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[00:00:00] **Michael Every:** You have to ask the question, what's GDP for? Not just what's the structure of it, what are we trying to do? What kind of society do you want? What kind of world do you want? Broadly, you know, big picture, what does the US want to be like? What does it want the world to be like that the US is in? Government planning everything is the road to hell, but if you give everyone complete freedom of choice and free will, you will achieve nothing if you don't have morality.

[00:00:23] And the only way you can have a purely free market Is if everyone in the economy has a completely moral sense of what are we here for? What's GDP for rather than just, I'm going to screw the next guy to try and get three or four basis points more for the next month.

[00:00:40] **Nate Hagens:** One of the unexpected benefits of hosting this show is after almost three years and 150 guests, I now have repeat guests who can come back in, interesting combinations on reality round tables. With me today are repeat guests, Michael Every, who is a global strategist at the European Investment Bank, Rabobank, and Luke Grohman, who founded and runs the financial advisory firm Forest for the Trees, LLC.

[00:01:14] This was recorded on October 16th. We're going to release it before the election because there are many financial events with it. oil with interest rates, with geopolitics, with gold, with the macroeconomy, that move very rapidly. this is a fascinating conversation that could easily have gone three or four hours.

[00:01:36] as you all know, I don't care where the market is headed per se. I care about what the, tea leaves in the financial system mean for the future. of our society, our civilization, the environment, our culture, because I do think that the financial overhang, is what is going to be our, you know, Achilles heel, Gordian knot, whatever you want to call it.

[00:02:03] this was a very high octane discussion with these smart gentlemen. Please welcome Michael Evry and Luke Grohman. Michael Evry, Luke Grohman.

And welcome back to the show. Luke Grohman. Great to be here. Due to the, time, differences, Michael, you are in Singapore right now. our third, guest, Helen Thompson, couldn't make this, so it's a roundtable with just the two of you, but I know you both have a lot to say.

[00:02:35] you're both, Now, emeritus guests on this, show. So we go beyond the basics now on, on this round table. Just a reminder that, you both professionally work in the investment, markets and. This show is not about predicting where interest rates or gold or the stock market or oil is going to go per se, other than the implications that have, for our future society, our future civilization, future decisions, policies, et cetera.

[00:03:09] So that the broader, sociopolitical backdrop. so with that, intro, let's start here. Today is October 16th. In less than three weeks, there is a. pretty important election, in the United States. And of the issues we're going to discuss today, debt, the U. S. dollar, growth, interest rates, the social contract, geopolitics, all of that.

[00:03:36] What are some of the key things that each of you think would be different under a Trump administration or a Harris administration, and what aspects of our situation are largely going to be the same no matter who wins?

[00:03:51] **Luke Gromen:** You know, I, think ultimately the math doesn't care. we're looking at a situation as we sit today in the United States, 70 to 75 percent of tax receipts are being paid out every year in entitlements.

[00:04:05] Those are growing one and a half to two times faster than receipts. Another 25 percent of receipts are getting paid out in interest on the federal debt. That is growing a big multiple of receipt growth as interest rate prices from the lagged effects of the Fed's interest rate hikes. And that's, so that's 90 100 percent of receipts.

[00:04:27] in interest and interest like obligations growing two to five times faster than receipts. And we're already in a position where interest on a net basis is already over above defense spending in the United States for the first time in at least 65 years and probably in U. S. history. So we're, in uncharted waters.

[00:04:45] And, making matters worse is you can't hike tax rates because that will cause the deficit to rise as a percent of GDP as we saw with ACA or Obamacare, which was a tax hike, back in 2014 15. By 16, the deficit to GDP was higher than it was when they implemented, ACA in late 2014. And so the math says that the only policy questions are we going to cut the fence in entitlements?

[00:05:14] Or are we going to print the interest? And if we print the interest, how long will we go through a period of dollar up, rates up, stocks down, economy down until we print the interest. And so I expect print the interest will be chosen by either of the candidates. Pretty earlier in their terms, probably in the first one to two years at the latest.

[00:05:36] And I think the differences are pretty minimal. I think the focuses of industrial policy that the United States is clearly engaging on will probably be different under Trump than under Harris. I think U. S. foreign policy will probably be more, pragmatic and quite frankly, better and peaceful under Trump than under Harris.

[00:05:58] and I think the dollar will be lower, either way. Rates will probably be relatively the same either way because some form of industrial policy with Fed or Treasury, yield curve control or de facto yield curve control will be the policy chosen by either one.

[00:06:15] **Nate Hagens:** So I schedule these as just three way conversations.

[00:06:21] I don't want them to be debates. as you know, some other podcasts are, I just want it to be kind of a conversation among friends. So I'm not sure whether to ask Michael to respond to what you just said, or just give his view, because you mentioned that we're going to print the interest, which I agree with.

[00:06:39] Michael, at Rabobank had a recent piece saying we can print the interest, but we can't print commodities. which I think both of you would agree, and we'll, discuss that a little bit later, but Michael, where'd you like to go on with this intro?

[00:06:53] **Michael Every:** Thank you. Yeah, absolutely. No, no debating here. This isn't Model UN.

[00:06:57] We're not trying to win points from each other. And in fact, Luke and I, this is the first time we've met, but we have interacted. And, you know, spoiler, we agree on about 90 percent of everything around us. In fact, I think about 95. Where we disagree perhaps is in what we think some of the short term, medium term and long term outcomes might be.

[00:07:16] That's all. But in terms of, are we in trouble in the U. S. or globally are we in trouble? Yeah, absolutely. So, in response to what was just said, I again, I agree with nearly all of that. The math doesn't care. It's exceptionally concerning that the position the U. S. finds itself in. Alongside some exceptional strengths, by the way, you know, there are some incredible strengths remaining in the U.

[00:07:37] S. alongside huge, Achilles heels, but speaking from a global perspective, based here in Asia, you know, having lived and worked in nine countries, over my professional career, nearly everywhere else is in just as much trouble, but in slightly different ways. there are very few places at the moment right now that are sitting pretty and thinking, I've got this covered, whatever happens in the U.

[00:08:00] S. and whoever wins the election, and it is not a seesaw with one side going down and another side going up. It's more like the entire backdrop of the theater that this is being staged in just collapsing or the curtain setting on fire while everyone's on stage. it's something that dramatic. So.

[00:08:18] You know, day in day out when people say to me, what does this mean? I am supposed to be focusing on what does it mean for the dollar, what is it supposed to mean for interest rates, etc. But if we agree, and I do, that where we are now requires dramatic policies, what I think, The difference between Trump and Harris was likely to be is how dramatic the policy is, and in different areas.

[00:08:41] And I do think both of them will end up having to do some similar things, but I think how different foreign policy can be, for example, that's one front that can have a flow through onto many things, including defense policy and defense spending, for example, but more concretely, if we are going to be, you know, printing that interest.

[00:09:00] Let's cut to the chase. My broader thesis, and we discussed this last time we spoke, Nate, and I want to get this in early so we can build from there rather than, you know, slow build up and then dropping it at the end and not being able to discuss it, is that I think that opens opportunities politically for both of them to think about how do we do this tactically and strategically, because you can just, you know, quote unquote monetize or print money, but what's the point of doing that If you do it on stupid things, you can do it for a very short period of time before the markets carry you out on a stretcher.

[00:09:37] And, you know, countries have, countries are still, and countries will. Are you going to put it into the supply side, China style, because they print money, and they put it into the supply side, or are you going to put it into the demand side, like tax cuts, or, you know, checks being sent to people to go and buy goods made in China?

[00:09:57] And if you do it on the latter, I don't, I think both Luke and I will agree completely what a disaster that's going to be. Of course, Bloomberg and all the financial media will be cheering, because, you know, there's the kind of moronic short term consumption that thrills Wall Street. But if they put it into the supply side, and there are lots of other policies that would have to work alongside that, which are quite radical, quite radical vote, would be necessary.

[00:10:20] My suspicion is that, Not just that the market will go along with it for a while, but there'll be, a gun placed at their forehead saying you are going along with this for a while because you really don't like what the world looks like if you don't, and that includes Wall Street. So, just potentially we have a short window, like one presidency I think, that may be it, to really shake the box and say policy gets weird from here, but, you know, it can be better.

[00:10:46] And then the question is which candidate is prepared to get weirder? And I think they can both get weird in different ways, but I suspect, and I have suspected since he first won the election in 2016, that Trump just may have the weirder people around him, and I don't mean that in a pejorative sense, the way that the Democrats are casting aspersions, I mean thinking outside the box.

[00:11:08] **Nate Hagens:** Can you give an example of some of the quote unquote weird things that would actually be long term beneficial, just in speculation?

[00:11:16] **Michael Every:** Well, let's start with a really basic one, which is At the time we're recording this was still very much a live discussion point because Trump had just been speaking to it again, and that's tariffs, so we don't know what he's going to do on that particular front, and they can be very badly mishandled and very inflationary and enormously destructive, or they can be used in the way that Alexander Hamilton intended them to be.

[00:11:40] You know, hundreds of years ago and the way the U. S. economic policy used them right the way up until post World War II, which is to re industrialize the U. S. to focus supply chains back into areas that you want them to be and into geographies that you want them to be. And that can happen geopolitically in lots of different dimensions.

[00:11:59] You can say, right, we're going to tariff you, China, but we're going to cut tariffs on this country over here to transport that industry from A to B, because geopolitically that suits us. Or you can try and bring the juicy parts back to the U. S. And does that solve all problems at once? No. But if done coherently, and again, it's gotta be alongside other problems, it's gotta be other policies alongside transportation, infrastructure, education.

[00:12:25] Possibly including capital controls, very much, you know, re regulation in some areas. A lot of this would be alien. to Trump, but not to all the people around him. If you read the people who are, you know, advising him and the people who are advising them, it could potentially, and I stress potentially, really reshape large parts of the U.

[00:12:44] S. political economy back to what they used to look like a long time ago. And I'm not saying it would be easy. I'm not saying it can be done quickly. And I'm not saying it couldn't fail. It could, but it would certainly impact everyone's lives dramatically, even in the attempt.

[00:13:00] **Nate Hagens:** So let me ask both of you this as a follow up to that.

[00:13:04] we have become very good at kicking the can, increasingly financially since 2009, all kinds of too big to fail and artificial guarantees and the Fed and central banks step in and what that is. And then stimulus in 2020 to people ever getting everyone getting these checks, et cetera. What this has done is caused this complacency and this, anesthetization that when there's a financial problem, the government comes to our rescue and sure they print more money, but that's never been a problem.

[00:13:41] And. Is the, barrier to adopting some of these quote unquote weird, but wise, long term wise, solutions, is it a recognition of the relationship between money and natural resources and commodities? Because I don't think Most people in our country, in our world, don't understand that we can't print commodities.

[00:14:09] And where I'm going with this question is, of course, we're not going to voluntarily tighten our belts. So we're going to, as both of you said, print the interest. So when that happens, there is. an antidote in society that these memes bubble up, that's okay, that's natural. it's the modern version of Keynesian, Keynesianism is, modern monetary theory, which since my first interview with both of you has become more prevalent.

[00:14:39] In my opinion, it ignores energy, ecology, inequality, the impact on international countries that are tethered to the dollar that don't get the benefits of, borrowing more money. So do we need, still more education on there are physical limits to debt and interest expansion? Or what are your general thoughts on all that?

[00:15:04] **Luke Gromen:** I don't think it's physical limits, at least in the foreseeable future, as much as it is political. In other words, I agree with much of what Michael laid out and how it could work. And what Michael laid out is the United States unilaterally restructuring, ending the dollar reserve status as it's been structured since 1971, and restructuring it into something that is a different type of dollar reserve status, but it is a reserve status built around, subjugating the bond market and subjugating Wall Street and subjugating Washington, D.

[00:15:51] C. to the 90 percent of Americans to the U. S. working class, to U. S. working and middle class wages. And that is a 180 degree political change versus, call it 1982 to present, which was subjugate the U. S. middle and working classes and the U. S. defense industrial base in order to support the real value of the U.

[00:16:15] S. bond market, in particular, the U. S. treasury market. And that was very good for Washington, especially certain interests. It was very, good for Wall Street, especially for certain interests, and it was very, good for the 1 percent in America and the 1 percent in America in particular.

[00:16:33] What Michael lays out, which I agree with a lot of, would, Basically, be really good on a relative basis for the bottom 99. 9%, the bottom 99%, the American Defense Industrial Base, and the U. S. middle and working class at the expense, relatively speaking, of the 1%, the 1%, Washington, D. C., and Wall Street. This is a good thing.

[00:17:00] It's a good thing for the world. It's a good thing for America. It's a good thing for political cohesiveness in the U. S. and the world. but it requires a political change, that is arguably the biggest one we've probably seen in, I mean, decades or centuries. I mean, it is literally a political revolution.

[00:17:23] and so I hope we can do it. I hope we can do it I hope we can do it safely, peacefully. However, if we do that, then you'll start to see things like, you know, I thought was really interesting two weeks ago, Kamala Harris in her economic proposal, lays out the need to mine more nickel and cobalt and stockpile it.

[00:17:47] That's just a function of the dollar system. If you end the dollar's reserve status as it's been structured since 71, which is to say, get rid of the treasury bond as primary reserve asset, which I think we're well on the way to doing, then all of a sudden it makes sense to mine our own nickel, mine our own cobalt, etc.

[00:18:04] Eventually, that will be a problem, but that's just a price of the dollar issue in the short run. In the long run, I agree there are some physical limits based on that. That's a price issue that's a system systemic. structure issue. but I think in the short run, some of those physical commodity limits are just a function of, some of how we've managed our economy for the last 40 years.

[00:18:26] **Michael Every:** But let me take the international angle again, if I may, for a second, you know, within America, again, that's what I think is the case, as Luke just stated it, but it would shake up the international economy in a way you can't believe, because almost everybody here in Singapore, everywhere else I go, directly, indirectly, You know, three steps removed, four steps removed.

[00:18:46] They're all in the U. S. dollar economy. You're all making something that you sell to someone, who sells to someone, who sells to someone, who sells it to the U. S. And a dollar flows down through that pyramid. And at the moment, yes, behind that is U. S. treasury bonds and U. S. financial assets that are the export, if you will, from the U.

[00:19:00] S., that prop that system up. And the debt dynamic always says, ultimately, that collapses. And throughout history, they always have those kind of systems. And particularly, you know, with the stresses being placed on the U. S. right now, that. We're getting there and fast forward. And if we do go back to this alternative that we're both discussing here, it isn't the dollar suddenly going to collapse away and that's it.

[00:19:19] No one wants dollars anymore. It would be a different kind of dollar, different kind of reserve, because if you're moving to a more protectionist world, and let's go beyond that, a more mercantilist world, which is what we had under gold standards in the past, at least pre World War II, where everybody was attempting to try and sit on a hoard of gold coins like a dragon by exporting more than they imported.

[00:19:40] That's necessarily zero sum. Whether you've got a finite stock of commodities or not, you're trying to make sure that you are the one with the, you know, the top end of the seesaw, and everyone else is at the bottom. Because then, like Germany with Greece within the Eurozone system, you know, before the crisis, you basically get to be running the trade surplus, lending money to them, and then telling them what to do when they can't pay it back.

[00:20:00] So That's where you'd move towards and for that you do need a strong military industrial complex because it's going to involve a lot of muscle, and you need a lot of nickel, a lot of cobalt, and a lot of, you know, physical strength across the spectrum to say to people that, you know, we are still top dog in a mercantilist world.

[00:20:17] We can do mercantilism again, and we can do it well. I mean, you know, the U. S. did do it well for a very, long period of time. Now, you've got China up against you right now, which is a far larger producer of almost everything physical, Not commodities, but everything else. So the US challenge then is to say, okay, how can we manage to pivot back to production as quickly as possible?

[00:20:37] And I think it will have to be within a nexus of allies. I mean, Canada is not going to get a choice. They're going to be roped in. And obviously then, you know, the election in Canada is likely to return a government that I think would get along probably fairly well with Trump, were he to win. or conversely, if Trudeau were to pull something out of the hat, you know, he'll, continue to get along well with Harris.

[00:20:56] the UK, you know, Speaking as a Brit, no idea where they're going at the moment. They're, you know, they're just waiting for a larger dog to bark and to follow a lead. Australia, New Zealand, Japan, South Korea. This is a nexus of countries that I think are going to have to integrate more and more together.

[00:21:13] And where the U. S. isn't able to produce right now, let's say for the next three years, it's going to have to lean more and more on Japan and South Korea. For example, for ship building. I can imagine for a few years, you're going to be building U. S. Navy vessels in Japan or South Korea. Until you get the shipyards back up to scale again within the U.

[00:21:30] S. I mean, this is a hypothetical, but it seems quite a realistic one to me. So the world starts to shift and change quite dramatically. Sides start having to be taken. you know, bamboo curtains and iron curtains start going back up between who does and doesn't trade with each other. And so there's a geopolitical kind of threshold to this as well, which doesn't sit well when you're thinking about The Earth as a single entity biologically, and how you cooperate and collaborate across international borders to try and get the best of all outcomes.

[00:22:03] So it's quite frightening to think of it from a one world perspective, but it seems to me the only way we're going to ever get around to actually addressing the underlying imbalances which create larger problems is by creating geopolitical problems that look just as scary, if

[00:22:18] **Nate Hagens:** I do see what you mean, and let me, for those that don't follow a British accent or history, you mentioned mercantilism, a couple times, which, my understanding is, back in the 16th and 17th century, it was based on the premise that kind of, wealth was static and you had to manage the prosperity of your country by doing trade and being a bigger exporter of things rather than an importer, which is kind of the opposite of what the U S has been.

[00:22:53] We import so much because of the dollar, because of, the reserve currency and all that. So barring, barring a war, a big war, which we can talk about in a second, isn't mercantilism or some sort of world like that. a natural progression of, once we reach peak growth and we kind of bounce around for a while, that's naturally where countries will try to go.

[00:23:22] **Luke Gromen:** I think it is. If you go back to, you know, 1980, the head of the BIS, Jels Zylstra, said, look, and you know, We survived the first oil crisis, we survived the second oil crisis, but the world cannot, survive a third oil crisis because the oil, importing countries, won't be able, the oil exporters won't want the paper.

[00:23:45] of the oil importers because the real value of the paper will be declining against oil. And so the oil exporters will start demanding a settlement asset that preserves their real purchasing power, because otherwise they're just better off leaving it in the ground. You know, if you have a treasury bond, That, I mean, when you go back in time from 73 to 03, for 30 years, the value of a 1, 000 face value treasury bond was remarkably constant in barrels of oil.

[00:24:18] It traded between, call it, 15 and 22 barrels of oil for 80 to 90 percent of the time. And when oil hit 30, the Fed was tightening to slow the U. S. economy as the biggest importer and consumer of oil globally, and the Saudis were increasing production as our partner in that deal. And on the flip side, when oil got down to 15 12, the United States was cutting rates, and the Saudis were cutting production, and they kept that, and the deal was under that system for 30 years as the U.

[00:24:48] S. Treasury bonds were as good as gold for oil. And so that's exactly what Zylstra was talking about. And the, problem is, that system began to break down around 2005 due to a combination of geological factors that you guys are both well aware of, which is peak cheap oil. it began to break down because the emergence of China was driving a new major importer of oil.

[00:25:16] And all of a sudden. The real value of treasuries in oil terms, in underlying physical world terms, began collapsing. the U. S. shale, miracle, revolution, whatever you want to call it, which was a combination of cheap money and, significant technological advancement of a 30 40 year old fracking technology, But time for that.

[00:25:40] The United States has been able to support the oil value of the Treasury bond as a reserve asset, by virtue of shale. Now, we are seeing what we're seeing in shale. Shale production hasn't grown in four years. it's probably not going to grow a whole lot, barring oil prices that go a lot higher, but oil prices going a lot higher create a Empirically, problems in the treasury market, and so we've reached this point where I think, to your point, Nate, that once, it's, Triffin's Dilemma, if you are settling in a debt instrument, sooner or later you have so many, if trade grows globally as it has over the last 50, 60 years, sooner or later you have so many debt instruments out, so many calls on the productive economy of the underlying issuer, You have to devalue.

[00:26:30] And it begins to incent a move towards, you know, what Michael referred to as mercantilism. I'm not sure it's exactly that because it's not, because the price of gold would not, be fixed to any nation's currency. It would be fixed to a value of energy, a value of oil. and so it would float in incent not mercantilist behavior of, Hey, we need to sit on our pile of gold, but more, Hey.

[00:26:59] Energy now costs hard money, and if energy costs hard money, that starts incenting all kinds of really good behaviors. If I have to actually emit gold that I have a finite amount of, and that gold floats against my currency as I emit it to pay for my energy imports, well, guess what I'm going to do? I'm going to invest in energy efficiency.

[00:27:21] I'm going to invest in alternative energy sources. I'm going to invest in nuclear. I'm going to invest in electrification. So, Unlike the mercantilism of, Hey, the dollar is 20 an ounce of gold, or the British pound is whatever, four pounds, 86 or whatever it was of gold. However, the, some sort of fixed parity that's never coming back, but what the energy realities and the debt realities and Triffin's dilemma is pushing us toward, it is pushing us toward gold, but not gold mercantilism.

[00:27:53] It's pushing us towards fixing a unit of. Energy in a weight of gold. And as that happens, that is an outcome that is super good for humanity. That's the best possible outcome. That's the Nash equilibrium, because that incents, incents me to go, all right, my wife's driving an 8, 000 pound truck because I'm an American.

[00:28:11] Cause I can print, money for the oil. Americans have printed money for oil. What do I care? Gasoline's three bucks for me. I don't care. Now, if I have to emit my gold effectively to pay for my wife's truck, it's like, well, all right. I'm going to actually have, we're going to sell that. at a huge loss, and we're gonna get something that's electric or hybrid or something that's smaller.

[00:28:30] So that's what you need to really drive it. But it's, not mercantilism. it's a shift in policy, but it's not mercantilism as it was, you know, 100 years ago, 200 years ago, 300 years ago.

[00:28:41] **Nate Hagens:** I have so many questions just on oil, just on debt, just on geopolitics, just on the dollar. We could all spend 90 minutes on that.

[00:28:51] So this is unfortunately, you know, going to be too short of a conversation. I think Luke's, example of his wife's 8, 000 pound vehicle is a microcosm for all the things, that we face. And I have some other follow up questions, but Michael, I'll let you respond now.

[00:29:10] **Michael Every:** Okay, this is where I really regret that it's very late at night, my time, because this is an extremely complicated argument I have to try and put together really quickly in order to kind of follow on from the conversation and to remember everything that Luke said, which is very coherent.

[00:29:23] This is one of the few areas where we do disagree, and when we've had chats together, you know, we've, come to different conclusions, as I said, having recognized the same problems. First of all, Very, briefly, yeah, mercantilism was a European concept where you had to basically recognize that money was either silver or gold.

[00:29:38] It was usually silver back in those days, not gold. and, yeah, When you traded, it left your pocket and it went to the other city. So if you ran a trade deficit, money physically left your economy. There was no money for anyone to pay their debts or to buy anything, et cetera. Your economy collapsed. So people tried to hoard money by only running a trade surplus.

[00:29:57] And it's economically inefficient, but it's very good for the person who's on the upside of the seesaw. So yes, I'm not saying we go back to that completely. And as a quick adjunct for that, The people who do think we are going back to that completely, and you're not one, but there are people out there listening who think, well, you know, if the dollar is going to collapse, the U.

[00:30:14] S. goes back on gold. This isn't Dungeons and Dragons. We're not going to be walking around with little coin purses on our, waist going, I've got five gold pieces and 20 silver pieces and some copper pieces, right? It's not how it's going to work. Even if it did go back to that, you would still have dollars in your pocket, but when you went to the bank, you could exchange them for gold if you had to, and on an international balance of payments basis, payments would be made between countries on gold.

[00:30:37] Okay, so let's get that clear for a start. In terms of energy, this is where I see things slightly differently. Yes, of course it's important. I don't deny that for a moment, even if new energy sources are coming along all the time and changing. You know, that the parameters of what is and isn't possible and the price point of which it is and isn't possible.

[00:30:54] But to an extent, we already have that kind of discipline of energy prices built in. If we go through a period of high energy, everyone starts tightening their belt. If it's cheap energy, everyone does silly stuff. That's just basic economics and we have it now. But the Fed, as currently constituted, which I am no fan of, you know, the comments that Trump was making about it today, the day that, oh actually yesterday, sorry, in the U.

[00:31:16] S., the day that we're recording, saying, you know, it's the easiest job in the world, you flip a coin and everyone talks about you like you're God, which is like, hurrah, I've been wanting to make comments like that, even stronger than the ones I normally write, for a long time. they have a weapon right now.

[00:31:29] For example, if Fed ever wanted to try and, you know, get oil prices down, above and beyond the White House's ability past ability to use the strategic petroleum reserve, which they did temporarily, you know, in, in recent years, you could just say, right, let's jack up interest rates to seven or 8%. Now, provided inflation isn't out of control at that particular time, money floods out of the Middle East.

[00:31:49] It floods out of commodities. Suddenly Saudi Arabia can't afford to build these ridiculous, you know, straight line cities made of glass in a desert, which are just, you know, absolute flights of fantasy that tell you the Middle East has got more money than sense when it's thinking about things like that.

[00:32:05] it can still do that. And because of the power of fiat, which temporarily, I said at the beginning, is still there, temporarily, you can turn around and do that for a narrow window whilst using acronyms, like BTFP is a really boring technical one that was rolled out last year by the Fed to try and make sure that when we had a banking crisis, or what looked like a banking crisis, that all that funding could flow to the banks, they could access capital again.

[00:32:31] China uses similar mechanisms all the time, which is, here's a kind of a Off balance sheet or a, you know, one step removed financing mechanism for this particular constituency. So you don't worry about the effects of high interest rates, but you feel them in full offshore. You can use that combination of interest rate weapons, and it is a weapon against others.

[00:32:50] together with, more focused incentives and free money for people who want it, to try and restructure the physical side of your economy to achieve what you want to achieve. And I have to just move on to one very quick point here is like a tennis return back to you, Luke, because that's basically me running to try and catch the ball.

[00:33:08] But now to pass it back, if I can. Last time we spoke, Nate, at the end, I think I said something. If I remember correctly, I want to throw in now much earlier, which is I remember in America quite a few years ago, people wearing these bracelets with, was it WWJD? What would Jesus do on them? Do you guys remember when that was a thing?

[00:33:27] So the reason I'm bringing it up is most people in markets day to day say to me, you know, what's GDP going to be or what's GDP? And I'm literally writing a piece at the moment explaining when you look at the world in terms of economic statecraft and from a bigger picture view, you have to ask the question, what's GDP for?

[00:33:47] Not just what's the structure of it, what are we trying to do? And the link to this bracelet is this, if you're just worried about is it 2. and you think 2. 1 or 2. 2 You've completely missed the big picture, which is what kind of society do you want? What kind of world do you want? And I don't mean trying to micromanage everything because that's the road to hell, but broadly, you know, big picture, what does the U.

[00:34:08] S. want to be like? What does it want the world to be like that the U. S. is in? And does it really require a flat rate of interest, either high or low for everyone to get there? And my argument is it doesn't. And the person backing me up on this actually is someone who was a fan of gold, Schumpeter. I'm sure you've both heard of Schumpeter, the great economist from the past.

[00:34:28] We normally refer to him in modern economics purely in terms of talking about creative destruction. That's probably like the shorthand bullet point we're all aware of. Well, I mean, the guy wrote telephone book thick, you know, economic literature. They're incredibly economically dense. I defy anyone listening to this today Schumpeter and start reading it and you see what a real genius thinks like when they're writing.

[00:34:53] Someone with a. planet sized brain, who's incredibly cultured, was the finance minister of Austria, really knows their history, politics, culture, theory, maths, everything. So anyway, most of his life, of course, he was anti state, anti big government, anti trying to micromanage everything, pro free market, but within the rigid, straitjacket of wanting hard money and gold.

[00:35:14] And I think he would have been, you know, hard energy in those days, too, if that had been more of a finite limit. But on his deathbed, he recanted. And he openly said, you know, he'd become more religious as he got older. He was Catholic. I'm not, I don't know if you guys are, but he, got more and more religious as he got older.

[00:35:31] And he realized, he said, government planning everything is the road to hell. You know, I largely agree with that. We start well and it goes wrong. But if you give everyone complete freedom of choice and free will, you will achieve nothing if you don't have morality. So, when you have the WWJD bracelets, it's supposed to say to you, you can do whatever you want on this earth, but what would Jesus do?

[00:35:55] Would he really be doing that? And the only way you can have a purely free market, Is if everyone in the economy has a completely moral sense of what are we here for? What's GDP for? Rather than just, I'm gonna screw the next guy to try and get three or four basis points more for the next month. That's not gonna work.

[00:36:12] And even if you go back to gold, that won't work. That won't help heal society. Gold has always been a very cruel mistress for the poor. And for the middle class, it's been good for the rich, generally. And even if we go to oil as a modern gold, that would be good for efficiency. I'm in favor of energy efficiency, of course.

[00:36:27] But it turns off the possibility of saying, well, we can use fiat to print for a few years, to finance a project that, you know, like the new deal that FDR used. You know, to build dams, et cetera, which were necessary for hydropower. You can't do that if you're on a rigid straightjacket. So we need to have some sort of reinvention.

[00:36:43] And it's going to get weird to go back to that. Really weird to think, what is GDP for? How do we get there? And does it mean we just have one fed funds rate? Or we do we have variable ones? You get cheap money, you get expensive money, and we want to blow you up. Either, you know, with a high interest rate, or if it's someone being too cheeky geopolitically, politically.

[00:37:04] Do we really literally mean blowing people

[00:37:06] **Luke Gromen:** up sometimes? Two, two addendums to that. I would say first, the seven to eight percent rate you highlight that the Fed could do to fight oil, that used to be true. It's not true anymore. for two reasons. Number one, seven to eight percent rates are going to, crater U.

[00:37:20] S. shale, number, which has been 90 percent of global production growth over the last decade. So basically, you would actually, very possibly, by setting rates to seven to eight percent, actually send oil prices up, not down. And then the second part is, At 7 8%, with 35 trillion in debt, 120 percent debt to GDP, and inter and receipts that are extraordinarily interest rate sensitive, you would actually send U.

[00:37:48] S. interest expense pro forma. above receipts, just the interest expense, not even the 3. 3 trillion in entitlements at seven to 8%. And so that I think are the two things that the world sees that sort of the American dollar status quo centric doesn't see, which, and it's the reason why gold has completely diverged from real rates.

[00:38:13] It's not that people want to go to gold. It's that people are looking at the math and going, okay, it's seven to 8%. The U. S. cannot. Keep shale producing where it is, which is the only reason my treasury bonds have not continued collapsing against oil post 08. Number one, okay, so that tells me I need to get rid, if all I care about, if I care about preserving the purchasing power of my reserves, I have to switch from treasuries to gold, number one.

[00:38:44] And then number two, If the Americans can't make their debt, if they can't even make the interest payments at seven to eight percent out of receipts without printing the money, why do I own this paper again? That also speaks to Golden. So I think those are the shifts that are occurring and the reason why we're seeing the behavior we're seeing.

[00:39:03] I, again,

[00:39:04] **Michael Every:** I, agree with you. So I, but literally that's part of the argument I was making because while that is still true and I, you can't mathematically push back against that. What I'm saying is. You can kind of cheat in that, for example, let's say you specifically spoke to shale. So you're saying seven or eight percent fed fund shale blows up.

[00:39:22] Now, I'm no energy expert. I really want to make that clear, but I know that's true. So what happens if you hypothetically, and it's not any kind of forecast, you put fed funds back up, even going up to five and a half would freak people out. But let's say you go to seven, right, the low end of that. But at the same time, the Fed, as the regulator, gets on the phone to every bank that's lending to shale and said, you're lending to them at two.

[00:39:41] **Luke Gromen:** Well, they could absolutely do that, however, and you made the very valid point that's what China does, but, China has capital controls. The dollar, as reserves, hold on, as the dollar, as, the dollar, as structured. Post 1971, cannot have large capital controls. You start putting large capital controls on the dollar and the dollar's reserve status changes.

[00:40:07] It has, they stop reserving dollars. And so you can do that. And perfect example of that is we already ran that playbook. We said, Russia, we disagree that you invaded Ukraine. We're going to seize your treasuries. ha. And you know what happened? Free markets happened. What happened? The Russians said, that's fine.

[00:40:26] We'll use gold. And the Saudis, I've heard multiple people at very high levels in the Saudis. Saudis were quote unquote terrified. What did the Saudis start doing? Buying gold, not treasuries. What did global central banks do? They started buying gold, not treasuries. So you can do that. Yes, I totally agree.

[00:40:42] You can do that. If you do That is a restructuring of dollar reserve status, full stop, end of story, to a system where gold is the neutral reserve asset, no longer treasury bonds. No one's going to reserve treasuries under that system. If you're going to pick and choose what the rate is based on what suits you, then you would be a fool to do that.

[00:41:01] I

[00:41:01] **Nate Hagens:** just want to jump in because you, you both have talked about the power of fiat and is the power of fiat ultimately, the dollar and the bond market or underneath that, is it the technology and productivity of the economy or underneath that is some hard currency backing it like gold or the three of us understand that energy is, what powers of the world and money is ultimately a claim on energy and if you even go a layer below that, it's the military power that enforces things around the world.

[00:41:38] So how much, of that is all tethered to that? Like we're printing money to pay for our defense budget to build new naval fleets and move to the Middle East, et cetera. Michael, go ahead.

[00:41:52] **Michael Every:** Yeah, I mean, you've literally gone where I was going to go. Cause Luke, and again, we. We agree and disagree at the same time.

[00:41:58] We're seeing the same things and maybe just looking at different sides of the same gold coin when we're describing it. It's not like we're disagreeing, we're just viewing it from different angles. I am saying exactly that. Yeah, capital controls would be required, and I mean internally, to make sure you don't lend to someone at two and they lend it to someone else at seven.

[00:42:15] Yeah, you'd have to do that, like in a war. We've done that before in the West. We'd have to do it again. And it would mean a massive international explosion because all of the euro dollar debt, 50 odd trillion of it, however it's constituent, constituted, people would not have dollars to get hold of them.

[00:42:30] It's very dollar positive because those who want to remain in the U. S. camp would try and service their debt. Those who would say, look, We can see which way the ship is sailing or the dreadnought or the battleship or the aircraft carrier, and we're not gonna go with that particular fleet. So we're just gonna default.

[00:42:43] And we know the list of countries that will probably do that. It would, they're all the creditors, by the way. Havoc, ,

[00:42:48] **Luke Gromen:** sorry. They're all the creditors are the ones that would default, by the way. Sure. The entire, the

[00:42:52] **Michael Every:** creditors would the. Yeah, and then we'd find out then how stable their economies really are when you wipe out the whole pillar of, collateral that they're using domestically, like, you know, China relies on dollars still, trust me, if that all disappeared, it would be a big push, even though they could do it to try and reallocate towards something else, particularly for a country with very few commodities, albeit lots of widgets, you know, which don't last very long, most of the time.

[00:43:12] Okay. So, I agree that's the case. But then if you then say, well, the US dollar is again going back to a mercantilist or quasi mercantilist asset, which is backed by the world's most powerful military, and a lot of commodities, because the US still has a lot of different kinds of commodities. And by the way, Canada gets no choice.

[00:43:28] All the energy in Canada and the, and the, you know, the, the, the other, the untapped projects in Canada, you're now with us, and Australia, which is just Full of assets, you're with us, and New Zealand, and Japan, which has productive capabilities, but doesn't have any commodities in South Korea, too.

[00:43:44] If all of those guys basically get ring fenced in together, which is where the U. S. military bases are, and, you know, is already moving together in tandem, I still think, and again, this is not a 12 month, not a 24 month forecast, although, trust me, things can move faster than, You expect if geopolitics suddenly goes, haywire, but this is the glide path you inexorably move towards, because if you don't, if we stick with the U.

[00:44:06] S. dollar and the, as, it is now, and you stick with treasury bonds as the main asset and reserve class, which you're, talking about, yeah, you continue to deindustrialize, you continue to see your military strength gradually hollowed out to the point where other people can push you and you can't push back.

[00:44:22] which we're seeing in location after location. And if we're talking about oil and energy in the Middle East, which I think is a great way to pivot to it, maybe like a, you know, the next point that I think, you know, Nate was saying he wanted to get to earlier, if you look at the Saudis, yes, they've been kissing up to Iran recently.

[00:44:37] You know, and everyone was saying, look, they've joined the BRICS, etc. I mean, anyone who knows the region well, and I know it pretty well for an outsider, they, you know, they were doing the typical bizarre, I'm not interested in that when you want to buy it. You know, the one thing you don't ever do is go to a bazaar in the Middle East and say, Oh, that's nice.

[00:44:51] How much is that? You're going to pay 10 times the price. You know, you act very cool. So that was basically giving themselves a plan B while they were trying to get U. S. nuclear technology, a U. S. defense shield guarantee, and, you know, as a path of that, some kind of peace treaty with Israel at some point.

[00:45:05] And there are, I know there are a lot of big wrinkles there, but that's what they'd like. And when you see in the next couple of months, and it will happen, Israel rolling out its new laser defense screen. First of all, that's going to be truck based to be able to shoot down drones and small items. But they think within another 12 months you're actually going to have a science fiction style laser shield that basically can shoot down most things coming through the sky.

[00:45:27] Yeah, I think Saudi Arabia is going to be looking at it and thinking, I'd rather be on that side with my oil than on the side that's going to be firing impotently things that just can get shot down. So there's a lot of real world nastiness and unpleasantness there that can decide which countries sit alongside other countries while they're trying to flesh out.

[00:45:45] What does a new financial system look like? A new trading architecture look like? And a new what is GDP for look like for our team? And within that, I still think there's going to be a need for some fiat for a while to lubricate things in the same way that during a war, you never turn around and say, well, you know, we're going to run a tight, we're going to run a tight ship and we're going to run a balanced budget during a war.

[00:46:08] You never do that. You bring money like crazy, but for a purpose.

[00:46:13] **Luke Gromen:** I think it's a very fair point. I think it raises a really important point that may pull what you highlighted forward, which is that I think after the election, it's going to become clear to most of the West that NATO lost to Russia and Ukraine.

[00:46:28] There's already signs, if you look in between the lines, and I've been getting, credible rumblings that's been the case for about the last two, three, four months. And I think ultimately, talking about morally reprehensible things, I think we are seeing strategies to basically extend things till after the election because one side thinks it'll help the incumbent if they don't have to sort of say, NATO lost here.

[00:46:53] That's never happened in a U. S. election before. Never. Never. Right? Which is exactly right. So, I think what that means is sort of this military backing of which side do we on? We better have those lasers, because if we don't, the decision may not go the way you think it's going to go, you know, in the same way that I heard, you know, five, six years ago, one of the biggest tech companies in Asia from, a relationship, like, look, don't make us pick, because if push comes to shove, we have to pick China.

[00:47:29] **Nate Hagens:** Let me just add a, a further wrinkle into this. What are the implications for Europe of all the fiscal problems that you mentioned and, the Euro dollar and, all the debts, if it also has to address rearming, if this NATO situation kind of unravels and the U. S. moves its support to the Middle East or just stops its support there.

[00:47:57] if Europe has to rearm, how do they do that with all the trillions in debt extent?

[00:48:03] **Michael Every:** I work for a European bank, so we have this conversation regularly. And I think, you know, the exasperation you just saw on Luke's face is what I experienced daily when we're discussing this. And I think that the perfect encapsulation of that is the one European country that has really got serious about this.

[00:48:19] And it's very pro US is Poland. Poland is currently. Spending an enormous amount on defense. It's really ramping up its defense spending. If it keeps doing what it's doing now, within another few years, that's going to be a very, credible, very powerful army. Probably the only one in Europe apart from France because of its nuclear triad and even that.

[00:48:40] Is the only pie it's resting on now, really. And yet, Brussels, so the center point of the European Union, is about to fine Poland for running too large a budget deficit, as being the only country that's rearming and defending Europe's eastern frontier. They have no idea what they're doing, and I, tell them regularly and in fact tomorrow morning i've got an early breakfast following this very late night podcast in which i'll be talking to europeans and telling them you all tell yourself you're searching for strategic autonomy and actually you're going to end up with strategic on top of me like everyone's going to be dog piling on you if you don't wake up but we one more point on that if i may, We looked at this using the kind of framework I'm describing here within Europe, and my European colleagues are excellent, and they've done great work looking at the nuts and bolts of Europe in a way that I don't have the time or the energy to look at, but within this conceptual framework.

[00:49:31] And we spent a long time coming out with a paper which we published in December last year, and I'm very proud of it, called Strategic Autonomy, and actually I got a good pun in, it was called, Troil and Error, T R O I L. OY AL, How to Cure Europe's Achilles Heels. And we made the argument there that I'm making here.

[00:49:49] I said that they're going to have to spend loads of money they don't have, so they're going to have to print it. They're going to have to print it on the supply side. They're going to have tariffs, which is anathema to Europe, but they're going to have to introduce them to kick Chinese products out.

[00:50:03] They're going to have to reshape every other policy to link up with it, and it will mean a complete reshaping of their entire economy. Political economy of what is Europe for and it's not for soft power and free trade and Euro trash and Rock concerts and festivals in the summer and you know nice holidays in Italy It's a much more muscular being and then just recently we had Mario Draghi former ECB president.

[00:50:27] Mr. Whatever it takes he comes out with his competitiveness report on Europe and it says exactly what we said And he even came out with the same figures. We said, look, it's going to take, we think, between four and six percent of GDP in new spending, most of which will be printed. Every year, for at least a decade, if not decades, to get Europe to where it needs to be.

[00:50:50] And, you know, frankly, internally, we were having conversations before we published it. Can we publish something that crazy? 6 percent of GDP every year being printed, more or less? You know, this is La Land. Draggy, you know, sotto voce on how it's gonna be done, but it will have to be printed, pretty much.

[00:51:06] He said the same thing, because that's the only route you can go, or he said, it's slow agony. And that's true for America. True. It's slow agony you're looking

[00:51:14] **Nate Hagens:** at if you don't do it. So I have a follow up to that and then Luke, I'll let you respond. In some ways, you know, the role of a podcast like this is to be an Overton window sort of thing to get ideas that are too politically difficult out in the sphere so that they normalize the conversations around them in the same way that your report, Michael, possibly was taken up by Draghi because we're in a situation now where the things that need to happen are still socially and politically untenable to voice, in the media and at press conferences.

[00:51:52] So that's why, you know, these conversations to me are important. Luke, did you want to respond to anything to what Michael just said?

[00:52:00] **Luke Gromen:** You know, Europe has been, the degree of European, self immolation has been probably one of the biggest surprises to me. and it was interesting, I spent, two weeks in Europe, about two months ago, and as I talked to people, you know, they of course wanted to ask about the U.

[00:52:24] S. election, but then they asked. You know, the conversation would turn to their politics as well sometimes. And what I found was a complete disconnect between a lot of people in Europe and their leaders. In other words, they don't want to fight Russia. They want cheap Russian gas. They don't want to lose their factories to America because Oh, by the way, Mr.

[00:52:50] America, didn't you blow up our pipeline, the Nord Stream? Sure seems like you did. yeah, maybe we did. I don't know. They say no, but that doesn't mean anything. So, you're our ally, and you want us to buy weapons from you, and you blew up our pipeline. And I said, oh, it gets better. Ten years ago, we had a white paper talking about how to weaponize migration, from the Middle East.

[00:53:12] And they're like, what? And so, to me, there's this really interesting dynamic going on in Europe, which is, and I agree with Michael's point that, hey, they're going to have to print it, and the Draghi, I think, I saw that with great interest, you know, let's see what they actually do, but when I was, when I spent, you know, Two, three weeks there, a couple months ago, I was really struck by the degree of awareness and the degree of the difference between their leadership.

[00:53:39] And so, you know, earlier in the summer, we saw like, you know, this year's version of, oh gosh, far right people are, you know, winning elections in

Europe and, oh gosh, you know, AFD is winning more and more seats in provinces in Germany. And, like, then you see what the platforms are that they're winning on, and it's like, let's have common sense immigration, let's not fight Russia, let's get cheap gas, let's not send our factories to America because we can't afford the energy because we have to buy expensive LNG from America instead of cheap gas from Russia, and so, like, I hear The strategic, the top down from Europe, but I think their leaders don't have a clue what their people want.

[00:54:27] I think they're trying to fit, you know, some sort of idealistic, you know, plan, and it's never gonna work at the ground level. Europe's fix is make peace with Russia, buy the gas, fix Nord Stream 2, compete, restart the nuclear power plants instead of panicking and shutting them down like Germany did. You And, then go to the Middle East and, like you did with Saddam and Ode 3, and say, listen, sell us oil in euros so we can print euros to buy oil.

[00:55:00] Because the reality is, he can print all he wants. If they can't print euros for oil, they're done. So, that, too, requires an end to the dollar reserve status as structured and sort of gold as a neutral reserve asset, because the Europeans aren't going to settle all of this printing, in, of, to, to buy the commodities.

[00:55:20] in Euro debt, because that's not what they do. You can't do that and build factories. So there are like a lot of fundamental inconsistencies. and so, you know, until Europe actually takes a strategic view, a real strategic view, which is, hey, let's listen to what our people want, common sense, immigration, cheap Russian gas, nuclear power plants.

[00:55:46] and Let's Buy Energy in Our Own Currency, Europe is on the path to being a place that is very cheap for rich Americans and rich Chinese to go visit in the summertime.

[00:55:56] **Nate Hagens:** I'm struck by so many things, that in this conversation, which I wish could be longer, so many of these things, like, we want to do what the people want, yet the backdrop of what the two of you are inferring is no matter how we slice it, In the not too distant future, we, humans, in aggregate, the world over, are going to have to use less.

[00:56:23] The rest is details. Less material throughput on average. I don't know how that's sliced, and maybe there's some faction of humans that use more and a lot less. of others use considerably less. What do you think about that? I mean, there, there's the, pull push between humans wanting more and doing the pragmatic things that Luke just suggested and the ability for.

[00:56:52] the global economy to continue to grow in the face of energy depletion, climate disruption, geopolitics, and the bricks and currency dislocations and all that. Michael, start with you. I mean, it's one of the questions

[00:57:08] **Michael Every:** of the human condition, isn't it? I think we've, described a lot of the complexities and we've still only just, brush the surface because, you know, just to reflect back to one quick point that.

[00:57:18] Or two quick points we've made previously. On one hand, you know, no one knows what's happening with Russia Ukraine, but let's presume that may or may not be done soon one way or another, and Russia may or may not have the upper hand. let's say it does, okay? Hypothetically. On the other hand, you could see that, you know, Israel looks like it's in a much stronger position in the Middle East relatively now than it did six months ago, and with the correct application of, you know, further targeted force, you know, maybe making Iran look like a lot stronger.

[00:57:42] A lot weaker than people thought that was six months ago. And China with Taiwan, they just practiced a blockade around it. That's making China look relatively a lot stronger. So it's a mixed picture within this kind of, you know, anti, anti Western or anti U. S. bloc. But in terms of how we address that fundamental human issue.

[00:57:58] Related to this, I was having a chat with someone, you know, a very intelligent chap just the other day, and they were talking about Europe's desire for sustainability in the food system, which obviously at Rabobank, where I work, is a very important part of what we do, and obviously it's a very important part of the climate puzzle, and we were discussing geopolitics in food, and I said, there's always been geopolitics in food, this isn't a new thing, since year dot, I've got food and you haven't, makes me rich and powerful, and I said, I've got food and you haven't, makes me rich and powerful, and also not sleep very well at night because you haven't got food and I have.

[00:58:27] And you can go the free trade route and presume that the more you free trade together, the more integrated you are and the more interdependent you are, as we were talking about at the beginning. And yet, the history of economic outcomes and economic history is that you have periods of interdependence and it actually then creates polarization, winners and losers, this country's doing better than that one, this, demographic in each country is doing better than that one, the rich get richer, the poor get poorer.

[00:58:53] And then it actually breaks down and countries start realizing now, we're not interdependent, we're dependent on you, we rely on your food, or I, you know, I don't want to rely on you, one way or the other. So, things do fall apart, food has always been geopolitical, and it will be again. And I said, imagine you're Europe and you've got this perfect plan for how the world should look in terms of sustainability for food, which they do.

[00:59:15] I said, what are you going to do if everyone else says no? What are you going to do if one by one countries democratically vote for it, democratically, and say we're not interested? We're poor, we want to eat more meat, not less. Yeah, the price is going to keep going up as a market function. There's nothing we can do about that, but we're not going to voluntarily give it up.

[00:59:32] Or we're going to try and become friends with countries that can produce it, like Brazil. Because, you know, they can do that relatively cheap, cheaper than America. So we're just going to try and become friends with them, and if they become friends with China and Russia, so we're friends with China and Russia, because we want more meat.

[00:59:44] Are you going to invade them, Europe? Are you going to say tut Are you going to set up a committee? Are you going to wear a t shirt? Are you going to make a documentary? What are you going to do, to actually make the world be the way you want it to be. And I said, I don't have an answer for you, but you don't have the force to do it.

[01:00:00] If you did, morally, would you want to do that? Probably not. So how do you persuade people? And this is where the planned economy road to hell comes from. We've all got a vision for how great it would be. If we could all do it, most people's visions are wrong, and when you impose them, you actually create more evil than the good you're trying to do.

[01:00:17] But if you leave it to the free market, which is what the other purists say, you end up with the rich getting richer, the poor getting poorer, and people, you know, ripping everybody off for a few basis points. So, unless you get Not to mention ecological collapse at the end of that, but keep going. Yeah, so you'd say, you know, and again, I'm a secular person, I want to be completely clear on that, but I completely echo what I've been hearing, in fact, I've been saying it for years, Well before they were.

[01:00:40] Well, I've been hearing very intelligent chaps like Brett Weinstein saying recently, which is, I wish I were religious, because I fully understand that without a core value system telling you what GDP is for at every level up to the geopolitical, from the local, and without a market that works within those paradigms, Nothing works.

[01:01:01] and I really hope we can come to that conclusion, but that's only going to happen when, as in science, you know, progress comes one death at a time. One person shuffles off this mortal coil, someone comes onto it, hopefully with a different way of seeing the world, and eventually the ship of state can turn around.

[01:01:17] But, you know, we're going to have to do it on fast forward in the next few years. And to go back to the point, you know, we've discussed a few times, that's why I am still clinging to something, you know, silly and I know dangerous like fiat, because I don't think we've got a generation to have that shift.

[01:01:30] We've got like four to eight years, one or two elections to try and get some movement on it. And if we have to print some money to do it, I'm willing to take the risk of that turning out wrong vis a vis playing by the rules, which aren't rules that work.

[01:01:43] **Luke Gromen:** And I think we'll stay with fiat. I just think we won't stay with saving in fiat.

[01:01:47] It's because that's a system that can't work. If you're going to print it,

[01:01:52] **Michael Every:** well, it's better than it's better than what we have now, which is actually the system of saving in houses where almost every global economy. Everyone just wants to put it in houses. I mean, you know, I go to Australia.

[01:02:03] It's the same disease. I go to New Zealand. It's the same disease. Every country

[01:02:06] **Luke Gromen:** in Europe, the same disease. The U. K. Same disease. It's fascinating, right? Because China. It's not the same disease. China's letting home prices fall and they're letting people save in gold. And China, what do we hear from every Western economist?

[01:02:18] China's collapsing. China's doomed. It's fascinating to me. Like they're actually making the right move, which is saving something that is not used for anything rather than something that is used for something, because that is in the long run, What would Jesus do? It's politically stabilizing. If you have a bunch of young people, they can't afford a house.

[01:02:39] That is not politically stabilizing. Who is more politically stable right now based on their policies going forward? If I had to bet, I would bet heavily that China is going to be more politically stable than the U. S. over the next two to four years. Well, first of all,

[01:02:55] **Michael Every:** that's a no brainer. on any year, you could have said that about China, apart from, you know, a very, brief window.

[01:03:00] I used to cover China, you know, professionally for a long time, and my, I speak bad tourist Chinese, and I lived in Greater China for a number of years. But above and beyond that, and I'm not sure if I revealed this last time we spoke, Nate, but I grew up in a Marxist household. you know, that great European tradition similar to like, you know, maybe some parts of the U.

[01:03:15] S. East Coast and nowadays anyone at a U. S. University where it's completely okay to be a radical Marxist and still think, you know, that you're a flag waving member of the country. now, that doesn't mean I am, but I was absolutely brought up in that tradition. You know, we had, you know, Communist Party literature on the shelves, et cetera, et cetera, and Marx was like a regular figure in conversation.

[01:03:35] So I, I know my Marxism. for a non Marxist, really well. I mean, Marxist academics, of course, can run circles around me because they've specialized it in their whole life. But if you understand that, which I do, and you understand Lenin, it was a whole dangerous ballgame further on. And you know China fairly well.

[01:03:52] The only part of that I push back against, which I think is important for the listeners to understand, is that temporarily China may or may not, and I'm not saying it is, although Hong Kong today, here, our time, and again, this will be dated when viewers listen to this, have said that its new economic plan is to be a gold trading hub internationally, which was interesting when I saw that.

[01:04:11] I thought, I wonder if they're going to have the Hong Kong dollar pegged to gold rather than the US dollar going forward. But, China would never allow anything like gold to actually be gold within China, because the one, what rule of what is GDP for in China, it's for the CCP. You don't worship gold worships you.

[01:04:31] **Luke Gromen:** That's the way that are, actually. I think that's this, I think that is what the Western mindset is missing, what China's doing with gold, which is gold, the Yuan is down 50 percent against gold in the last two years. And so people frequently, I think what China wants, what, why China would set up a gold trading hub in Hong Kong is not that they have any designs of pegging the Hong Kong dollar to gold, God no, or the Yuan to gold.

[01:04:55] There is no chance that's going to happen. And what they are doing is. If when they sit down with the Saudis, when they have sat down with the Russians, when they sat down with the Russians 10 years ago and say, we, China, are going to collapse if we have to buy our oil in dollars and because we're going to run out of dollar reserves.

[01:05:17] And the price of oil is rising because of all the things we've highlighted, we've talked about here, peat cheap oil, etc. We have to be able to buy our oil in

Yuan when we want to. Not all of it, not even the majority of it. But when we call and say it had this shipment has to be in Yuan or else you have to say yes, Saudi.

[01:05:36] You have to say yes, Russia. You have to say yes, Iran. And The answer then is, as you know, Kyle Bass says, well, why would they take the wampum or as, Hugh Hendry says, well, why would they take the red cabbage? Two reasons. Number one, it's good for Huawei 5G equipment and they're the factory of the world and any net settlement will be done in gold.

[01:06:01] In Hong Kong, in London, where there is an offshore RMB clearing bank, in Switzerland, where there is an offshore RMB clearing bank, in UAE, in Hong, in Singapore, right? So, you're going to, to the extent there is net gold settlement of energy for China, that is what China is doing with this. They, and now, why would Saudi do that?

[01:06:23] Well, look what gold is doing in Yuan terms. It's, up a hundred percent in the last two years in Yuan terms. So now when Saudi goes, I need Huawei 5G for my shiny, you know, glass houses in the desert that make no sense. They call up China and go, Hey, we need, Huawei 5G. And China says, Hey, good news.

[01:06:43] The gold you have buys you twice as much 5G equipment, constant dollar, constant yuan, as it did two years ago, and the more oil you buy in it, the more it's going to buy in the future. It's a virtuous cycle of trade that China is instituting, like, in plain sight, and sort of people don't see that. That's well, are they going to, their bond market isn't big enough to settle yuan imbalances?

[01:07:04] No, but gold is. Well, not at current prices. Exactly.

[01:07:08] **Michael Every:** Again, we're looking at similar things, but just interpreting it in different ways. That's perhaps the best. The best analogy, it's like a slightly Rorschach, and you're seeing one thing in it, I'm seeing something that's similar, but a bit different, so when you said, why would you take the renminbi, they don't take the renminbi, they immediately say, well, we want to offset that against these many goods, which are made in China, so they're not actually keeping it.

[01:07:27] Is that

[01:07:28] **Luke Gromen:** any different than what they do with the U. S., where they actually just buy our stocks?

[01:07:32] **Michael Every:** Well, it used to be that they would actually send dollars to each other, and then there would be a balance in dollars in one country or the other. Now, it's like, we're not even, we're pricing in dollars, which is important.

[01:07:40] How much is that? 70 bucks. How much is that? 70 bucks for that widget. Right, okay. We'll swap them, and, you know, technically we can say we invoiced in Renminbi, but we know what the actual price was when we converted it. It goes across. So you're describing the euro

[01:07:52] **Luke Gromen:** dollar system without the euro dollar system.

[01:07:54] **Michael Every:** Well, I'm describing BARTA. That's what

[01:07:56] **Luke Gromen:** I'm describing. But that's the euro dollar system without the euro dollar system. They're trading in dollars without dollars, right? That's the euro dollar system.

[01:08:03] **Michael Every:** But the euro dollar system is based on debt, and there's no debt on the back of this. There are no financial issuance here.

[01:08:08] It's purely just one physical good for another, which is good and bad at the same time, so they're very different, right?

[01:08:12] **Luke Gromen:** But that's how they get out of the

[01:08:13] **Michael Every:** problem. Well, yes and no, but this is the broader point I want to come back to. If we say that some aspect of that starts to emerge, the second and third and fourth order effects of that are calamitous.

[01:08:26] I've already described the hypothetical where Europe and America might be saying, right here, capital controls domestically, so I lend money to you, to him at seven, you can't lend your money to him, you're not allowed to, there are people watching you, and you know, money won't go into the U. S. The extension of that, more broadly, is that the entire global network of trade and finance flows collapses with massive defaults, hard

[01:08:47] **Luke Gromen:** re writes.

[01:08:47] But it doesn't though, you just said it doesn't. By virtue of the barter, China then calls the next day after that happens, China calls up Saudi and says, Listen, we'll value, you know, your barrels of oil for our Huawei and no dollars need to change hands and we'll do it just like we did yesterday.

[01:09:02] **Michael Every:** If you actually look through the numbers of the trade data, and I can't tell you how boring this is to do, but I've done it over the years, you end up with a chart that shows you that, yes, all this is happening within, let's call them BRICS, even though Saudi Arabia hates Iran, and there's no BRICS friendship there, you know, Iran just recently let it be known if their oil gets blown up, they'll blow up Saudi's oil, so like, they're not friends, right?

[01:09:22] But within the BRICS camp, That's all swapping around, right? And trade's going up all the time. But if you look at how much trade as a group they do with the OECD, so into the West, into Europe and into America in particular, it dwarfs it and it's still accelerating into the OECD. So the day on which China finally says, right, this is working, this system you're describing, we're going to push it past a certain threshold and Trump or Harris may have different tolerances for that threshold to bring it back to the election, they lose everything going into the U.

[01:09:54] S. And suddenly, all the support for tens of millions of workers who make widgets, which go to Europe or America, disappear. And they have to find someone in the BRICS who can buy a staggering amount of product. And this is for an economy in China which won't inflate its own consumer demand. That's what the gold's for, though.

[01:10:14] **Luke Gromen:** As they're inflating their gold, as they've been encouraging the Chinese people to buy lots of gold since 2002, state media, the gold goes up in that scenario. Gold explodes higher because, the other side of the coin to what you just described. Yes, I agree. It's going to be very deflationary for the BRICS.

[01:10:31] It is going to be hyperinflationary for the West. Think about what you just said. We're going to cut off all the stuff from China. Shelves go empty in the west. The bond market collapses. The Fed prints it to keep financing the government. Gold goes to the moon. So now when gold goes to the moon, in the BRICS, we've got how many, how much gold did Chinese people own?

[01:10:50] Or, number one. And then how many do the Indians own? You're going to create a consumer class

[01:10:55] **Michael Every:** overnight. Again, I understand the vision, but just to retort quickly, it's not that it can't happen, that is a possible future, but what did the Fed do with gold in the 30s? Just confiscated it. All it would take in that kind of environment, which would be a war like environment, would be one step away from global war, for that to happen, because it would be 2008, but with guns loaded on all sides, is to say, no one does any business with them You get arrested if we see any of you doing it, and we're doing massive fiat to immediately, within our group of producing countries, set up factories for everything.

[01:11:25] We're gonna have a really crappy three or four years, or two or three years, depending on how much groundwork we've done building up to it. But on the other side, there's a hard break. You've got your shiny gold medal over there. It's illegal here. Internationally, nothing comes in or goes out of the port.

[01:11:38] You're gonna have to be smuggling things in, like, you know, medieval style again, on little boats, to try and get into television sets. Like pharmaceuticals.

[01:11:47] **Nate Hagens:** I'm, reluctant to, to ask this, but it's a natural, progression of where you're going. Does, Bitcoin or crypto offer any relief valves to, to the direction you guys were just talking about?

[01:11:59] **Luke Gromen:** I think Bitcoin does.

[01:12:00] **Nate Hagens:** Yeah, and

[01:12:00] **Michael Every:** potentially, I mean, particularly if you're talking about a new money source that you can print. Well, Bitcoin you can't, but you can create new coins, right? Which is the same thing as printing. If you can get enough people to use it, sure. But I mean, how you use it and how it's going to be used, I think it will be part of it, but there are many different ways it could be.

[01:12:17] **Nate Hagens:** So ultimately, and I, you know, it's approaching midnight where you are, and you just said you have a professional breakfast. I don't know how you're going to get to sleep after this, but,

[01:12:28] **Michael Every:** All I've got to say is something far more prosaic, but thank you for the opportunity to both of you to discuss this today, because I think all of us agree on an awful lot.

[01:12:37] It's only merely just a difference of nuance and timing in terms of how we think is best expressed as a way to address this. We're not arguing in terms of the problems that we face and what we would like to see happen. It's just how do we get there and over what time frame and how best. and I would hope that more conversations like this can flow from this one.

[01:12:59] I hope people watching, if they enjoy it, can share it with others, and can start trying to have their own discussions, because this is a complex field, and let me tell you, don't feel intimidated by it, because if you talk to someone who's your typical Wall Street economist, or a brilliant trader, they'll understand parts of this, And large parts of it will be alien.

[01:13:17] And if you talk to a politician, they'll understand different parts, and large parts will be alien. You talk to someone in the military, and they'll understand a different part. You talk to an environmentalist, they'll get a different part. But what we then need to do is get all of these guys watching these kind of conversations, you know, better, smarter people than me, certainly, talking to each other, and understanding what do we all need to understand about each other in order to understand what GDP is.

[01:13:40] Is for and as you said what money is for and then hopefully collectively we get an answer So that's where i'd like to conclude if I can

[01:13:47] **Nate Hagens:** that's the pathway. Thank you both, for your continued, herculean efforts to understand this complex space And michael, I hope you can get some sleep. and to be continued, my friends.

[01:14:04] Thanks so much for having me on. And Michael, it's been great finally talking to you for the first time live. If you enjoyed or learned from this episode of The Great Simplification, please follow us on your favorite podcast platform. You can also visit thegreatsimplification. com for references and show notes from today's conversation.

[01:14:24] And to connect with fellow listeners of this podcast, check out our daily podcast. discord channel. This show is hosted by me, Nate Hagens, edited by No Troublemakers Media, and produced by Misty Stinnett, Leslie Batlutz, Brady Heine, and Lizzie Sirianni.