

Helen Thompson (01:58:05):

I thought about this quite hard and in one sense, the easy answer, given we're talking about energy, will be to say the success of fusion. Something that would basically mean that human beings didn't have to think about energy in the same way, that they could take it for granted. But then when I start to think about that, I thought, well, actually, nobody's got any idea what it would mean to be a human being after conditions in which energy could just be taken for granted. Maybe just because, for a couple of centuries, certainly, that energy, being fossil fuel energy, drove such conflict between states that if we had abundant energy, didn't have to think about it, maybe we would just find other ways of doing bad things because we wouldn't be constrained by energy.

(01:59:04):

So I, a little bit more, would go with having higher levels of self-awareness, a consciousness thing rather than a materialist thing. More aware of our own shared humanity, less selfish consciousness, more aware of our relationship to the planet. And I don't think, obviously, that's a fix in any sense whatsoever, but I think that the world would be a better place.

Nate Hagens (01:59:51):

That's a good wish. To be continued, my friend. Thank you for your scholarship and your teaching and we'll be in touch. Thank you.

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Helen Thompson (02:00:01):

Thanks very much, Nate.

Nate Hagens (02:00:03):

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