

The Great Simplification

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[00:00:00] **Nate Hagens:** What is wealth? Well, it depends on, who, what timeframe, they are considering the question. Wealth could be a million dollars or some stacks of silver coin or a stash of Bitcoin or some nuts or mealworms or a school of fish. I think the pursuit of wealth, individually and culturally on a finite planet.

[00:00:33] is a subset of a collective action problem and is central to the human predicament. so I would like to do, Historical evolutionary future overview, wide boundary overview of what is wealth today ahead of an upcoming, frankly, on what is debt and why does it matter?

[00:01:10] All wealth, originates in nature. there is biology and ecology that use different terms. optimal foraging theory and nature shows that animals and organisms were the first investors. And they invest their energy, an expense, to get food. The revenue, and the difference between those is income. So animals were the first investors, and the returns are denominated in calories.

[00:01:38] So energy really is the currency of life. For most species, during their lives, wealth equals income, because the ecological backdrop during their lives is constant. in almost all cases, unless the Chicla meteor happened during their lifetime or things like that. And their, capacity to consume is limited by their body size.

[00:02:08] So, a lion can't eat 10 gazelles after the second one. so for most biological organisms, wealth equals income. And, I'm just going to make this up because I think it conceptually is important. There's primary wealth, which is food, water, shelter, food being calories, food, water, shelter, and freedom, because animals in a zoo, have food, water, and shelter, but there's a cage around them.

[00:02:44] Might not realize that they don't have full wealth. So having more access to energy allows, more opportunities to find water, find shelter, and have freedom. Secondary wealth would be those catalysts or behaviors or access to

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things that smooth and continue access to income or primary wealth from an animal's perspective.

[00:03:11] So it's kind of a stockpile of, primary wealth. So in nature, wealth equals income during one's life, except at the end of one's life, historically, a armadillo, or a badger, or a dolphin, or a chimpanzee, or a sphinx moth, They can denominate their historical lifetime wealth by relative fitness, which is a huge driver in the natural kingdom.

[00:03:41] So the absolute fitness is how many surviving offspring you have, say four, baby dolphins. but your relative fitness is how that number compares to the average of your conspecifics. And if the average other dolphin had two surviving dolphin offspring, and you had four, from a relative perspective, your genes, will be, higher representation in the future.

[00:04:15] This isn't a conscious thing. Dolphins and humans aren't thinking, if I do this thing, I'm going to be relatively wealthier and pass my genes on to more dolphins or baby humans. We don't think about it that way, but our wiring is such that we go through the motions of doing the things, getting the neurotransmitter endocrine, hormone cascade that matched with our evolutionary scaffolding.

[00:04:46] So, if you think about 8 billion humans, or all the animals in the world, there's a hardware and there's a software, and the hardware is a squirrel's body, or a cheetah's body, and the software is to do the things, that met with evolutionary wealth and relative fitness go out in the ecosystem.

[00:05:09] And so, at an individual level, they are searching for more. In the natural world, there is a negative feedback to more. There is you know, after eating that second gazelle, the lion wants to take a nap. In the human sphere, there is a positive feedback to wealth because we have Tertiary wealth, which is claims on social power and perceived social power that are a stockpile on the stockpile of primary wealth.

[00:05:42] So this is a very different thing that cultural, our culture overlays on the hardware. Of a hominid body and the software of an evolved hominid brain plus culture. And right now, culture is telling us maximize your profits, your income, tethered to energy, tethered to, ecological impact. And that is our cultural goal.

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[00:06:11] What is the end result of that is we are rapidly transmuting the wealth of the world into. We are transmuting wealth into income at an astronomical scale. So historically, humans for 290, 000 of our 300, 000 years of Homo sapiens, wealth pretty much did equal income. because. We might've had a little bit of artwork or some better arrowheads or whatever, but we denominated our wealth in, our social and human capital.

[00:06:54] because we couldn't store things. We didn't have monetary or other representations of surplus wealth. and that changed, of course, the agricultural revolution and historically we used grains and then barter. And then gold and fiat currencies, then a global fiat currency, which is where we are today.

[00:07:20] The U. S. dollar is akin, from a maximum power energetic perspective, the mother of all straws. Because our culture treats the U. S. dollar as fungible for all things. It is the ultimate claim on tertiary power that people want to seek more and more of it because you can turn it into anything immediately in the world.

[00:07:42] Land, access, political influence, a house, a refiner, energy, lover boy albums from the 1980s. I have no idea why I said that. I actually have Loverboy albums in the basement. I have a hundred, albums. Okay. we can turn dollars into anything. and so this becomes this driving positive feedback force of transmuting wealth into income at a global scale.

[00:08:16] So the issue is Everything I've said before, so far can be referenced in a biology or an ecology textbook. money, as we treat it today, is, functions as a unit of account. We can measure things in that. it functions as a medium of exchange. We trade it with other people to get stuff. and also a, store of value.

[00:08:44] Although it's really not becoming a store of value because we're printing so much new money and debt in the world that there are more and more financial claims on a stable and I would argue declining amount of biophysical and ecological reality. So this, fungible reserve currency, the U. S.

[00:09:03] dollar, is this giant carrot that we're all going towards and accelerating the metabolism of the system. These things are known. the problem is that this dynamic that I'm describing about wealth, pursuit of wealth and wealth

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accumulation is under the umbrella of a collective action problem. there are three kinds of collective action problem.

[00:09:29] There's the prisoner's dilemma, there's the free rider, and there's the tragedy of the commons. And this is a massive tragedy of the commons issue. I'm going to quote from a mine and DJ White's book. I think I wrote this. Paragraph 10 years ago. The seas are a classic example. Most large fish are now gone from the ocean due to what has effectively been a free for all, despite there often being such things as treaties and quotas.

[00:09:57] Fishermen typically consider themselves good stewards of the resource, but assume their competitors are plunderers and foreign competitors are the worst. They feel compelled to increase their takes until Overcapitalized fleets are competing for the last fish, and when the fishery is no longer viable, they blame it on the foreign fleets.

[00:10:20] But every fleet is someone's foreign fleet. That is the tragedy, and I think this. Fishing example can be extrapolated to our broader ecological global economic superorganism situation. Every fleet is someone else's fleet is the same dynamic that we face with more and more financial claims on an underlying biophysical reality.

[00:10:50] So we're actually looking at two realities simultaneously. One is our individual quest, mostly cultural, for an accumulation of wealth. And at least partially because we're worried about the future. And then two is our longer term macro foundation where it's clear we're drawing down the wealth of the world and calling it income.

[00:11:14] I think most followers of this channel know that financial capital dollars in the bank dollars in your pocket is a marker for real capital. Which is built capital, the house or the boat or the bicycle or the chainsaws that you have human capital, which is our skills and our knowledge, social capital, which is our networks and our friends and natural capital, which is our streams, our forest, our biosphere, the healthy air and the ecosystems.

[00:11:50] Our culture now has things that are not really valued other than economically, like Carmina Berena or a concert, with the Philharmonic Orchestra

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doing the Good, the Bad, and the Ugly by Ennio Morricone are all the, Unbelievable visualizations of the art of prior, generations of, human artists or the cold oxygenated waters, in the oceans or the fractal complexity and diversity and earth's rainforest, or the, 1800 bird species in Ecuador.

[00:12:25] These are things that we don't put prices on, but they are priceless. And as we draw down our natural bank account in pursuit of individual financial wealth, we are going to miss these things after they're gone, but I don't think we're going to recognize that they are our wealth until they're gone.

[00:12:50] And, you know, I learned this at a very early age that We are such a social species and we compare ourselves to others and we compare ourselves to ourselves. So you have eight billion individual human agents that are doing two things out in the world. They're trying to accumulate some income and some wealth, to Pay the bills to feed their family, which is why climate change was never going to be a populist theme that people would make international agreements on because people ultimately want cheaper energy and there's a lot of evidence that's what led to a couple of elections recently is people just want things to be cheaper because that means they can have more and access more.

[00:13:40] so We compare ourselves to what the cultural metric of success is, which unfortunately in our culture is a pecuniary metric of more stuff, more bling, more flex, more shopping centers, bigger houses and all that. And we compare ourselves to our own past. If I get a raise, I'm happy. If I don't get a raise, I'm not happy.

[00:14:08] I saw this At a young age when I managed money for rich people on Wall Street, they were comparing themselves to their friends who had more money than they did, but they were also comparing themselves. Oh, if I made 10 million this year, if I make 9 million next year, that's a failure. I need to make more.

[00:14:27] So it's no one's fault. This is partly biological and partly cultural. And partly this bolus of ancient sunlight was dropped into our culture a couple hundred years ago. And we are going through the Pachinko game tilted with power law, distributions, et cetera.

[00:14:51] This is sounding a lot, more nerdy than I anticipated. We're in a system now that pretends that we can create wealth by printing fake wealth. And I believe,

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which is one of the tenets of the great simplification that this dynamic is now reaching a terminal velocity. Is it possible? That in coming decades, we can mature as a species from denominating things.

[00:15:23] In fiat, now people recognize that there's a problem that we're papering over our financial claims with more paper and more digits. So people are buying bitcoin, people are buying land, people are buying gold, people are buying physical things, because They, know that money supply is going to be inflated.

[00:15:45] Is it possible we can mature beyond that from fiat to Bitcoin, to recognizing that we are slowly picking up speed, leaving the stability of the Holocene and that none of these financial claims or Bitcoin claims or gold claims on reality are worth anything if the biosphere spirals out of control and we lose the functioning ecosystems that our species and up to 10 million others share this planet with.

[00:16:16] I'll just leave some open ended questions. what do you think wealth is and how do you define it? Could this change? Could our definition of wealth change during our lifetimes? And would that change have to start from top down or from bottom up? A regenerative culture and I'm going to have many people on the podcast in the near future talking about a regenerative culture is instead of transmuting wealth into income would do the opposite.

[00:16:46] We would transmute income into wealth at a community, at a national, at a global scale. Could humans ever do that on mass? If so, how and what would be the first steps more soon? I hope you're all well.