

# The Great Simplification

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Nate Hagens: (00:02)

You're listening to the Great Simplification with Nate Hagens. That's me. On this show, we try to explore and simplify what's happening with energy, the economy, the environment and our society. Together with scientists, experts, and leaders, this show is about understanding the bird's eye view of how everything fits together, where we go from here, and what we can do about it as a society and as individuals.

Nate Hagens: (00:33)

Over 20 years ago, I left Wall Street in order to take a deep dive into understanding energy, ecology, and macro human and planetary systems. As was the case then and now, the financial community was energy blind. Sure, investors know that oil and gas and electricity are very important. But they rarely recognize that the entire arena of financial markets is fully dependent on inexpensive and growing energy supplies. This is not a financial podcast. Yet, finance, since I've been alive at least, is both driving and steering our cultural car, which happens to be built and powered by non-renewable energy and materials.

Nate Hagens: (01:20)

With me today to take bird's eye view of the global energy financial situation is legendary financial icon, Kiril Sokoloff. Kiril is an investor, a researcher, and a long-time editor of the highly respected publication, "13D - What I Learned This Week". For 50 years, he has predicted major inflection points in energy and commodity prices correctly, including 1980, 2002, and 2008, and recently, stating that sanctions on Russia will result in economic suicide for Europe. Kiril is also an active philanthropist in the areas of healthcare, education, and the scaling of human consciousness. I invited Kiril on this show because I wanted to understand why the financial community is so complacent about peak oil, the relationship between increasing energy scale and growth, and predictions about the future. This is quite a different and information-packed episode. Please welcome Kiril Sokoloff.

Nate Hagens: (02:37)

Good morning, Kiril. Good to see you again.

Kiril Sokoloff: (02:40)

Great to be here. Thanks for inviting me, Nate.

Nate Hagens: (02:42)

Thanks so much for being on the show. You are an icon in the financial world, a frequent feature in financial media. But the reason I've invited you here is, to my knowledge, you're one of the few central nodes in the realm of finance, who has consistently understood the critical role of energy in the functioning of our economies. Before we get into predictions and the world situation, can you share how your recognition of the importance of energy came about?

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Kiril Sokoloff: (03:13)

Well, I had been a major disinflationist. I wrote a book in 1982 called "Is Inflation Ending: Are You Ready?" Nobody ever read it. I ran into somebody once who claimed that they did. I think I have 6,000 copies somewhere in storage. I've been very bearish on commodities for 20 years. And then, I read this book called, Hubbert's Peak in January 2002. And it just really, really resonated with me. And I became the largest proponent of peak oil in the world because I believed in it.

Kiril Sokoloff: (03:47)

And we rode oil all the way up from \$20.00 To \$143.50, June of 2008, where I got out. And the only reason I was able to do that was because I believed in peak oil because there were many opportunities to sell. Gains we had were just astronomical. And the problem with that peak in 2008, which is \$147.00 Actually was the top, was that the public was not in the market. Every major secular peak of every major asset from 1929, to 1969, to 1979 in commodities, to 1989 in Japan, to 1999 IT, 2008, to the meme bubble bursting last year, the public has always been deeply involved. And the doubling of oil prices between 2007 and 2008 was really commercials just covering their shorts. The public was not there as in the past. That was the flaw in the top that always troubled me.

Nate Hagens: (04:54)

I wonder how you came across my work. And I came across who you were when I ran the Oil Drum, when we were trying to write and educate the world about the fact that there will eventually be a peaking in world oil production. And society's going to have to prepare since oil is the economy. But I wonder now, 15 years later, we are past or approaching peak oil. And yet, peak oil is a dismissed meme to most people. Do you have any thoughts on that?

Kiril Sokoloff: (05:30)

Well, it's been a terrible shame because of the volatility in oil going up, and then, going sharply down. And then, of course the shale revolution. People came to believe that there was no such thing as peak oil. And of course, the irony is that just at the very moment that you have it, that's what everybody thinks. And this is the nature of markets. And I call Mr. Market a cynic. And to elaborate, here, you have ESG which has forced the liquidation of fossil fuels, which in turn has caused under investment in fossil fuels just at the moment when investment is needed the most. So, Mr. Market is one real cynic.

Nate Hagens: (06:16)

I think George Soros used to call that concept, reflexivity, the interaction between human behavior and the markets, and that they get inverse at the exact wrong moment. But it seems like, and I know you've followed some of my work on this, that our culture is energy blind, especially in your industry. Why do you think... There are a lot of people in finance that of course understand commodities and the importance of natural gas and oil. But I don't think they understand that finance, while it might be driving the world economy, the car of the world economy, that the car is made of materials empowered by energy. Can you offer your wisdom on the disconnect between a financial worldview and an energy-informed financial worldview?

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Kiril Sokoloff: (07:09)

Well, of course we had 20 years of disinflation in the '80s and the '90s. And then, we had the decade in the 2010s which was very deflationary. And the financial community and investors essentially believe that they're making history. They're not interested in the lessons of history, and they're not interested in cycles because they're making history, and the laws of the past don't apply to them. And I think the fact that the shale revolution arrived, even though it was extremely flawed and \$500 billion was lost, and now, you have a whole bunch of new management in there who understand that you have to have better capital allocation, and Wall Street isn't going to give you money. Anyway, this has still not penetrated. And this is the most important question, I think, in the world today, at least from an economic standpoint. If we're at peak oil, this means OPEC + has never had more power. So, it's the most important thing to understand in the world, and it's not understood at all.

Kiril Sokoloff: (08:12)

And there is an illusion how quickly the green-energy revolution can take place. And back in 2002, when we turned bullish on oil, I tasked one of my colleagues to become the world's expert, if he could, on what we called then alternative energy. And we created a portfolio of solar and wind stocks. So, I'm a big believer in alternative energy. But there is so little truth in this world, and the illusions are so massive. It's extremely dangerous at a time like this. We need people telling the truth, who search for truth, and to understand what the truth is.

Nate Hagens: (08:50)

Well, that is what I'm trying to do. And one of the reasons I'm talking to you right now. So, let's get back to this dichotomy between energy, and money, and technology. You have long predicted a deflationary pulse due to changes in technology. But at the same time, you read "Hubbert's Peak", and you understand that decline rates are the most important input to our economy, accelerate. Right now, the global decline rate with no new drilling is over 6%. Can you unpack the relationship between tech productivity, which is deflationary and versus your awareness of energy depletion, which would be inflationary?

Kiril Sokoloff: (09:33)

Well, let's go back and look at how I first got involved in disruption. It was 1988, and I read a small paragraph, which said it took 70 years to put a landline system into the UK, 50 into the US. 30 in Japan, 20 into South Korea. But you could create a mobile phone system in a year and a half. And the light bulb went off in my head. I understood that all the emerging world would soon have access to all of human knowledge. And with that came the understanding that the world would be digitized. And with that understanding, it became clear that every industry would be disrupted, and it would be very deflationary.

Kiril Sokoloff: (10:20)

So, in 1995, I tasked one of my colleagues to be studying this. And I don't think we've missed any of the

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major disruptions. That's very deflationary. On the other side, of course there are all these inflationary forces that are appearing for the first time and a combination of factors. We have peak oil, higher, higher energy prices. If you look back through '73, all of the major inflations were oil-induced. '73, '74, the fall of the Shah around in '78, then 2000s and so on. And then, you have the labor issue, which I know we're going to get into later, where wealth distribution, the cycle of wealth distribution is inflationary. What we really have now is a massive underinvestment in production in what makes things go, and an ignorance of how important they are. So, the world is about to get a lesson on this.

Nate Hagens: (11:20)

And if you look at the world from a biophysical standpoint, if we are under-investing in fossil fuels and in alternative technology, all of that would require pulling energy and materials that are currently allocated to other sectors of society. Can the market solve this transition by optimizing on short-term profits? Because the scale of energy and material minerals that we need for this transition, I don't know how the market can allocate that. Do you have thoughts on that?

Kiril Sokoloff: (11:58)

Well, the numbers are so astronomical. The number that I use to simplify is there are 1.4 billion vehicles in the world. And 95% of them use fossil fuel, petroleum. And 60, 65% of the petroleum demand is transportation. And there are 16 million electric vehicles in the world. Now, there are forecasts coming out that as many as 60% of new auto sales will be electric vehicles in 2030. And I just think that's a dream because what goes in into the battery, which requires cobalt, lithium, nickel, and copper, isn't going to be there. So, we happen to like that sector because it's one of the great bottlenecks in history. Copper's the one we happen to like the best because it's the most essential.

Kiril Sokoloff: (12:47)

Maybe you could find some genius out there who could find a replacement for lithium or cobalt, but you can't find a replacement for copper. So, it's just the irony that the world came to believe that technology and the markets can solve all problems. And I think that that's generally true, but the problem is that it just takes so much longer in this case than people expect. And that's where the shock factor is going to come. And Europe is about to get that shock factor as it commits suicide for the third time in 100 years.

Nate Hagens: (13:24)

Well, let's talk about that. I am quite worried about Europe. But let me first get your thoughts on that, unpack what you just stated. What do you expect to happen in Europe?

Kiril Sokoloff: (13:35)

Well, when you sanction the world's largest oil exporter in a time of peak oil, and when German industry has used low-cost natural gas from Russia, to be competitive... Remember, the German industry, is very uncompetitive to begin with, their very high labor costs. And then, you take away that gas, and you're replacing it with market price LNG three-to-five times higher. You will no longer be competitive. And there are talks about the fact that German breweries will have to close. Well, you tell a German he can't

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have his local beer, and there's going to be massive social unrest.

Kiril Sokoloff: (14:20)

And of course, we're all looking at the fall and the winter. I live part of the year in Lugano, which is in the Italian part of Switzerland. And of course, Italy has a massive drought, just like France does with its nuclear reactors having to shut down. So, it's a perfect storm in Europe. The Rhine, there isn't enough water for transport. So, Europe is in a total disaster. It is economic suicide.

Kiril Sokoloff: (14:48)

And I was speaking at a conference, a small luncheon, I should say, with business men and investors in Berlin, in early June. And with me was a gentleman who had been Chief of Staff of the Bundeswehr, the German Armed Forces. And he was also the first representative of a German officer to NATO. And we got into a conversation of what was going happen, and he asked my opinion. And I said, "It really comes down to very simply who will blink first?" And I do not think that Putin will. And if you study Russian history, World War II and the invasion by Napoleon, the Russians are tough, and they're not going to give in. So, Europe is going to have to change. But the pain that'll happen before that is just really, really difficult to watch.

Nate Hagens: (15:42)

As of this morning, this is recorded August 17th, the forward price for electricity in Germany is 500 euros per megawatt, which is pretty much 10 times what it was a couple years ago. Something that I worry about geopolitically is, you're right. The average German is not going to tolerate the breweries shutting down. And at some point, they may have to team up with Russia and say, "Okay, we need your energy. What do we do?" And it almost would isolate the UK and the US because Europe has no other option than to get Russian energy. Do you think that's plausible?

Kiril Sokoloff: (16:26)

I do. And of course, Europe has a long relationship with Russia, going back hundreds, if not thousands of years. And the other point I would make is that the real fight is China --US for global supremacy. And China also is the largest producer and exporter of anything to do with alternative energy, green energy. So, if the US decides to sanction China, for whatever reason, and asks the EU to join, the EU cannot give up Russia and give up China. There's a lot of splintering already going on in Europe. Of course, we had fall of Draghi. Macron is going to have a government of cohabitation with the left and the right, both of whom have said in the past that they're pro-Russia and anti-Europe. And then, of course, Boris Johnson has fallen. And of course, there's going to be much more political unrest as inflation stays high in Europe and energy unavailability. You can only imagine a kid at home doing his homework in the cold, with gloves on, and wrapped in a winter coat. How long would people put up with that?

Nate Hagens: (17:51)

Several thoughts. Number one is it seems that it took the Russian incursion into Ukraine to remove

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some of society's energy blinders. So, at least we are somewhat becoming aware of how critical energy is. My second thought is human history is rife with examples of when we ran into resource constraints, there were military conflicts. I think peak oil and the limits of continued material growth could create a phase shift in human geopolitics. How do we make it through the coming decades without a big war, Kiril?

Kiril Sokoloff: (18:36)

I think the chances are very slim, and I'm very worried about it. And I have studied very intensely during my whole adult life the causes of World War I. Probably been no subject that's been written about more. And obviously, because of the destruction and Europe at the peak of its civilization entered into suicide. And I've read a couple of books recently that are causing me great concern. Once the process began, it couldn't be reversed. Mobilization was expensive, and it took a lot of time. The Germans could mobilize in a day, but the Russians could only mobilize in nine months. And the Germans had a mobilization advantage.

Kiril Sokoloff: (19:22)

And this is where we are today. I see no de-escalation anywhere. I just see escalation. Pelosi going to Taiwan. Republican Congressmen adding to that tension. And there is no one out there who's trying to deescalate this. And it takes on a life of its own. And you're absolutely right. Because Japan went to war because America cut off its access to oil in 1941. And when it comes to state security, and this is the whole theme of John Mearsheimer, "Great Power Politics", that the state becomes very aggressive in its own security.

Nate Hagens: (20:07)

Could the conversation we're having even be outwardly spoken in a G7 meeting or such? It's almost like you cannot speak the quiet part out loud because we've had this oil... With the exception of 2009 and 2020, and the two periods you mentioned in the 1970s, we have had a continued growth in global energy scale. And that has allowed all countries to participate in economic growth. If there's a phase shift where growth may not be possible, or if it is possible, it's from a lower level, what does the global cooperation look like? And what could it look like in a benign scenario?

Kiril Sokoloff: (20:52)

Well, I would say two things. Vaclav Smil has written this wonderful book, "How the World Really Works". And he makes the point that it's ammonia, meaning fertilizer, that was responsible for 4 or 5 billion people on Earth. And without that, there wouldn't be enough food. If you're talking about a curtailment of natural gas, and ammonia, and fertilizer, you've got some really, really serious problems coming. So, I'm tremendously worried about social unrest, famine, mass migration, as a result of all this.

Nate Hagens: (21:29)

Technically, I think if everything else were to hold together, which of course, my colleague, Joseph Tainter, is not so much worried about a drop in 5% energy or something like that, but the impact on

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complexity from such a drop. But I think we actually do have a lot of natural gas in the world. It's oil that will be depleting more rapidly. And if oil is the thing that upsets the apple cart, maybe we won't have access to that natural gas. So, I agree with you. I'm quite worried about that.

Kiril Sokoloff: (22:03)

Well, one of my colleagues has a farm in Scotland, and there was a town meeting in the spring that all the farmers showed up to, and they all were citing how expensive everything had become. And many of them said, "It's too expensive. I'm not going to use fertilizer this year. Or I'm going to let the lands lie fallow." And if you try to cut off Russian gas, even if it's just only for a couple years, these are the problems you're going to get into. And natural gas was in a massive bear market for a long time. And now, it's in a bull market. And I think you and I would probably agree that natural gas should sell on a BTU basis with oil. And last time I looked, that would put it at about \$20 per MCF, versus eight or nine now. We're talking about a significant increase in natural gas, and that's going to make the farmer, unless crop prices go up massively, unable to use fertilizer.

Nate Hagens: (23:01)

When we talk about the future and what might work, I think there's always two questions. There's what sort of scale, and technology, and energy, and material footprint could we have into the future? But then, a more important question is how do we get there from here, today? And that's the question I don't have an answer to because we have generated all these financial claims on our underpinning biophysical reality. And when we have an economic problem, we create more money to solve the problem rather than innovate or tighten our belts. So, our monetary claims on reality are accelerating where our underlying biophysical balance sheet is declining. How do you see that unfolding in the coming decade or so?

Kiril Sokoloff: (23:53)

Well, this is one of the weaknesses of democracy is that you give the people what they ask for. And if they're in trouble because of rising prices, then you give them subsidies. And the subsidies, of course, keep demand going. And I said, for years and years, the best thing to do would be to lock in the price of oil at \$200 a barrel, and make sure it never went down so that people had incentives to convert to alternative energy, and that there would be plenty of incentives to find as much oil as you could. But of course, that isn't what happened.

Nate Hagens: (24:32)

I didn't know that you said that. I think that's a great idea. I think we missed the window for doing that though. Because if we did it today, it would upset the apple cart of the financial system. But if we did, for all intents and purposes, oil at \$100 a barrel is still an unbelievable gift for what it provides us to society, even at \$1,000 a barrel. So, if we could give the signals that oil will be more scarce and expensive in the future, so that innovators, and inventors, and technology could design some way of humans navigating coming decades, I think that would be a huge boost. But I don't see politicians allowing that to happen, like you said.

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Kiril Sokoloff: (25:24)

No. And you know there's an election every two years, and politicians don't get re-elected by telling the truth. Politicians don't get re-elected by looking at the future and having scenario planning, which is one of my great beliefs. If I were in a position, I would have 50... pick 100, maybe could be 50, maybe 25, which you would consider major risks. Pandemics was one for us. We wrote 20 years warning about it. Peak oil obviously is the second. Water, flooding, hurricane damage, the whole Florida coast being hit.

Kiril Sokoloff: (26:03)

But so, what you do is you have scenario planning, and you have a plan of action if something like that were to happen. And then, as soon as it happens, you step into action. In January 2020, the plan of action would've been, okay, here's a pandemic. What do we do? First thing we've got to do is to vaccinate the world. Because if you don't vaccinate the world, then the variants will come from some place that's not vaccinated, and this will go on and on, and on. But that wasn't what was done. So, we're now, suffering with these variants and probably will for the foreseeable future. And we'll also suffer from long COVID, which as you pointed out to me, the conference you were just at, you were very worried about declining productivity because of it.

Nate Hagens: (26:43)

Yeah. The decline in productivity from people having to take time off, even now, the airline shortages in the Netherlands and things like that. But also, there was a concern that the percentage of long COVID is increasing. And that a couple of years from now, there'll be a productivity decline just from the loss of the function and the productivity of more workers. I hadn't really thought about that, but it's another risk. When we talk about economic stagnation and maybe a smaller economy in the future, how do you see the dynamics, given what you just said about politicians? How do you see the dynamics for democracy versus authoritarianism?

Kiril Sokoloff: (27:26)

Well, this idea that you have to have economic growth or you stagnate, that at least, in my recent study of history, that was a Darwinian thesis that took force in the late 19th century in Europe. You've got to grow, you've got to acquire, you've got to get bigger. And maybe the human race, maybe biologically, we're just programmed that we have to grow. And as you know, civilizations reach a point where they really do reach a peak, and then, they stagnate and die. This is what Toynbee concluded after studying 26 civilizations. And this is a fact of life.

Kiril Sokoloff: (28:05)

I have mixed feelings about lack of economic growth. It's a very controversial subject. And you have different populations with different goals. But the problem is if you're in Africa, and you want to become more prosperous, and you want to take the people out of poverty, how can you say to them, well, you can't have economic growth? You can't. It's just not going to happen. Whatever happens has to be

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global. Otherwise, it's not going to work.

Nate Hagens: (28:36)

But on the flip side, how can you say to an average American who uses four or five times the energy and materials as the world average, that you have to use less because we're in a world crisis? That's loss aversion. And I don't see that happening either.

Kiril Sokoloff: (28:54)

It's not going to happen. The only thing will be the price.

Nate Hagens: (28:57)

We could have rationing by in a default with no planning, the rationing is going to be by the markets. It's going to be by price. But we could have other sorts of rationing. What do you think about that possibility?

Kiril Sokoloff: (29:11)

Well, I remember the gasoline lines in 1978, I was studying Iran, and I saw that the Shah was going to be overthrown, and there would be real problems. So, I put in a gasoline tank on my property in Westchester, and I put in a huge heating oil tank. And my uncle who lived next door made fun of me. And then, after he spent about three hours waiting in a gasoline line, he came over, humbly said, "Can I fill up with your tank?"

Nate Hagens: (29:42)

Let me ask you this personal question. You are really an erudite macro thinker. How many hours a week do you read, and how much of your insights is because of your world experience and all the things you've read in your career versus what you're learning now every week?

Kiril Sokoloff: (30:00)

Well, I don't read as much as I used to, but I read a lot, probably five, six hours a day. I have a wonderful team of colleagues who do a lot of reading and forward me what they think is interesting. And we have an incredible group of clients all over the world who send me things. So, I've got a tremendous source of information. I have certain tools that I use to watch things. Because I went deaf, which you know, and I have a cochlear implant, I lost something, but I gained something. And one of the things that I'm able to do is to see things that others see, but don't see the significance of.

Kiril Sokoloff: (30:38)

And like that example I gave of the mobile phone, and I used to travel with a client of mine. And he wanted to see in the newspaper what it was that I found of interest. And I have this uncanny ability to pull out this detail that everybody else is missing, that I see as being significant. And I give you another example. In the spring of 2002, there was a 500-year flood in Eastern Europe. And I said, "500-year flood?" And according to my theory of contagion, if an outlier event like that continues into the next

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year, the contagion would be on. And in fact, there was the hottest year in France's history. We used to keep a record, I think we probably still do, of these extreme weather events. Look what's going on now. Hottest weather in China in history. This is 5,000 years of history. German flooding, record German heat, Italy. This is so obvious, but it all began in 2002.

Nate Hagens: (31:37)

It's my theory that limits, and complexity, and geopolitics, and financial overshoot are going to be the drivers of events in the coming decade. But it does seem that even though climate change is a longer-term thing, that some of even the milder 2020s impacts of climate could really trip things up. For instance, heat waves that make the water either unavailable or too hot to cool nuclear plants or hydro plants in China, for instance, and what's going on in Europe right now. So, it does seem like there's a convergence of the natural world and the human construct in our systems that are piling on.

Kiril Sokoloff: (32:27)

Exactly. And it's only going to get worse. And I've been saying for a few years that the big one is coming, the big hurricane that hit, God forbid, south Florida, and the whole Atlantic coast. And there's a wonderful book on this subject by a two-time Pulitzer Prize winner, homes have been built in flood plains without any regard for flooding and encouraged by the US government. So, it's just an accident waiting to happen. This is a perfect example of lack of preemptive thinking. And another example of such thinking, what happens if San Francisco Bay flooded. And if it did, the entire central valley of California, which is where half the US vegetables are produced, would be flooded. But no one thinks about these things.

Nate Hagens: (33:16)

Getting back to what you said earlier about scenario planning. I was just in Finland last week, where we led a government discussion workshop on energy dissent and how Finland, specifically, could supply energy to their economy in mostly a low-carbon way with maybe a smaller economy than a larger one. And I didn't have to say this is 100% certain, though I think that's reasonably the case. But even if people think it's 10% likely, we can start to do blueprints and break glass plans. But here's my question to you. We make decisions based on economic growth, and profits, and investments. And the more of these scenarios we have to plan for, there's a cost to preparing for those. And culturally, whose responsibility is that, the governments? Or do we have to embed that in our social system? Or how might we do that differently? What do you think?

Kiril Sokoloff: (34:20)

Well, I worry that there is no leadership at the government level anywhere in the world that could do something... And we warned about the supply chain issue 20 years ago, that it was very fragile. Barry Lynn also wrote a lot about it. And no one paid attention. And then, no one pays attention until you have to pay attention. But part of that was localization. And I also think the one thing that America certainly needs is a sense of community. That's been lost. A lot of it had to do with outsourcing, and downsizing, and the loss of family values. But to have a local community where you are worrying about

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your own needs, and you grow your own vegetables and foods, and you have your own energy supply, and locally, you put in solar or whatever it is you can do, and you work at the local level to reduce consumption, and you help people who don't have the means to help themselves. This is the way I think it will get done.

Nate Hagens: (35:21)

We started to have a dry run of that in the '70s. And then, it went off in the opposite direction. But I completely agree with you that it starts with your community and your social relationships. And in many ways, we've become so rich that we can sit in our houses and order stuff from Amazon. And we don't need other people. And I think in the coming decades, we're going to need other people again. And I would hope that we could start that before a crisis, but it's difficult.

Kiril Sokoloff: (35:51)

There are pockets of it. I have a home in Sun Valley, and that's a small community. I've been working there to bring people together and to work on problems. And of course, it's also a transient community. You come, and you relax, you ski, or you hike. You don't have to worry about these problems. It takes a little bit of work, but there is a good grassroots movement going on.

Nate Hagens: (36:16)

That's good. It's ironic for me because I'm trying to scale this awareness, and building community, and appreciating energy globally with my podcast and my work. Yet, where I live, no one knows what I do, and it's too difficult for me to try to do it where I live, but I need to do more. Kiril, I have a ton of questions for you, and I don't want to take up too much of your time. Here are some other questions that I prepared, looking at your work. You have recently written on the shift in power dynamics from capital to labor. Can you expand on that? And do you have a view on how both of those relate to energy?

Kiril Sokoloff: (36:57)

Well, I've been a student of history my whole life. And I ran into a history professor when I graduated from college and I was working in New York. And I said, "All you do is teach about the death of kings in this war and so on. But did anybody write about the lessons of history?" He said, "Yes. As a matter of fact, Will Durant did. He wrote a book called "The Lessons of History"." So, I went to Scribner's on 5th Avenue, bought the 100-page book, and I didn't even leave the bookstore until I finished it. I was so engrossed. And he wrote this book after having written the "Story of Civilization". And one of the key tenants of "The Lessons of History" is a cycle of wealth creation, wealth distribution.

Kiril Sokoloff: (37:41)

A time will come when the best and brightest are unleashed, and they know the times they live in, and they're very talented, and they accumulate vast amounts of wealth, and it goes to an excess, and then, social unrest comes. And then, there's forced wealth distribution, and the best and brightest complain, but pay the price for social stability, and so on, and on, and on. I was present at the beginning of the

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cycle of wealth creation in 1978. I become one of the first supply siders and so I understood it. I believed in it, and it helped me a lot in the ensuing decades, knowing how this was going to unfold. And I'm different from a lot of people. The longer something has gone on, the more I worry about it changing. So, I've been looking for the end.

Kiril Sokoloff: (38:28)

And the first example was in, I was in China in 2009. And I asked my friend at the PBOC, I said, "Explain to me household savings. It's very high in China." She said, "No, it isn't. It's actually the way we report the figures. And we're going to start to force capital and profit down to the worker." And the next month, China announced 25% manufacturing wage increases. And they told the Japanese, if you don't do this, you're out of here. And for the next endless number of years, manufacturing wage increases went up. That was the first sign of the cycle of wealth distribution. The next one, of course, was President Xi coming to power and his massive anti-corruption campaign. And then, we had Occupy Wall Street, Brexit, and of course, Trump. And there are all kinds of examples of it continuing. It's just a permanent factor of history. You don't resent it. You understand it. You go with the flow. One day, it will recede, but it is just starting to gain in intensity. And it's inflationary.

Nate Hagens: (39:42)

I have this book here, and I have Will Durant's in the other room. So, we have some common reading. Let me ask you this. The example or the analogy I had earlier about finance is steering the car of the world economy, but it's based on energy and materials. You are obviously a generalist. I tell my students that the world needs more competent generalists, but that our economic system rewards reductionist expertise. And actually, the example I give them is the only jobs where you can be a generalist are a hedge fund manager or a teacher. But I'm just wondering with your general wisdom about how all this fits together. Can you jump out of the field of finance into advising world leaders on the train wreck ahead of us? Or is it just too large of a gap to breach?

Kiril Sokoloff: (40:44)

Well, an analogy to the question you asked. Well, what do we do now in Ukraine? Well, the answer is you had to do something before the invasion began. Russia has been invaded 55 times, and it is very insecure. 40 million Russians were killed in World War II. Also, unfortunately, the central banks have abused their power. And we will look back, and we'll be discussing with our grandchildren. And they'll say, "Were you really alive in a time of negative interest rates when there were \$19 trillion of sovereign debt with a negative yield?" Meaning we are paying governments to borrow from them. It is unheard of. And in 5,000 years of recorded history, it's never happened. And we are now reaping the whirlwind from that.

Kiril Sokoloff: (41:31)

And massive debt was added because if debt doesn't cost anything, of course you borrow. And that of course means misallocation of capital. And misallocation of capital means someone is going lose money somewhere along the line. So, we are now in the end game. And the Fed, of course, is fighting to hold on

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here and retain its credibility. And it's going to be very volatile and very disruptive. What would I do if I had a choice? If I were on the Fed board, I would say, "I'm going to resign. I don't want to be anywhere near the debacle that's going to come." Okay. You've got to be here. Well, I would say, "All right, I don't want to be here. I'll do it for the sake of the country." I would allow inflation to run. And I would explain why it's needed because debt can only be eliminated three ways - growth, which isn't going to happen, inflation, or debt liquidation. And in the '30s, debt liquidation was the result.

Nate Hagens: (42:39)

Or default.

Kiril Sokoloff: (42:42)

They did this after World War II, financial repression. Inflation rates were reduced by about a third. That is politically impossible, what I just proposed. Because there are all these pundits and gurus around who would say, "The Fed is losing credibility. You can't do this." And the Fed state it can't do it because then, the bond market understands that it's going to get destroyed in real terms. So, it has to be very subtle. And in 2021, US debt, GDP actually declined by, if I remember correctly, something like 10 percentage points. If you go out for four or five years, you really get somewhere. I also would adopt the supply-side solution. Don't try to stop the economy, encourage the producers' side. Step on the gas. Give every possible incentive for oil exploration. Now, of course, there are environmentalists against this. We have the climate change issue. I realize the dynamics and how difficult it all is and how sensitive it all is. I would never want to get in the midst of all that. But if you're looking for solutions, someone's going to have to make some tough choices.

Nate Hagens: (43:57)

Because we didn't do scenario planning 20 or 30 years ago, now, we're faced with a triage situation instead of proactive one.

Kiril Sokoloff: (44:05)

Exactly.

Nate Hagens: (44:06)

Do you think that the Japanese experience of the last three decades is a dry run for the rest of the world, Europe, UK, US?

Kiril Sokoloff: (44:16)

Well, you remember that the bubble burst in 1989. I remember the bank of Japan, its head saying, "We're just going to burst the bubble a little bit." Famous last words. I've heard that many times. They wanted that in '29, and Powell wants it now, and the Chinese are trying to burst their property bubble. So, I think that we're in a very, very difficult place right now.

Nate Hagens: (44:47)

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And is the eventual end game, as it were, recognizing the political difficulties of belt tightening, or austerity, or tightening, or easing... Is the eventual way we're going to go is yield curve control, which is not only controlling the short-term interest rates, but all along the curve, thus allowing whatever bonds need to be issued, defacto nationalizing the bond market?

Kiril Sokoloff: (45:14)

Well, in the late '90s, the most popular trade was shorting JGBs. And I think they were like maybe 1.75% on the 10-year. And I started thinking about it. Why is the JGB yield so low? And you may remember that the Japanese did achieve these low rates before any other country. And of course, their currency was too strong until Abe came along in 2013, which was a sign of the deflation, but also, a sign of deflationary monetary policy.

Kiril Sokoloff: (45:50)

So, in 1997, I studied demographics in Japan. And I wrote this piece, something like, "More Coffins Than Cradles in 76 Countries". And Japan was the first country that had population peak, the first country that had working population peak. It was the first country that entered deflation and a baby bust. Women just aren't marrying. And the number of babies is just falling. So, we studied it very carefully from that standpoint. And as it turned out, the JGB wasn't a short. It was the outlier for what the rest of the world was going to end up at.

Kiril Sokoloff: (46:30)

So, when interest rates started to rise and inflation appeared, Japan instituted yield curve control. And our view for years has been that that is the end game that the central banks will have to do that. Because inflation is endemic. And as they do that, of course, the currency will collapse just like it has in Japan. Now, it's been particularly bad in Japan because the yield differential between the JGB and the 10-year treasury has been very large. And Japan is a huge source of capital, so money flowing back and forth. But I think that's a really interesting thing for us to study. Will we follow Japan into yield curve control? And if the US does do that, then the US dollar will get very weak. And that, of course, will add to the inflationary forces and propel the commodity and oil markets even farther and faster.

Nate Hagens: (47:32)

I could see the US dollar getting weak if the US instituted yield curve control. However, relative to the other major currencies in the world, we still are 85% energy independent, plus or minus. Whereas Japan, and Europe, and the UK have a much... they have to import a lot more of their energy. What happens with the relationship between energy and natural resources versus fiat currencies? And is this how fiat currencies start to die? And what happens after that?

Kiril Sokoloff: (48:09)

Well, I would move on to a different analogy, and that is that the US economy is financialized. And the US Treasury is very dependent on capital gains taxes on stock prices to fund itself. The US has run a trade deficit for 50 years, has run a fiscal deficit for 50 years, there is what I think de Gaulle, or one

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French president called, "The exorbitant privilege." And that is unsustainable. And also, the US owes \$16, \$17 trillion net to foreigners, greatest it's ever been.

Kiril Sokoloff: (48:47)

With the freezing of Russia's foreign exchange reserves, every country that owns treasuries, UAE, China is thinking, if America doesn't like what we do, they can confiscate our holdings. So, of course, they are sellers. So, that's more supply. And if the Fed continues to tighten and tries to deal with inflation, as it is, the bubble, equity bubble will continue to deflate as bubbles do. Once they take on a life of their own, you can't undo it. And then, that means that tax receipts will go down. The deficit will go up even further. And then, foreigners will look at this fiscal situation and accelerate their selling of treasuries. So, you're looking at it from an energy. I'm looking at it from a financial standpoint. But the US, they're also so much hot money invested in the US. The money left the euro back in the euro crisis 10 years ago. There's not a lot of hot money in Europe, for sure.

Nate Hagens: (49:58)

I agree with your analysis there, but given the way that stock and bond markets are acting today, middle of August, it seems to me that stock prices are really a measure of flows of money in and out of them. But they're supposed to, what they teach us in business school, is a discounted net present value of future earning streams. But given the headwinds that you and I have discussed about energy and geopolitics, I just don't see how many people in the financial community agree with your thesis. So, I assume that your view is minority. What percentage of financial market participants suspect we are near the all-time high of scale and complexity for human economies? I assume a very small percentage?

Kiril Sokoloff: (50:47)

Well, you remember it was Ray Kurzweil, who wrote a book on singularity. And his point was, if you compound something at 100% a year, you're going to just take off. And the book was written in mid 2000s. And we really latched onto it. It made a lot of sense to us. And it was going to be exponential growth. But exponential growth means that complexity reaches a level where people just don't have any comprehension. And I think this is why we have all these identity politics because people are just lost. They can't figure it out. And my view of COVID was, big picture view, is that the central nervous system of the human race had a nervous breakdown because of too much change. And you may remember Pascal said, "The problem with the human race is that a human can't sit in a room quietly by himself."

Kiril Sokoloff: (51:41)

Okay? Well, you're going to have to stay home now for three months. And the rivers in Venice were clear. People said, "This isn't so bad." Obviously, there was a lot of suffering associated with it, but it was sort of a glimpse. I think about this all the time. Technology is advancing, and I wouldn't even get into AI and all that, which is... Henry Kissinger and I had this discussion. AI is terrifying. It's also incredibly exciting, but the dangers are just immense. And there is no thought about what this means. It's unknowable, how we evolve with this, the complexity. But I think that people, we spend a lot of time studying complexity and innovation. We understand it pretty well. And I find it overwhelming. But the

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average person must just be lost and desperate for some kind of simplicity.

Nate Hagens: (52:45)

Well, in some ways, more simplicity would be a good thing, as long as basic needs are met and there's a social contract in place. I think we could do with a third less energy per capita, as long as distribution was okay. You were talking about the general public. I do think the financial public is still energy blind and hasn't read Toynbee, and Joseph Tainter, and Vaclav Smil. So, I do think there's a disconnect between our biophysical reality and our financial perception of our reality that's voiced in the markets.

Kiril Sokoloff: (53:23)

I had this conversation with Vaclav, and he was saying, "No one is listening." And I was saying, "Well, they will start to listen when the assets start to go up." Wall Street is driven by profits. And when energy stocks continue to outperform, gold stocks begin to outperform, and then, the drilling stocks start to outperform, there will be an understanding.

Nate Hagens: (53:50)

And the question then is, will it be too late to shift the aircraft carrier, which is our consumer-led society, towards solid ground? One of your new themes that you've been writing about, Kiril, you call it the "alliance of the aggrieved" and the "resurgence of the colonized". Could you briefly summarize what that is and why you think it's important?

Kiril Sokoloff: (54:13)

Well, in 1990s, Zbigniew Brzezinski, who was national security advisor under Carter, wrote a book. And in that book, he said, "My greatest fear is that Russia and China will come together in an alliance of the aggrieved." And I've been thinking about that because that's exactly what's happened. And there was a 5,000-word agreement that was signed by Putin and Xi the day before the Olympics. And we read it twice. We got a copy of it from the Kremlin website in English.

Kiril Sokoloff: (54:47)

And I started thinking about the fact that 87% of the world's land mass was controlled by Europe in 1914. Think about it. Belgian Congo, French West Africa, think about the Brits pushing opium addiction in China, thinking about what Spain did to Latin America. What happened in the Congo, which is one of the most egregious stories ever in the history of man. It's worse even than the Holocaust. 15 million were killed. They were tortured, they were raped. And there is now an alternative.

Kiril Sokoloff: (55:29)

The aggrieved, the wounds are resurfacing. And you now have an organization that you can join. You can band together in alliance with other like-minded countries. Let's take, for example, the BRICS. There's, I think, six new countries that are trying to join the BRICS. There's something called the Shanghai Cooperation Organisation, which was founded by Russia, China, and central Asian countries. And now, we have Saudi Arabia wants to join, and the UAE wants to join. And Qatar, and Bahrain, an

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Iran. So, something is going on under the surface. And of all the things I've studied in my life, I find this the most intellectually interesting. Henry Kissinger said that there never has been a new world order. The Treaty of Westphalia was a European world order. But this is the creation of a new world order.

Kiril Sokoloff: (56:27)

And essentially, what's driving it is to break away from the US unipolar world and its dollar-based hegemony. And you may be very cynical about that. And we look at this with tremendous objectivity. We're just reporting what we see and we're analyzing a trend. But the Chinese are saying, and they're using words like mutual respect, equality. Let's look at Afghanistan where \$8 billion of foreign exchange reserves have been frozen. There was some talk about releasing half of that to the starving people in Afghanistan. And the Chinese are saying, "Well, we'll come in and help you. We're not going to tell the Taliban what to do."

Kiril Sokoloff: (57:11)

Now, you can look at that, and you can decry that type of morality, if you call it that. But the Chinese are saying, "We're not going to tell you what to do. We just want to do business with you. And we want to help you raise your nation out of poverty." And then, they bring these nations to Beijing, and they say, "Look, this is what we did. We took 500, 600 million people out of poverty." So, it is a story that's resonating with what we call the global south.

Nate Hagens: (57:39)

Could we have a multipolar financial economic world with a unipolar military world? How's that going to work out?

Kiril Sokoloff: (57:47)

Well, it's in evolution. And we have to see how the alliances break out. President Xi will be visiting Saudi Arabia, his first visit ever since COVID began. The fact that that is an alliance, to me, is amazing.

Nate Hagens: (58:06)

Amazing.

Kiril Sokoloff: (58:06)

And Iran and Saudis talking seriously. These are very strong historical enemies. So, there's a lot going on. I would say it's probably going to be an alliance of the aggrieved and the producers versus the consumers. Consumers are largely the western nations. And the consumers have had it great for 40 years. And the producers have not had it great. And now, the producers are going to have it great. And the consumers are going to be suffering. It's just a cycle.

Nate Hagens: (58:38)

My initial two thoughts when you just said that is we're going to need more tar sands, and we're going to have a lot of social unrest as we get ready for a lower consumption future in coming decades. And

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we have to prepare for that somehow.

Kiril Sokoloff: (58:53)

Yes. We haven't, in the United States, had any really tough times since the Great Depression. We benefited massively from World War I and World War II. And the GFC was over in four months. And then, we had the greatest stock market boom that benefited only a small percentage of the population. And of course, those who are left behind, which is 50%, 90%, they've been suffering. But in terms of a nationwide debacle, America hasn't experienced it. And everything comes to an end.

Nate Hagens: (59:27)

Well, that is a good segue to my closing questions that I ask all my guests. They're on the personal side, and I'll make a personal comment first. I'm not a prideful person, but I consider myself well-versed in what's going on in the world. And I have been humbled by your knowledge of what's going on in the world. Obviously, you're one of the most famous investors of all time. So, would stand to reason that you're on top of this stuff, but thank you. The last comment you gave me, do you have any suggestions, Kiril, on how people living in the United States in western democracies today can prepare themselves and their communities for this time of maybe less consumption and probably a smaller material existence, perhaps? How do we meet the future halfway?

Kiril Sokoloff: (01:00:20)

Well, I think being self-sufficient is a wonderful place to be. And I'm going entirely off the grid in the Bahamas with batteries. And I'm installing a trailer where I'll be growing my own food as it's very hot in the summer in The Bahamas. And I just think self-sufficiency is just absolutely spectacular. And to the extent that one can move towards that, it gives you a sense of freedom and independence, but it also gives you a sense of security. We also have what we call barterables. Who knows...

Kiril Sokoloff: (01:00:55)

Suppose the grid goes down, suppose there's an EMP attack. Any number of things could go wrong. So, we have barterables, which would be little vodka bottles, things that people need. And you'd be amazed at how we take things for granted. The batteries for this hearing aid, you can take it for granted. Well, I've got 5, 10 year's supply. And we just take this all for granted. It's always going to be there. Well, maybe it's not going to be there. And the world, it's hitting us over the head saying, "Be careful. Supplies are in very strange position. And we may not be able to get these things." So, if you have something that is essential, you must have it in your inventory.

Nate Hagens: (01:01:42)

Do you think that if more and more people understood what you and I can see coming in the distance that there could paradoxically be a crack-up boom, where people go out and buy stuff, worried that they won't be able to buy it in the future?

Kiril Sokoloff: (01:01:57)

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I think a crack-up boom, crack-up boom actually comes from Ludwig von Mises and the Austrian school, is very possible. As you see the currency being debased, you figure, well, I might as well spend it, and it creates a false boom. And of course, on the other side of that is a bust. That's a very real possibility. And my feeling last December, I became very, very cautious. And people around me were getting sick. I was bitten by my dog. It was extremely unusual.

Nate Hagens: (01:02:26)

Wow.

Kiril Sokoloff: (01:02:26)

People were falling off the roofs, people were getting cancer. The energy on the planet has never been darker. And I feel that energy. So, I respond to it by being very careful and very cautious. This is not a time to be a hero. It's not a time to be making bets. It's a time to be ring fencing yourself and protecting your assets.

Kiril Sokoloff: (01:02:45)

And in a bear market, everybody loses. The bear wants to go as far down as possible with as many people, just like the bull wants to go up as far as he can with as few people. We had the bear took out the meme stocks and the SPACs. And then, the bear came and took out the technology sector. And then, the bear decided, well, the people are in inflation stuff, they're making too much money. Let's take them out and give them a scare. Of course, the people in the bonds have been creamed. And this is the nature of the bear. In the last month, the shorts have been creamed by the bear. This is the nature of bear markets.

Nate Hagens: (01:03:27)

It's the nature of markets to cream as many people as possible.

Kiril Sokoloff: (01:03:31)

The goal is to lose as little as possible, but also, to lose as little as possible in real terms. At its bottom in the S&P in June, I think the S&P was down 20%, 23%, 24%. If you take my view that inflation is really 20%, let's even say, 15%, in real terms, you have massive losses.

Nate Hagens: (01:03:53)

Why do you think that inflation is 15 to 20%? Because of shrinkflation, and they're selling packages that used to be 60 ounces and are now 50 ounces, and that's not included in the prices or what?

Kiril Sokoloff: (01:04:05)

That's one of the reasons. And housing, which of course had one of the biggest booms on record, was not accurately reflected. Its owner-occupied rents are how they calculate it. And I think what's going in Europe is probably closer to it.

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Nate Hagens: (01:04:21)

If inflation is truly in line with what you're saying, that means our real GDP has actually increased at a very tiny amount relative to what they've been saying.

Kiril Sokoloff: (01:04:31)

Exactly.

Nate Hagens: (01:04:25)

I'm sure in your extended family and in your universe, you have a lot of young people that you come across. What specific recommendations do you have for young humans who are alive during this time learning about the energy environment, financial, biophysical, geopolitical constraints? Do you have any advice to young people listening to this?

Kiril Sokoloff: (01:04:55)

Well, I think you want to study history, and you want to understand cycles, and that there's something called return to the mean. And it's important to have emphatic understanding. One of the problems in the world is that we don't understand the other person's view. Whether it's a country or a nation, so America doesn't understand the suffering that Russia went through in World War II, with 40 million of its civilians being killed by the Nazis. Or Americans can't understand what it meant when the Japanese invaded Nanking, and the Rape of Nanking. They just don't understand it.

Kiril Sokoloff: (01:05:39)

But if you read about it, then you understand it. And you look at that country and those people in a different light. And this helps you understand who they are and where they come from. And they also will respect you if you understand where they came from. Let's just look at the Pope going to Canada and apologizing to the indigenous people, which of course is a very ugly, horrible story. And there's going to be a lot more of this, a lot more. I think that's important, empathy, compassion. I keep this Siddhartha quote as a wonderful way to think about the world. "But he learned more from the river than Vasudeva could teach him. He learned from it continually. Above all, he learned from it how to listen, to listen with a still heart, with the waiting open soul without passion, without desire, without judgment, without opinions." If we could all reach that state, the world would be a wonderful place.

Nate Hagens: (01:06:43)

Well, I worry a lot about oil depletion, but I also think that trust and empathy are maybe depleting faster than oil. And I agree with you. You have a link to Buddhist philosophy, and you're friends with the Dalai Lama, I'm to understand. What if the world had a more Confucianist, Buddhist ethic? I think that would maybe improve our situation some. Do you have any just random thoughts on that?

Kiril Sokoloff: (01:07:11)

Tremendously. The two basic tenants of Buddhism are the impermanence of all things. Now, if you understand that in your deepest heart, why do you want to own more? You want to own less. And of

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course, you know you can't take it with you. And the second is the interconnectedness of all beings. And this is the point that I made earlier about the pandemic. In January, 2020, of course, we're worried about the United States, but now, the bigger picture is we've got to worry about the rest of the world because it could come back and zap us.

Kiril Sokoloff: (01:07:44)

For 20 years, I've been saying and talking that compassion is good for business. And there's a wonderful story about Coca-Cola. And before the war, second World War began, the then president of Coke, which was a nothing company at the time, had two bottling plants, decided he was going to give Coke to American servicemen for 5 cents anywhere in the world. By the end of the war, there were 45 million Americans around the world drinking Coke at 5 cents. And what do you think they did when they came back? They drank Coke for the rest of their life. Isn't this so obvious? Why don't people do it?

Nate Hagens: (01:08:24)

What's the modern converging environmental and resource crisis analogy of that today? Just to connect a few threads in this conversation about the multipolar world, and the alliance of the aggrieved, and all that. Is there any possible evolution of global cooperation at a global level at this time? I personally don't see how that can evolve, but I think that's one of the only benign ways out. Do you have any thoughts on that?

Kiril Sokoloff: (01:08:55)

Well, yeah, I do. Prime Minister of the Bahamas is a friend of mine. And I've discussed with him the alliance of the aggrieved. And there is a movement in the Caribbean nations that the debt that they have is 40 to 60% because of climate change-induced hurricanes, which they had nothing to do with. So, there's going to be a reckoning here. And who pays and how? Is it debt default? I can't predict how it's going to unfold, but you can feel these changes are taking place. And there's going to have to be an understanding that when they speak like that, they make some sense and using our resources to make this good. That remains to be seen.

Kiril Sokoloff: (01:09:43)

But I think we need a more compassionate leadership, and we never would've had the problems that we've had, if we understood that. As Gandhi said, "There's more than enough food in the world. It's just not rightly distributed." I'm a capitalist, and I understand why it works. But if you want to keep capitalism going, you have to make sure there's fairness. Otherwise, the whole system is at risk. So, you have to adjust. You can't just keep going forever. And we need a major adjustment. And I would hate to see it be a forced adjustment, but that's the way it's going right now.

Nate Hagens: (01:10:25)

That's the way it seems to be going. Yeah. Kiril, personal question. What do you care most about in the world?

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Kiril Sokoloff: (01:10:31)

Raising human consciousness.

Nate Hagens: (01:10:33)

And how does that unfold and scale?

Kiril Sokoloff: (01:10:36)

Well, it's been something I've been doing for a long time. And I have to be honest with you that the energy on the planet is so dark and has been for all this year, that it's a futile effort at the moment. But we are going to enter the Age of Aquarius at some point. And the people who understand where the world can go and will go will be the ones who will lead us on into the next world. And of course, it's going to involve empathy and compassion. It's going to involve respect for the Earth, and the Earth's finite resources, and the humility that we need to have as human beings that we don't own the planet. The planet was here before we came. That's where I think we're going to end up. But right now, I'm focused on helping my clients, my friends, my family because the energy is so dark, and I can see all these problems coming at us, and there's no one out there who can solve it. All we can do is help each other get through this, our community, our family, our friends, our clients, people we love.

Nate Hagens: (01:11:53)

And educate and inspire others more broadly is my hope as well. Thank you for that. What issue, and we've talked about several, but what issue are you most concerned about in the coming decade or so in the world?

Kiril Sokoloff: (01:12:07)

Well, war, famine, social unrest, failed states, mass migration.

Nate Hagens: (01:12:13)

In contrast, what are you most hopeful about in the coming decade or so?

Kiril Sokoloff: (01:12:18)

That inevitably we're going to get through this period and enter the Age of Aquarius. And we will be a more enlightened species, assuming we survive, which is not predestined by any means. The universe didn't write it that we have to survive. And you always have hope that the rising generation would be the ones. However, I had dinner with these history professors recently, and I said, "Well, tell me how this generation that you're teaching is different from others." And they both said they are nihilistic, meaning they have no hope. And that's, of course, very disturbing. And they have no hope, obviously, because trust has been broken. And trust is a very, very tender, and fragile thing. Now, the Japanese statement, a reputation of 1,000 years can be lost in an hour. So, rebuilding trust, to me, is the most important thing that can be done in the world. Maybe you have to start at a local level where people start to trust again.

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Nate Hagens: (01:13:30)

I actually have a great deal of hope, but that's because I've lowered my expectations, contrary to the general narrative in society. So, I'm hopeful things will be better than I expect. A last question, Kiril, if you were benevolent dictator, and there were no personal recourses to your decisions, what one thing would you do to improve human and planetary futures?

Kiril Sokoloff: (01:13:54)

Well, I would do several. I would want everyone to be familiar and practicing the Buddhist principles that I explained earlier of interconnectedness of all things and impermanence of all beings. I would want to have the world population understand what happens when you have violence, and wars, and atrocities. I'm taking a page from Anthony Burgess's "Clockwork Orange". You may remember it's about these violent youths, and they were raping, and stealing, and beating people up. So, they put the leader in a room, and they tied him up, and he couldn't close his eyes, and they made him watch atrocities.

Kiril Sokoloff: (01:14:43)

And after several days, he would start to throw up if he saw an atrocity. And it's sort of an amusing story, maybe amusing's the wrong word. It's not possible but you could do a variety of that. And when I was in Auschwitz in 2001 or '02, I was amazed and delighted to hear that German high school youths must spend a summer working in Auschwitz. So, importantly, man has basically been responsible for most of the destruction. And it's through wars, and greed, and aggression. So, man needs to be taught, mankind needs to be taught at the early stage, these are the consequences. And we watch movies of World War I. You would watch the destruction in Russia, and you watch it over and over again until the thought of war was so abhorrent that you could never do it or participate. But it would have to be global because if it wasn't global, then it wouldn't work.

Nate Hagens: (01:15:54)

I fully agree with that sentiment. But pairing that with what you said earlier, we have had an easy go of it in the United States since you and I have been alive. And I think we are so complacent and non-aware of our time, how unique this time is in history, riding the top of the carbon pulse, and having all the access to the technology and goodies. But I do think that raising our consciousness, both recognizing how horrible some of these potential futures are and working to avoid them. But also, we are the first generation of our species to be able to understand how we got here, who we are, what we need, what we're doing, and how the thing fits together. And I have some hope in that. Kiril, thank you so much for your time and wisdom. Do you have any closing thoughts for our listeners?

Kiril Sokoloff: (01:16:53)

Well, I think that there is such a shortage of truth, and I've just got something here I run in my publication every few years. And it's George Orwell, of course, famous for "1984". And it's

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"During times of universal deceit, telling the truth becomes a revolutionary act. The further a society drifts from truth, the more it will hate those who speak it. Myths which are believed and can become true. Some ideas are so stupid, only intellectuals believe them."

But the point is that we have forgotten our search for the truth. And America was a science-based country, and we need to respect science. And of course, we saw this during COVID. The distortions, and the lies, and the things that were said that were so untrue. We have to get back to the truth. And we have to have a population that is desperately searching for the truth and doesn't want to be told what they want to hear. They want to be told what the truth is.

Nate Hagens: (01:18:00)

Well, I am onboard with that, and I'm all in to help, and I hope we can continue our relationship and this conversation. Thank you so much, Kiril, for your time. And to be continued, sir.

Kiril Sokoloff: (01:18:10)

Absolutely, Nate, it is a pleasure to be here, and fun, an interesting conversation.

Nate Hagens: (01:18:15)

Thank you. If you enjoyed or learned from this episode of The Great Simplification, please subscribe to us on your favorite podcast platform and visit [thegreatsimplification.com](http://thegreatsimplification.com) for more information on future releases.