

The Great Simplification

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[00:00:00] **Art Berman:** Energy supply and demand is not increasing. We're reaching what I and some other people call a peak plateau. If our oil supply and our oil consumption either becomes flat or declines, then the kind of growth that we've experienced over the last 75 years is no longer possible. If you wanna understand why the geopolitical fragmentation is going on right now, it's because there's a realization that we're sort of in a race to the bottom to get what's left.

[00:00:41] **Nate Hagens:** Time for another reality round table. This one on geopolitics, debt, energy, and the widening overlap between the three as it pertains to our national and global, economic situation. These are the types of conversations that I long, hoped we could have, and I now have enough former guests that we can mix and match and have these sort of synergistic overlaps for this podcast.

[00:01:11] art Berman, who is a frequent TGS guest, rejoins US Art is a petroleum geologist with over 40 years of oil and gas industry experience as an expert on US shale plays. Also, joining me is repeat, guest Michael. Every who is a global strategist at Rabobank in Singapore with 25 years of experience analyzing major developments and key thematic trends, especially at the intersection of geopolitics, economics, and markets.

[00:01:40] Last but not least, a new guest on the show, Isabella Kaka, who is the senior finance editor at Politico, as well as the founding editor of The Blind Spot, a Finance and Business news website. Before we begin, if you enjoy this podcast, one of the biggest ways you can support us is by subscribing to it on your favorite platform, as well as sharing this episode with someone who also might enjoy it and learn from it.

[00:02:06] We believe in making this content free and accessible to as many people as possible, so we appreciate your support. Please welcome Art Michael and Isabella. This was a fantastic conversation. Isabella Kaska, art Berman, Michael Evry. Welcome to The Reality Roundtable. Michael and Art, you've been here before.

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[00:02:30] Isabella, would you like to briefly introduce yourself?

[00:02:33] **Izabella Kaminska:** Sure. first of all, thank you for having me. I'm Isabella Kaska. I am the founder editor of the Blind Spot, but also acting Senior Finance editor at Politico Europe.

[00:02:44] **Nate Hagens:** Great. Michael Brief intro.

[00:02:46] **Michael Every:** Hi, I'm a global strategist in the Economics and Markets division at Rabobank.

[00:02:51] I'm based in Southeast Asia, and, my job is to look cross asset, cross disciplinary, cross geography, and try and figure out what's actually going on in the world. And cross time as well.

[00:03:03] **Nate Hagens:** Indeed.

[00:03:03] **Art Berman:** Yeah. Art, I'm a petroleum geologist. I look at everything energy and, that usually transcends, more topics than I can keep in mind.

[00:03:17] certainly geopolitics, economics, human behavior, all those sorts of things. I'm a master of none. I can barely keep up with all.

[00:03:28] **Nate Hagens:** Excellent. Yes, that's how I increasingly feel as well. the reason that I've asked the three of you in particular, there is a cacophony of, macro analyst, in the news, opining on what's going on and, sometimes it's hard to make sense of things.

[00:03:50] This show is trying to not only figure out what's going on now, but what it means for society and the biosphere and the world in coming decades. So there is a pro-social inquiry on what we do with this information, that is, broadcast out into the ether. So there's, this is March 10th, to timestamp it.

[00:04:13] There's a ton of things going on. let's start with a really broad question. I'd like each of you, to weigh in on, over the weekend. No, other than Daniel Jurgens, famously wrote the prize. Said, there has never been such an abrupt change of direction as we're seeing now on energy policy. So why don't each of the three of

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you weigh in on what you see as energy's current role in state craft and geopolitics?

[00:04:46] Isabella, you're the newest to the program. Maybe we start with you.

[00:04:50] **Izabella Kaminska:** Wow. thanks for making it easy. I mean, my very peripheral perspective is that, you know, the Trump administration is, you know, their primary objective is to drill and also to bring down gas prices. and I think that is. Easier said than done.

[00:05:14] and I think that in the context of inflation, in the context of immense refinery, shortages, which I don't think have really penetrated the consciousness of the administration, that is gonna be very hard to achieve. It's not just about drilling, it's about investment in a, in, the processing capacity, which quite frankly, nobody wants to undertake because of the transition factors.

[00:05:43] So, this independence is, probably, a bit. Misleading. I don't think America can, I mean, despite being a massive producer, I think the refinery cap capacity issue is going to be the main constraining one. And, the thing that I will be watching is also whether they focus on the refilling of the SPR and how they go about that and how you incentivize Saudi to pump more in a way that doesn't just make you a total price taker.

[00:06:15] But yes, that's what I'm looking at in terms of the shift from, you know, the interim step, and what it means for geopolitics. I mean, it does seem like energy. They're trying desperately to make, you know, fossil fuel, the continuing sort of, negotiating leverage point. The new paradigm, and I think it links into what we are now seeing on a much grander financial scale, is that the, there's a slow realization that actually the old paradigm is falling apart and there's a growing urgency to reframe within a new grand bargain with the world.

[00:07:03] And who gets what stake in that new grand bargain is going to be determined by the chips you have. And unfortunately, the West has kind of, I think it's coming up short in terms of how much runway it has. and this is why we are pivoting increasingly to defense talk and whether the future is gonna be determined by a more peaceful resolution or a more.

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[00:07:29] Military focused one. And the latter point is quite scary. Frankly.

[00:07:35] **Nate Hagens:** we'll get back to that because there, there are many subplots of what you said, because the military Yeah. Sorry to make it all very no. The military feeds back on energy, which feeds into debt and all that. let's go to Michael.

[00:07:48] What's your, grand arc, view at the moment?

[00:07:52] **Michael Every:** Well, very similar to what Isabella just said, and I imagine what I'm gonna say is nowhere near as good as what art is about to say in a moment. but in its simplest form, I think what we're seeing at the moment is a recognition of, you know, some old Bible passages.

[00:08:09] When I was a child, I speak as a child, I understood as a child, and then there came a time to put away childish things. And I think we have been living in an incredibly childlike childish. I. Bubble, if you will, in terms of our understanding of how central energy is, what energy can and can't do, what we can and can't do without energy.

[00:08:30] And different countries at different speeds are gradually waking up from a slumber and, realizing, you know, they need to start speaking and thinking like adults rather than children. But what that means, of course, is still subjective. you know, some of them think that means doubling down on past policies, other mean others think it means pivoting 180 degrees in the opposite direction.

[00:08:56] What the correct answer is for each of them in different starting positions, which are, you know, not fair. Geology is not fair. What you get given, you know, within your territorial boundaries is. Not something you get to choose in the, unless your expansionist, yeah, it's, an interesting dilemma and I think we will see a huge amount of drama as is Iba was correctly saying, as some of these dreams gradually start to crash into reality,

[00:09:24] **Nate Hagens:** geology is not fair.

[00:09:26] That's quite a statement. we'll come back to that as well. Art,

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[00:09:30] **Art Berman:** the other part of what Michael said is that geography isn't fair and, that I think is, something that a lot of, analysts, certainly some leaders don't seem to grasp. And so there, there seems to be a, a. A very slowly growing realization that this whole business of an energy transition, falls more into what Michael just talked about as, as childish dreams.

[00:10:03] Now, that's not a value judgment, and that in no way means that I don't take, our climate change and our ecological crisis seriously, because I absolutely do. But, there does seem to be various levels of awareness that whatever we're doing, it's not working, for somebody. It isn't working for the common people.

[00:10:27] they're still experiencing extreme duress. Economically. It's not, working very well for the climate or the ecosphere. Things just keep getting worse despite trillions of dollars spent on, supposed climate change mitigation, and, of course, Trump. It just sort of happens to, you know, the guy's brilliant at some things and not others, but he's, you know, he knows how to put on a good show and he shows up just at the right time.

[00:10:56] And to his credit, he's the first American president, I think, since, Franklin Roosevelt, who clearly grasp that energy is central. To what he wants to do as the American leader and, where America's future is. Now, beyond that, there are all sorts of confusing things that we're gonna talk about here.

[00:11:19] I'm sure the bottom line for me, on all of these plans, all of these, whether they're, dreams and hopes or, you know, the very realistic expectations of people like Putin and Xi Jinping. I think that there is a, failure to integrate the, geopolitical piece with the energy piece.

[00:11:44] There's still considered, you know, sort of different topics. and then there's the finance piece. And of course there's always the, ecology, which is never part of any of these leaders consideration. But for simplicity, I. I think that the, geopolitical connection with things like energy supply and energy price is broadly misunderstood and underestimated.

[00:12:19] And so Trump wants to lower energy costs. That's great. And he thinks he can do that by various policies. I don't think he understands or maybe doesn't

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wanna understand that geopolitics is very much in control of whatever happens there. And I'll just leave it at that for now.

[00:12:40] **Nate Hagens:** Let me ask a philosophical, kind of abstract question.

[00:12:44] in my book a few years ago, we had a little chapter called Draining America First. which, If you acknowledge that energy is the wealth of nations, particularly, liquid at room temperatures transportable crude oil, and you have the world's reserve currency, wouldn't it make strategic sense for a country like the United States to keep our oil in the ground and print more money and buy other people's oil?

[00:13:12] It, I mean, that's the opposite of drill, baby drill. It's saving oil for the future. and yet we need it today to power the economy. are there any, thoughts on that?

[00:13:25] **Izabella Kaminska:** You seem to be recounting the sort of Joseph from the bible strategy of, you know. Store today for, tomorrow's crisis, which I think is very admirable.

[00:13:36] I think the problem is that the fiscal headroom that America has to print, money is running out. So I think that is the key consideration right now and why that strategy probably wouldn't work.

[00:13:50] **Art Berman:** I,

[00:13:50] think we have to distinguish for a moment between the different energy sources, and you're talking about oil.

[00:13:58] Nate and the United States had a very firm and clear policy up until the early 1970s of not only conserving. Our oil supply, but making certain that the United States had spare capacity, if you can imagine such a concept applied to the United States of America. And so at that time, we very clearly preferred to buy other people's oil and keep our own.

[00:14:28] that went away after the, oil shocks of the 1970s and the ending of, or the peaking, the first peaking and then decline of, us production. And then more

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recently we got into this crazy business of exporting oil, which is far as I'm concerned, is completely, well, it has no strategic value.

[00:14:53] It's a price taking kind of thing, you know, I mean, look at where we're selling oil. I mean, our biggest customers are the Netherlands and Canada.

[00:15:02] **Nate Hagens:** Our biggest export customers are Canada, but Canada is also our biggest import partner.

[00:15:08] **Art Berman:** Yeah, we import 4 million barrels a day from Canada, and we don't export anywhere near as much.

[00:15:14] we, export a lot of oil, 4 million barrels a day. Just happens to be the same as we import from Canada to a lot of small takers. I. A lot of them are European. Okay. And Europe turns around, takes our light oil and produces gasoline, which it then exports to other people. Europe's a net exporter of gasoline.

[00:15:34] That's what US Oil is great for. It's great for gasoline and petrochemicals.

[00:15:38] **Nate Hagens:** The story there is really one of, complexity and Rube Goldberg, international trade rather than the, energy itself in, some ways.

[00:15:48] **Art Berman:** Yeah. It's just a way so, so us producers. Have produced beyond the capacity of US refineries to use our oil.

[00:15:57] Right? So what are we gonna do? We're gonna send it somewhere else so that they can continue to produce in high volumes. And since natural gas gets co-produced with oil, that's what actually listed to the surface. We also have a problem with too much gas, so we could turn that into LNG and send it elsewhere.

[00:16:16] Now, I don't want to get into this too deeply now, but LNG does have strategic value, much more so than oil because we are, the United States is, the, you know, the largest LNG exporter and we have a tremendous stranglehold right now on, on Europe geopolitically since they either cut themselves off or got cut off from Russian supply.

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[00:16:41] So LNG has geopolitical significance oil, very little as far as I'm concerned. And then there's renewables. And China certainly runs the, you know, the ship on that and the United States under Biden was trying to somehow compete, which was, questionably wise. And now we have, a new sheriff in town who doesn't want to have anything to do with renewables.

[00:17:12] And Europe sort of caught in the middle saying, well, what the heck?

[00:17:14] **Michael Every:** As I'm sure you're aware, I've been spending a lot of time, or primarily focusing on the shift from economic policy to economic statecraft, which is how I'm framing everything at the moment in terms of all decisions. But if I use those lenses,

[00:17:28] **Nate Hagens:** could you define statecraft for us?

[00:17:30] **Michael Every:** Yeah, sure. It's when you're using the same toolkit that we are used to talking about in financial and economic circles. for example, interest rates, fiscal policy, FX policy. We know where you want your currency to sit, but instead of doing them for economic targets, for example, you want a 3% fiscal deficit and nothing bigger, or you only want 2% CPI and nothing higher, yada, yada, Instead of doing that, you're doing them for foreign policy or national security reasons that there's a larger strategic purpose. in fact, the terminology I've been trying to use as my shtick for a while is what's GDP for? And I think you've maybe heard me say that before and I'm gonna keep asking it and not enough people have an answer, and people who don't have an answer for it, I seriously think should be thinking of an answer or getting a new job because you, should understand what GDP is for in the broadest sense.

[00:18:21] But anyway, if you're wearing those lenses and you're asking, why doesn't the US hold onto its oil and import it? As no kind of expert on energy and you know, art here is the guru, I would say. Yeah, it makes perfect sense depending on what price you can get it at. I mean, if you could hypothetically get someone to sell you their oil for \$10 a barrel or \$20 a barrel or some wonderful figure like that would make all the sense in the world to take their oil surely.

[00:18:45] but that comes down to the geopolitics of who you can get to do something silly like that.

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[00:18:49] **Nate Hagens:** The irony slash tragedy slash twilight zone aspect of this is many countries in the world sold a large portion of their oil internationally at 10 or \$20 a barrel, and are gonna have to buy it back in coming decades in the hundreds of dollars.

[00:19:06] A barrel. Let's bring in military and Europe a little bit. I wonder. So recently, you know, we have this ongoing removal of US troops and, military support for Ukraine in the, conflict versus Russia. This has caused Europe to coalesce around, supporting Ukraine, which requires a substantially larger amount of military and defense spending.

[00:19:35] Germany's towing the line on that. But there are limits, right? Is that, you mentioned this earlier, all of a sudden. You can't just borrow and print, as much money, for discretionary or military spending because the bond vigilantes say, no, that's not gonna happen. And we've gone from below zero interest rates in Europe to almost 3%, I mean, in Germany to almost 3%.

[00:20:05] So are the bond markets going to start to dictate, the, what can and can't be spent on in military and elsewhere? ISA would you like to start?

[00:20:16] **Izabella Kaminska:** Short answer is yes. I think the more expanded answer would go all the way back to everyone who was sort of. Criticizing Liz Truss. obviously she was the first sort of collateral damage in this paradigm shift where the we're effectively exposed that our leaders aren't really in control.

[00:20:40] It's the bond markets that are in control. and they will, make or break, our leadership. You know, and I think to some degree, you know, that's why I have some sympathy for Liz Truss because I don't think, this is this great shift to statecraft. It's like, who will win? Is it the markets?

[00:21:01] Or will, this initiate a sort of return of the, of political power? Again, Russell Napier writes about this in a very interesting way because the. Only possible way to suppress this sort of big bond vigilante force is to move down the financial repression pathway. and I think that's exactly what we're seeing in Europe now.

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[00:21:25] I think that we are edging closer to, you know, an a scenario where we, as the open democracies become more and more closed and more like China, in a bid to try and maintain these financial forces. I mean on, on the ground, I mean, I dunno how much your audience is aware of, like the Mario Draghi plan and, the restructuring of the European system.

[00:21:51] It's become ver fairly clear that, you know, Europe has been sort of. Existing under the umbrella, under the security umbrella of America for such a long time, it's allowed us to really indulge in the welfare system more so than any other block. and those days are coming to an end, not necessarily because, and this is where I maybe have a bit of a different view, is that, you know, in, in Europe it's very fashionable to sort of say, well, evil Trump is taking, you know, pulling out of NATO and, how dare he a time when we're so exposed to Russia.

[00:22:24] But I think, I think of, I kind of think about. Paths of least resistance. And I think from Trump's perspective, it's not just about ideological reasons or, you know, his petty obsessions. I think it's also fundamentally the American empire can't afford the broad brush security umbrella anymore. And so this is, you know, kui bono.

[00:22:47] Well, if you pull back from nato, you get a bit more fiscal headroom for yourself. You're suddenly, you know, I think I, was looking at the numbers, it's like something like 60 billion a year that was spent that, America spends defacto on that expanded nato, umbrella. So it serves his agenda.

[00:23:03] And the Europeans naturally at this point, it, it, also serves their agenda because it's very hard in democracies, especially in Europe and places like France. It doesn't matter who you vote for. All, the extremist parties, will not. Be able to get through any austerity. Everyone in Europe votes for more welfare.

[00:23:25] So having, you know, not to say that Russia is not a threat, but it has a dual use in that if you can mobilize the Europeans to actually start, you know, productively investing in warfare, if those, you know, I like to reassure myself that maybe if some of that investment is dual use and has a civilian usage as well, then maybe, you know, if, in the long run it might actually be beneficial, but it, serves a dual use, which is that it gets Europe out of its economic, you know, trap at the moment.

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[00:23:58] **Nate Hagens:** These are really deep questions, and it gets back to Michael's framing of, beyond childhood, beyond our childish aspirations. We are approaching a point of triage of economic triage where we can't have all, the welfare state and all the entitlements and all the military spending and 10,000 watts in the United States of per capita, energy use.

[00:24:23] Something we'll eventually have to give. That's where we're, approaching. Michael, what are your thoughts?

[00:24:28] **Michael Every:** Two things to add to that, above and beyond that, I agree with it on Trump. Just to kind of an ironic note that when you talk to people, not just in markets but in, you know, national security circles, obviously a lot of them in Europe, spend their time reading strategic studies.

[00:24:51] articles and, papers, et cetera. Talking about madman theory and how, you know, if you pretend to be mad when you've got a nuclear weapon, it works much better than if you're rational, et cetera, et cetera. These, you know, this standard reading material in security circles, and the same people are now running around, pulling their hair out, pointing a finger at Trump saying he's mad, and it's, wow, didn't you really pay attention at school?

[00:25:12] Now, he may well be mad, but that's exactly what you would want to project if you were trying to get, you know, people to do what they didn't want to do for decades, which is to actually pay for their own defense. So that's, the first point I would make

[00:25:26] **Nate Hagens:** before you make your second point. does that Mad Men, philosophy that you describe on nuclear ward is the same, thing happen, and can be applied to financial, interventions?

[00:25:40] **Michael Every:** Not in quite the same way. I mean, lemme try and answer that with the second point I was gonna make, which is at a, tangent to it. I'm not so worried about the bond market per se, not because I'm any longer in the lower for longer camp, which I was in for the longest time. I was one of the very first people to ever be kind of arguing that almost 20 years ago.

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[00:26:02] In fact, over 20 years ago, I was arguing lower for longer before they even went down low. So yeah, I, was in that camp for a very long time. I've been higher for longer, for a considerable amount of time, even though we are not at those highs anymore. Because when you're in a world of state craft, where national security matters first, you will just go for that financial repression.

[00:26:23] So, I completely agree, but then pertinent to the point you are making, Nate, let's say Europe is going to allow governments to borrow an extra one and a half percent of GDP to spend on defense. I think that's actually a sweet spot to get some economic momentum going. That's why you're seeing the stock market going up, the euro going up, people being enthusiastic, and there's still reasonable appetite to buy bonds.

[00:26:46] Now they seem to have kind of leveled off. At a higher level, of yield, which shall we say, but what if at the same time there needs to be 1% of GDP spent on infrastructure and 2% spent on energy. And actually it isn't one and a half on defense. It needs to be three and a half. Because America is actually, if you read the reports, and I know Politico Isabella, I've seen one or two of them there as well.

[00:27:09] You know, whispering that he isn't going to protect anyone in NATO who doesn't spend 5%, which by the way, is about double what America does now. So if that's the case, it's not a sweet spot. You overshoot it and you can have too much of a good thing. And the real issue is Europe still has relatively low unemployment, even if there aren't a lot of great jobs and certainly has de-industrialization happening in pockets in Germany, for example.

[00:27:35] But if you are suddenly going to say, we need to spend 3, 4, 5, 6% of GDP, which again, by the way, at Rabobank we did the number crunching, we predicted about 18 months ago would be what draggy would have to call for. And, he did. How do you keep that within the childlike political economy of saying, don't worry, the market will take care of it all.

[00:27:55] Of course it won't. You have very, hard physical constraints on energy, on resources, not so much on capital 'cause you can print money, but on, you know, but on labor, on physical goods. 'cause they don't suddenly appear from nowhere for a while. So that's what concerns me, how we will deal with that and what conceptual framework we are or aren't getting ready to put in place.

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[00:28:17] And I can tell you that far too many people around me within markets are purely focused just on that bond yield, not thinking that's the least of our problems. The, physical world is the real problem.

[00:28:29] **Nate Hagens:** Does this cause pressure within the eu? Because some countries will, like Germany, will be able to, do three or 3%, 4% if necessary, but other countries won't at all.

[00:28:41] so does this put pressure on, the union in a way that we haven't seen?

[00:28:46] **Michael Every:** Technically, no, because the ECB has a new tool which allows them to make sure you don't get a blowout in some bond markets and not in others. But then you start going down that route and it isn't very good for the currency. I mean, the Euro's having a good week, good month on the back of what we're seeing, you know, in these headlines.

[00:29:04] But were you to start seeing the fact that, hang on, this is literally just, you know, technically money printing, even though everyone's gonna come up with clever memes to describe why it isn't, or technical theories why it isn't, that doesn't work out too well. and the interesting thing here is, and again, one last point, I can't tell you how many conversations I've had recently where there is surprise.

[00:29:26] With the other person I'm talking to, who are ostensibly experts on rates or bond markets and, you know, who have been byed lower for longer, for a very long time, that you know what the longest run history is? That inflation and debt and war all go hand in hand. That's the long run. History isn't lower for longer.

[00:29:48] It's actually things melting down because you can print as much money as you want. You can do financial repression, but it isn't gonna work if your physical economy doesn't work. And you need to wake up and understand how to make it work rapidly. I, agree with that.

[00:30:02] **Nate Hagens:** yeah, is a

[00:30:03] **Izabella Kaminska:** No, I was just gonna say, that's why I think in some ways, whether we go to war or not, the actual act of mobilizing the economy in a

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way that draws investments and, you know, activates a more productive mentality, you know, that is.

[00:30:24] Kind of a noble lie, potentially that could, it's our one shot to get the economy going. so it serves the dual use. And I think, every western country benefits from, you know, engaging in the, in, in the war talk because, you know, in an ideal world, I'm hoping it still ends up like wag the dog. You know?

[00:30:48] maybe that's just wishful thinking, but it, you know, it certainly serves an, you know, an economic agenda in terms of, pivoting from welfare to warfare if it is dual use, right? We don't wanna be making super expensive weapons that are just largely useless for the population, right? We want to do, you know, all sorts of things that can be used for manufacturing and, productivity.

[00:31:15] AI comes into that as well, and I think a lot of. What people neglect about this incoming war framing. And the statecraft question is also that this is likely to be more of an information war than any other war. Like every war reflects the technology of its time, right? And the technology of our era is information.

[00:31:37] And that's again, you know, drawing on the madman, point made by Michael. I think one of the issues we now have, and this falls into the ecosystem question as well, is that part of our toolkit is disinformation. And I think we are engaged in a information warfare situation. And that's why I think in a funny way, Trump being a very reliable liar adds a sort of paradoxical level of stability into the us position where nobody knows who is lying, you know, at least he's consistently.

[00:32:16] Perceived to be a liar. And that creates a sort of, you know, 'cause what we need is a cap on disinformation. Like we all need to agree on a statecraft level that this is not going, this is gonna lead to complete trust collapse in the financial system if we do not create a new system where mutual trust can be engineered and that mutual trust will not be engineered for as long as, you know, everyone has the power to, to.

[00:32:45] To say what they want and on, even on a state-based level. Right. So those are the things I'm considering

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[00:32:51] **Nate Hagens:** art. why don't you weigh in on, how Europe's energy predicament drives the military spending dilemma and, such,

[00:32:58] **Art Berman:** what is notably absent from almost all the discussion that I read is, what is Europe gonna do about high energy prices?

[00:33:08] And the answer is, there's nothing in the world that it can do. I mean, that's the, unfortunate truth. And you know, I just read a piece this weekend about how Europe actually has a stronger manufacturing base than the US and that's its Trump card. And nowhere in that article did the author say, oh yeah, but our energy costs are like three or four times our competition.

[00:33:35] And that's sort of a problem. Following on from that. And, by the way, I mean, most of what Draghi has said is completely sensible except for his default to renewables on energy. and he's probably defaulting to that because he can't think there, there really isn't any other option. and I, think it's, worth saying that countries like those in Europe and China that are very aggressive on renewable energy are not doing it because it's good for the planet.

[00:34:14] They're doing it because they don't have any fossil fuels. Now, it might also be good for the planet, and, that's, great if it is, but that's not why anybody on a statecraft level does anything. Okay? they do it because they don't have any other option. I mean, Europe and imports 10 million barrels a day, AC crude oil.

[00:34:35] China imports 11 million barrels a day of crude oil. The United States on net imports 2 million barrels a day of crude oil. Okay? So I mean, right off the bat, I mean, even compared to China, I mean, the US is way ahead of the game. The piece I think that, that is missing beyond that, and it also has to do with energy, is that energy supply and demand is not increasing.

[00:35:07] Okay? we're reaching what I and some other people call a peak plateau, and you can argue if it's a plateau or if it falls off a cliff. It the difference is qualitative. The point is that if our oil supply and our oil consumption either becomes flat or declines, then the kind of growth that we've experienced over the last 75 years is no longer possible.

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[00:35:36] And, the final thing I'll say before yielding is that if you wanna understand why the geopolitical fragmentation is going on right now, it's because on some implicit or tacit level, maybe explicit, there's a realization that we're, sort of in a race to the bottom to get what's left. And that's a very different paradigm than the post-war.

[00:36:06] several. Well, the, several liberal orders as Michael, will point out. There's not one. But, all of those orders were based on the presumption that we can just continue this party as long as, we need. And right now, the major powers in the world, the message they're sending to me is, no, we're not, we cannot.

[00:36:29] **Nate Hagens:** So is it kind of safe to, or a broad macro summary of that is while, oil and other sources of energy were cheap and, internationally available and abundant, the rising tide lifted all boats. And now as Michael points out, as things get harder, there's a plateau in, supply and consumption that now we're going up from, Climate and other narratives more to energy security and statecraft becomes, the operative, game in town. And I think we're, slouching towards this moment where the conversation the four of us are having cannot yet be had at a G seven or G 20 meeting because it is all, it's perceived then publicly as a zero sum game.

[00:37:22] And it would be very difficult to have this conversation. So there are still these, proximate narratives that happen internationally, with renewables and debt and, other things. But the face shift from child to adult conversations is rapidly approaching.

[00:37:43] **Izabella Kaminska:** So I think you're right. And I think this is why we have pivoted into sort of war, Negotiation and defense spending because when you are faced with a zero sum picture, then naturally your leverage is based on who has, you know, the most muscle in the negotiation. But it's overall net. It's not. Positive sum. It's not zero sum, it's potentially negative sum if you actually go to war.

[00:38:10] and even if that process of going to war, you know, very often mother is the, you know, what the necessity is the mother of invention and sometimes war is the means by which we find innovation and ironically get to the next paradigm,

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right? But it's terrible if we have to do that with the actual process of, you know, having lots and lots of people die or whatever, pain and horror of war.

[00:38:36] But that's why I also wonder, like in this positive sum framing, like to get to that framing and why growth is important. You know, I'm very interested in the AI question 'cause like so much energy is now being directed to the ai, innovation. And it feels to me almost like to. To refer to Art's Point about renewables not currently being the answer necessarily.

[00:39:01] This seems to me to be like a sort of Hollywood slingshot maneuver type strategy where if we can get the AI to the sense to the sense to the point of intelligence where it can kind of crack fusion or some other, you know, free resource energy, then maybe we can make it, which sounds very dramatic in Hollywood esque, but you know, this is increasing.

[00:39:26] When I talk to the tech space, that's how they think and I'm just wondering what you guys think of that, or is that totally fanciful thinking?

[00:39:35] **Nate Hagens:** I have a lot of thoughts on that. but I'll, defer to my, wide wise guests, art and Michael, other than to say that you have to define who the we are saved.

[00:39:46] Because if we had too cheap to meter energy, like fusion or something like that, we would pull in non-carbon resources. Like, all you can eat Vegas smorgasbord and probably fry the planet. and the remaining biodiversity, that's my ecological lens on that, unless it was paired with some different governance system.

[00:40:05] But Michael, art, what do you think about ai, AI and its potential role in the things we've discussed?

[00:40:13] **Michael Every:** Well, I'll, jump in very quickly. For the first time ever, I will confess, I'm starting to find some uses for it day to day. Up until now, I've found it to be idiotically.

[00:40:24] **Nate Hagens:** You, personally have found

[00:40:25] **Michael Every:** Yeah.

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[00:40:25] Uses. Yeah. I've personally, I've found it to be just idiotic. Up until now, it's been like having a really, badly trained intern who is incredibly enthusiastic, but just talentless and just ruining everything that they touched. Now it's getting to the point where actually it's useful to me in helping me refresh things that I'm already familiar with, but it's a good way to just get things brushed up quickly.

[00:40:48] So it's not gonna substitute for actually having a full body of knowledge for a long time. But the point I wanted to make pertinent to, to the discussion we're having in general, there is, again, this is statecraft because the vast majority of people in markets, and again, I've worked on a trading floor for a very long time, so, you know, I, I don't have anything against them.

[00:41:10] I, like them a lot. Is that this is about profits. It's not about profits not in the slightest. The people who really understand this technology based, who are not just trying to get very rich by just, you know, selling, you a, bridge somewhere, understand that it's about national security.

[00:41:28] Because on one level, if we do manage to get to that, you know, sky Skynet level of military intelligence, that's pretty terrifying. But above and beyond that quantum computing sitting alongside that, people kind of throw that into the mix and don't get that. If we get someone cracking quantum computing properly, then all cryptography breaks down immediately.

[00:41:50] So we will have to go back to carrier pigeons and wax seals and, you know, little notes written in, in, in, in lemon juice on paper that you put in the, in, in the oven and then burn. But that's, how we'll have to try and communicate and plan militarily with the most complex militaries that the world has ever seen, which are all digitized.

[00:42:09] And I, mean, you know, I'm thinking back to the, the second iteration of Battlestar Galactica 20 years ago for those who watched it. And, big fan. Yeah. Great, show. Great show. And that's kind of what we're talking about. So it's a race that's going on the background, the first military power that gets there.

[00:42:28] Can suddenly absolutely understand everything everyone's doing from now on forever. So that I think we need to talk about more than the fact that someone's come out with a new app that makes your cat look like a better dog.

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[00:42:39] **Nate Hagens:** I agree with that. earlier in this conversation, we talked about the people who have the chips or the nations that have the chips, have the power.

[00:42:49] And the chips historically have been energy, military and, currency, the dollar. But increasingly it could be ai, those countries that have the best AI and or quantum, it accelerates all those other things that I, said the actual

[00:43:07] **Izabella Kaminska:** chips,

[00:43:08] **Nate Hagens:** right? The actual chips. So how likely, just speculative, Michael, how likely is quantum computing to be a reality in coming years?

[00:43:18] **Michael Every:** Well, I wanna profess I only read experts. I'm no expert myself, but it would appear that we are getting closer and it's, a real head-to-head race. Obviously the, you know, the front runners of the US and China. That's, no mystery. Europe's not really at the races. some smaller powers that, you know, might surprise out of the blue, like Israel, for example, may pop up, but it's pretty unlikely given all the other things that they're dealing with at the moment.

[00:43:44] but it's a pretty terrifying thought when you consider how fast things are changing, that we could wake up one day, six months from now, two years from now, and the world would've changed immediately that one side or the other would be in the position to completely defang the other overnight, which is not gonna play very well in either Beijing or Washington DC if and when it happens.

[00:44:07] **Izabella Kaminska:** That's why I say it's all about trust and trust collapse and why, you know, the place, the current moment is all about engineering a new grand bargain that either allows that moment to come and allow us to thrive with that moment on a positive sum basis. Or as you say, it leads to the sort of nightmare Battlestar Galactica situation.

[00:44:31] So that is the existential threat. Absolutely. But we need to position ourselves for a trust collapse scenario. And as you say, also finance can't survive that. That is literally the, the point you revert to a sort of dark age. Ironically, very good for energy consumption 'cause it'll collapse.

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[00:44:52] **Michael Every:** Can I make one very quick Battlestar Galactica point?

[00:44:54] 'cause I'm never gonna get the chance to say this again. I, was a huge fan of the second iteration and let's not. Go into the long grass on that. But ironically, when I look around me now, I'm thinking back to the first one, which came out in the seventies, which I saw as a little kid

[00:45:08] **Izabella Kaminska:** with Jane Sea Moore.

[00:45:09] **Michael Every:** Absolutely love, loved it very, much. And you know, commander Adama had real gravity, et cetera, et cetera. You know, the first iteration too. And that, the interesting thing is if you look at who was producing that on one level, it was typical 1970s Star Wars spinoff, LA Schlock. Absolutely. You know, cheap tv.

[00:45:27] Well it wasn't that cheap, but you know, sell some, toys, advertising time, et cetera. But a lot of the people who were making that show had actually either thought in World War ii, had parents were involved in it, or had, you know, physical memories of some of the horrors of World War ii. We tend to forget that.

[00:45:43] and there's one scene at the beginning of the first episode of the first iteration of Battlestar Galactica, when you've got some dodderly old American actor who looks a bit like John Ood, although it wasn't, it was a cheap American knockoff. And he's the president of mankind and he is there on a Battlestar, waiting for the silos to come and make peace with him.

[00:45:58] And of course, they swoop in and blow the thing up, but he actually does quite a good job before he gets sucked outta the airlock or whatever, saying, how could I have been so terribly wrong with his head in his hands? And it was, even though it's schlocky as all hell, I always found that scene incredibly moving.

[00:46:12] And I cannot tell you how many people around me I think should be saying and doing that right now with a lot more humility than they have been. So yeah, the old battle.

[00:46:25] **Nate Hagens:** Let art, chime in here. but on your, point there, how much is cognitive dissonance and a fear of loss, of built identity and, all the things that

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we've come to believe and plan for a barrier to having that, how could I have done this differently?

[00:46:43] I mean, it seems like to acknowledge some of the adult realities we're discussing here in my college course I taught for nine years was called Reality 101. It seems to actually acknowledge these takes, you know, has a big implication to one's circumstance and network and, investments and built identity.

[00:47:04] Any thoughts there?

[00:47:05] **Michael Every:** Yeah, I mean, I think it's very much part of human nature. All I will say is, amplified a thousand times, if not more, by money.

[00:47:12] **Art Berman:** On Michael's last point, I read a recent, or heard an interview with someone who'd written a biography who's a Hollywood producer and director. And the interviewer asked him, he said, and I think this applies to world leaders, is why I bring it up.

[00:47:29] He said, well, what was it like working with all these people, you know, John Travolta, et cetera, et cetera, you know, Leonardo DiCaprio. He said, well, it's a lot like being in high school, except they all have a lot of money. And his point was that all these actors are, incredibly infantile except they have a lot of money and power.

[00:47:52] And, I'm, afraid the same can be said about, about a lot of our world leadership and that. You know, the, if, you look the long arc of history, the, you know, the, the head in hands moment that Michael just described, I mean, we could describe that for like any of the Renaissance popes.

[00:48:16] I mean, all of these guys came into power with a very clear agenda of what they intended to do, and not the least of which was to clean up the church in Northern Europe. So they didn't lose it, and they lost it because every one of them had this kind of reductionist focus that something was always more important.

[00:48:35] And I mean this, you know, how did, the UK lose the, what became the United States? I mean, unthinkable, nobody in the United States wanted to revolution, but somehow the British managed to lose it. I mean, we can go on and

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on and I won't, but on the, issue of, of AI. I, completely, I, love what both Isabella and Michael said about it.

[00:49:03] I just wanna add that the notion that Fusion or whatever, let's just say that with or without AI fusion becomes a reality, a commercial reality in five years. It doesn't change anything, in my view as an energy expert, because fusion nuclear, all the things that everybody talks about on and on odd naum are only good for one thing, and that's electric power.

[00:49:36] And the other 80% of our energy consumption is simply, it's not a fit. And so we can have all the nuclear fusion in the world that we want, and we still are not gonna be able to keep civilization going when it comes to the high heat. Processes that include steel, concrete, plastics and fertilizer. And somewhere, somehow, I mean, none of these things are ever discussed when we're, I mean, Mario Draggy doesn't talk about it, and maybe it's because he's got cognitive dissonance.

[00:50:12] Maybe he doesn't know. But you, not maintain even a weak semblance of what we have right now if you can't replace fossil fuels for the very basic elements that uphold civilization. And I'm here to tell you that I read about this, I study this. I'm hopeful that there will be a replacement and at scale, it isn't even on the horizon right now.

[00:50:40] Two other comments before we go on. There's so much criticism in the United States about, oh look at poor Europe and how they're de industrializing. Well. Does anybody remember how the United States de-industrialized on a massive scale? I mean, that's part of the reason that we're in this conflict with China right now.

[00:50:59] I mean, we went through a de-industrialization makes what's happening even in Germany. look, you know, fairly lightweight. but, nothing ever applies to us. The final thing I want to comment on, when did

[00:51:12] **Nate Hagens:** we go through that deindustrialization?

[00:51:16] **Art Berman:** in the, 1980s. The 1990s, I mean, it, was the, you know, the, inverse correlation with globalization, right?

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[00:51:23] I mean, I grew up in the, Midwest. I grew up in, in Ohio, for those who know where it is, and I mean, states like Pennsylvania, were going outta business. you know, all the steel mills were moving to Asia or to, you know, somewhere else. And, I mean, that was the beginning, if you wanna call it populism.

[00:51:42] I mean, all, the, all of my middle class, lower middle class neighbors who could make a perfectly good living as a, working in a factory or driving a truck, one F1 one breadwinner, send their kids to college. They couldn't do that anymore. Everybody has two jobs. So final comment is the war fear that Isabella spoke of and.

[00:52:09] I don't wanna seem too extreme here, but, my, view of Russia is that the fear that Russia is going to take over everything, it can, particularly Europe, as soon as the West lets down its guard on Ukraine, I think is, certainly a challenging notion, if not a preposterous notion. I mean, here's a, country that presumably is one of the premier military powers in the world, and it can't get to more than a stalemate with what has to be like a 10th rate military power in Ukraine, albeit with some support.

[00:52:52] I'm, and I'm not, minimizing that Russia is a danger or a threat and they should be vigilant. But you know, this, ter this terrifying notion that Putin is gonna be marching in, you know, down the sha I think is like I said, a challenging notion.

[00:53:11] **Michael Every:** Very quick comment. Leo Strauss, would either be very proud of you or very disappointed in you.

[00:53:17] I'm not quite sure which one of the two, but it would be one or the other. Very strong reaction. for those who don't know, he was of course the intellectual father of neo-conservatism and, absolutely believed that society needed to have a bogeyman to, in order to bring us together, and that it was perfectly acceptable to tell white lies about national security just to make sure that everyone realized there was something to build your GDP for and herein.

[00:53:43] Personally, I find the great irony that I don't like bogey men. I don't like creating threats where there isn't one. and I certainly don't like war. You know, having had family members involved in it is terrible. But at the same time,

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whenever you take away all of those particular threats, mankind does seem to have this predilection for just making more and more stupid decisions.

[00:54:06] And, you know, in a spangler esque kind of critique, just drift, drifting off into ridiculousness. And I, dunno what the sweet spot is. Maybe if we could all pretend there was silence and, you know, we spent all our time focused on that, would be a wonderful way to go. I'd, cost pay that one quite happily.

[00:54:23] but I don't see any other alternative.

[00:54:26] **Nate Hagens:** I'd never thought about it that way, but you're right. If we had a unifying threat to humanity, we would cooperate and we would have a grand bargain of some sort. but I, don't think that's likely Isabella.

[00:54:38] **Izabella Kaminska:** I actually think being terrified of the asylum threat makes more sense than being terrified of Putin.

[00:54:44] So I agree with that. I think it is absolutely, you know, self-serving at the moment for the Europeans to be creating this bogeyman precisely for those economic reasons. because, you know, it creates a cohesive narrative in a, block that is currently very disunited as the token pole in the conversation.

[00:55:05] You know, Poland is a classic example of a nation state that when it's not at war, it's constantly divided and bickering with each other and, near and collapse. So we always need a war to get us together and to be constructive. So, I totally think that's true. as to the, idea of asylum threat bringing us all together for a greater good.

[00:55:28] I mean, actually Ken Rogoff and Paul Krugman have long floated this idea that we should just, you know. Do a fake alien invasion for the sake of that reason. So, yeah.

[00:55:41] **Nate Hagens:** So, so let me, ask a question that I, hadn't planned on asking. but we had a long period of feudalism in the world, and then the industrialization based on the discovery of, flammable fossils kind of put us on this turbocharge, rollercoaster ride.

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[00:56:02] And as art suggests, and, Michael also suggests with the phase shift from childhood to adulthood, there are limits, there are physical limits in the world. Given all the threads that we've covered today, how, what sort of scenarios or what sort of a risk matrix do you see open societies and democracies in the decades ahead?

[00:56:29] Or will there be a gradual but sudden shift back to feudalism and authoritarianism? do any of you have any thoughts on that?

[00:56:39] **Michael Every:** I'll be brave enough for John Pian. first of all, this is not, this is the kind of question I love and it's certainly not, where do you see the 10 year yield at the end of next quarter?

[00:56:46] Yeah. which is what I spent years doing while thinking about exactly the kind of thing that you've just asked. I really do genuinely think that we are at a point where we need to go back and read the classics and look at all the, you know, the Greek analysis of the different cycles of, of societies and how they transmute through various different formulations.

[00:57:09] And I think any number of those past futures. Are in front of us. You know, there are absolutely what we would consider liberal democratic options or optionality out there if we can manage to structure our economy correctly. But I don't think that's gonna be applicable everywhere. It never was actually, if we, drop that idealistic nonsense.

[00:57:33] but you can paint some pretty dystopian futures fairly easily. I mean, in terms of the feudalism, I, personally find, again, just like Isabella was saying, some upside to the convenient. You know, panic that we have at the moment. Because the one thing that history also shows you is if you're going to have a feudalistic society, generally speaking, you tend to lose wars against societies that give their citizens or their the populace a better deal.

[00:58:02] They're better motivated to go out there behind the flag and fight for you, or at least pretend to fight for you, which is what, you know, we hope will happen instead. and you know, if you're treated badly, people think, well, maybe the other guy's gonna be a gimme a better deal anyway. Quite frankly, what does it matter?

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[00:58:16] And throughout ancient history that happened over and over again, but I look around me at the lives that you know, more people than I would like to comment on, have in front of them. And it's exactly what art was referring to that he was seeing, you know, decades, hence, sorry, decades past, you know, around Philadelphia, et cetera, where people who had certain expectations for what would be possible for their children are seeing those hopes dashed and.

[00:58:43] When you look at the pool of assets those children will inherit, such as they are, it's similar to an Indian farmer, you know, with 10 children dividing the family plot by 10 and then they have children, et cetera. And everyone's up with a pool of land that can't actually generate enough income. And you know, poverty is locked in going forwards.

[00:59:01] That can happen in the west. And I think we were on a glide path towards that with the absolutely idiotic, rules-based order, such as it used to be that everyone is now weeping over because so much of it was good, so much of it was beneficial, and we didn't look at the dark side. We didn't like to lift the stone.

[00:59:19] and understand. Or the negative side of that in, all the different aspects of it. So maybe this, shock can be the jump leads we need to get us to a better future. And I think all of us here maybe share that optimism. Maybe that's why we're all on this call. but it does take, again, that ability to stop thinking childishly, that everything we had up until Trump was reelected, was wonderful.

[00:59:43] and that it will all just go away with one election. It won't. And that all of our problems can be sorted out by saying build back better or some absolute empty phrase like that.

[00:59:53] **Art Berman:** I'd like to bring us, back around to, to the, same theme of darkness, from optimism. But I mean, Trump is, I mean, he's a really interesting guy.

[01:00:09] I think, he's, not my favorite. at the same time he does seem to have a peculiar insight. Into an awful lot of things. And one of the things that he doesn't have a very good insight in, I don't think, is the hopeless complexity of geopolitical problems like the Middle East and Ukraine. And he, needs a win.

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[01:00:37] Okay? That's, the way he thinks about it. and so Europe and many other people think, many Americans think that Trump is, you know, gonna lead us into World War iii. And I think, not if he can help it, because he is a, you know, an egotist among all other, above all other things. And the one thing he has yet to achieve is the Nobel Peace Prize.

[01:01:04] First of all, the guy's terrified of nuclear war, and I don't think, I think it's the, farthest thing from Trump's mind is wanting to get involved in war. But he's, stuck his hands into the coals in, places like Gaza and Israel and Ukraine, with I think, a very childish understanding of, the complexity.

[01:01:37] And, I will close that observation by saying that, I, you know, I've shared with all three of you, my belief that we are in one of those rare interludes right now, in which. Geopolitical threats are sort of on pause. It hasn't been very long, but how quickly we forget, I mean, it was only a few months ago that, oil prices were going up because Biden was putting sanctions on Russia and we've been in, we get into these periods every once in a while where geopolitics as a threat sort of fades back and markets start looking at the global economy again.

[01:02:24] And the global economy depresses everybody and oil prices and energy prices go down. And now it's, you know, as Michael mentioned, lower for longer. Well, that's where the oil markets are right now. Oh. You know, we'll be lucky if, you know, we stay at \$70, we're probably going to 60. Trump wants us to go to 50.

[01:02:45] Well, I got news for all those people. I. All it takes is a little dust up in the Middle East, which is gonna happen, or something weird happens in Ukraine or Kazakhstan or God knows where, or Taiwan and oil prices are gonna go right back up again. And, I just don't think that there's a, an objective appreciation for how incredibly fragile and unstable the whole world's energy situation is.

[01:03:19] And I look at it as an inventory problem. And, when I go back 20 years or even 30 or 40, I mean, we have never been in such a prolonged and intense period of inventory deficit as we have been since Covid. That's just one of the many, transformations that Covid CR put upon our civilization that we think, oh, well, we got past that, but we didn't get past it.

[01:03:52] I mean, we are structurally, fundamentally different going forward.

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[01:03:57] **Nate Hagens:** Michael, please respond to that. And then I have a, direct question for Isabella.

[01:04:02] **Michael Every:** Sure. I won't speak on the energy part because that's, art's domain far more than mine. All I wanted to comment really was that when, one looks at Trump that way, and I, concur.

[01:04:16] The counterpoint that I think is important to stress is when you talk to the most sophisticated US foreign policy interlocutors who, you know, fly around the world in their, jets all the time and, their counterparts in Europe, of course, they're much more sophisticated than Trump. And yet I can assure you wholeheartedly, as someone who knows a few of the regions pretty damn well, they dunno their ass from their elbow.

[01:04:42] They know absolutely nothing. They're staggeringly well read, staggeringly well connected, and they're idiots. So I'm not, trying to, you know, dismiss the validity of what I, saying quite the opposite. I'm saying that it's a, you know, a great concern that the people that you think, well, don't worry if they're in charge, everything will be all right.

[01:05:03] You have no idea of some of the absolute delusions. That some of the foreign key foreign policy figures and politicians around them clinging to about various different regions, that can never happen. That would be too inconvenient. That's the way things are. They're wrong, just completely wrong. But you know, everyone is a product of the environment.

[01:05:20] They come up in, and, may be thinking as a solution for anything is the problem. Trump's looking for a simple one. They're looking for a more sophisticated one, but they're still looking for a solution and perhaps part of life is there just isn't a solution. Just like constant, complex grind is the best you're ever going to get.

[01:05:39] **Nate Hagens:** Their responses. not solutions. Isabella, did you have any of follow on comments to that or I have a new question for you on a slightly different tangent.

[01:05:50] **Izabella Kaminska:** I do have some follow up. I. Four actually, but I'll go, very quickly through them. Like to the point of going back to the classics, I actually

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read ancient History, so I'm, very big fan of going back to the classics and I'm actually a proponent of a concept from Polybius called the An Anti Psychosis.

[01:06:10] Yes. I'm actually, there is a little effort. We, it's like a, I dunno, nonprofit website effectively where we try to like educate people on anti psychosis, which is this idea of political CY cycles and how one, once one particular system of government gets corrupted, you inevitably move to a different type and it moves through monarchy, oligarchy to kind of stroke democracy anarchy.

[01:06:34] And I think that, that the founding fathers kind of tried to replicate synthesizer in a controlled way. So those revolutions would happen in a way that wasn't too disruptive. Right. That was the whole point of the, system they created, which is sometimes mislabeled democracy because it's actually, it is about synthesizing all free.

[01:06:52] Modes of government in a way that you have this, I guess not, disruptive political change. and unfortunately something has happened to that system where it has got clogged. It's not, it needs a reset. And, and this is where I think we, the liberals are a little bit naive in that we immediately kind of turn, our noses down.

[01:07:20] well, we do turn our noses down at any other political system, especially if it's monarchic or authoritarian, when, you know, you look at Singapore or you look at, you know, other functional, authoritarian states and you realize that maybe there isn't, there are different models out there, and even if.

[01:07:37] I'm not saying that we have to go to an authoritarian system at all, but, we have to consider that in times of emergency, we have to be a bit more open-minded and everything isn't necessarily the end of democracy. You know, it could be just a transitional phase. and certainly this is what War, war narrative allows us to do because it allows us to go into a sort of more emergency authoritarianism without necessarily quitting democracy outright.

[01:08:02] Right. Which people wouldn't understand. So there's that. And secondly, I also think what's missing in our conversation is, that actually the world is highly fragmented, between sort of the Trump allies who I agree with Michael, like I think Trump gets a lot more respect in certain regions than conventional diplomats.

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[01:08:24] and people are blind to this. and the sort of the community that is very distrusting of the old elites. Right. And that is. That is replicated across so many different countries, so many different states. So I think actually the war is not just about nation states. I think it's more like we might all become like Ukraine, like we might all end up in this civil war, framework, which I don't think people really appreciate.

[01:08:51] And that is, what I call mutual liberation syndrome. We all think the other, our other is, the authoritarian that we want to liberate everybody from, right? And, both sides. And the liberals, I think, forget this, is that the Trump supporters think of them as the authoritarians, right? And, this is missed by everybody.

[01:09:15] And I think if you're gonna be objective, you have to account for that. Both sides think they're fighting that war. and the I'd just say is. If, you know, just to end on a funny note, if we are facing this great financial restructuring of the West, ironically, you know, Trump, there is no better man candidate for it than the world's most best known bankrupt to manage to, you know, walk away from, you know, a default from the banks w and create an empire out of it through his brand personality and star power.

[01:09:48] So, perhaps, you know, again, just a hidden variable. that's all I wanted to say.

[01:09:55] **Nate Hagens:** So let, me follow that up with, a quote from something that you recently tweeted, in the last few days. Isabella, you said there is no way to recalibrate the US economy without a wealth transfer. Could you maybe unpack that a bit?

[01:10:11] **Izabella Kaminska:** Yeah. So I think, I mean this borrows from actually, a note. I, had the, privilege of seeing from, Zol Poer, who is a former Credit Suisse analyst. And he, said, I don't wanna pitch the idea. I don't wanna pass it off as my idea. 'cause it was actually, I was borrowing from that. And Gillian Tet had written about it.

[01:10:30] So that's why, where it came from. and he's, his, basic point speaks to the rust Belt issue. It's like 10, 10% of the population in America is responsible for 50%

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of the consumption, and the other 50% is being funded by federal deficits. Right? So that is not sustainable in the long run and there has to be some sort of transfer.

[01:10:52] Now whether that happens through tax cuts, or whether it happens through a wealth tax is the question, and China has, you know. I do think to a certain degree, Trump is looking to China in some areas and China has traditionally handled that through shaking up the, financial system whenever it gets too bubbly.

[01:11:12] And so that is, you know, that is the form of financial repression that goes on in China. You all get to like benefit from the bubble until it gets too much. It creates too much inequality, undermines the control of the ccp. And then we do a kind of controlled implosion of the market before it gets too systemic and, you know, ideally in a controlled way.

[01:11:31] And I think that is exactly what TR Trump is doing with tariffs. I think the tariff talk creates a gate by which he can then use rhetoric much the way the Chinese do with regulatory threats, to kind of turn on the, stock market on and off. And suddenly, instead of the Fed being the key influencer of, wealth transfers and who, how much renters get to benefit from, like, he's inadvertently changed it.

[01:11:59] You know, into his, power realm. And, and what it really does is every time the stock market kind of falls, you know, it, hits 4 0 1 Ks, it hits the wealthy. that's how I have framed it. But I'm sure Michael might have Mike Quibble.

[01:12:16] **Michael Every:** I absolutely, agree. As someone who grew up in a Marxist family, so therefore was surrounded by that rhetoric from a very, young age, which is something that I ended up confessing on more and more podcasts.

[01:12:31] I, was very, well aware of the, you know, of the rhetoric and the arguments and, I, was writing, you know, reports within my position or when I was covering Asia a few years ago, before China really clammed down on the stock market saying there's gonna be an ideological turn at some point, because, you know, this is not what it's all about.

[01:12:51] It's not about stock market bubbles. And then of course, we had common prosperity that came along. And the irony is, I mean, I completely agree, Isabella,

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what you're talking about, really, when Trump is saying, or scent, you know, the Treasury Secretary is saying, we are for Main Street, not Wall Street. he could actually say common prosperity and it wouldn't be completely out of place because.

[01:13:13] You know, many years ago it was clear that the US would have to mirror a lot of what China is doing in order to push back against China. You can't fight mechanical with free trade. It can't be done. But how ironic that yes, we have, we are for Main Street, not Wall Street, which is possibly a variation of common prosperity.

[01:13:30] And yet Wall Street absolutely couldn't see it coming. 'cause all they thought Trump was about was tax cuts, and deregulation. And he's about that too. But that's, not the whole package. So, yeah, I, absolutely thoroughly agree. I want to

[01:13:44] **Art Berman:** clarify just a bit and on, since we're talking about Trump and, Isabella alluded to it, that, there's such a mis, a misunderstanding of what his energy position is.

[01:14:04] drill, baby drill. I mean, that's, a slogan. And, it's, a meme and, it's catchy and, it's good and it's all about show, but what he's talking about is so much more comprehensive. I mean, he's talking about, I mean, it, I don't think he really cares that much if we produce a whole lot more oil or not.

[01:14:29] What he cares about is somehow leveraging the, total energy

[01:14:37] system of America toward power, world power, and. He could probably care less about whether he calls it liquid gold. But in his mind, I don't think he makes any distinction between what most of us Oh, he is talking about. Well, he, you know, it's interchangeable for him. It's, LNG, it's electric power. It's ai.

[01:15:02] and Isabella, I think made the point, important point about refineries that most people just absolutely don't think about at all. And I mean, the world is, and we've gotten to a point where everyone for a while was so sure that we were in this. Mythological energy transition that nobody would dream of investing in a new refinery except in an authoritarian country.

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[01:15:30] Certainly not in the United States. And I mean, all of the drill, baby drill and all these other things are absolutely meaningless unless you have a way to convert the natural gas or the crude oil, or the coal or the nuclear into something that you can use to actually be powerful and project power.

[01:15:51] And so I just wanna make it clear that, what is embedded in, in, you know, it's probably not Trump's idea, but it's the smart people that advise him, I don't care whose idea it is, using the considerable. Powers of the American government to underwrite, subsidize, use the Defense Production Act, use all of these levers that are available to every president to do things that otherwise can't be done.

[01:16:22] I, see every day, oh, well, gosh, you know, if oil goes to \$50 like Trump wants, I mean, well, that's the end of Shale. Well, that's the end of Shale if they have to pay, depend on a free market system to support them. But if there's tax credits and subsidies and, you know, and, we, they can actually get rid of their gas because the government builds pipelines, forces gas pipelines to be built.

[01:16:44] Well, that's a whole nother story. I mean, a couple of percent of net present value makes a huge amount of difference. So I'm not trying, I was actually accused of being a Trump asset last week, publicly, which is ironic. My, my politics, my, my. Personal preference 'cause it could not be farther away.

[01:17:05] But I, in a weird way, I don't mind because, because there are aspects of what he's doing in statecraft and, how that links to energy that are far more sensible than certainly anything that we saw under Biden or Obama.

[01:17:23] **Nate Hagens:** And I'll, leave it there. Well, crises create strange bedfellows, and I've seen it in, my own work.

[01:17:29] We're gonna need new, ways of thinking and new alliances, to carve out, better futures than the default. And on that question, my guess is that the viewers are going to wish this was a much longer conversation because there's so many things that the four of us could, talk about. but for interest of time, and this has worked really well and I hope to add the three of you back on the theme kind of embedded in this, last 75 minutes, what would each of you say to the, Childlike, people, in governance to make their thinking about what we face more adult-like. to put it bluntly, what are just some general broad arc or recommendations that

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you would give to people and positions of authority and, power, either in your own country or, more, globally? Not to put you on the spot.

[01:18:25] **Art Berman:** Yeah, I mean, a question like that is gonna put everybody on the spot because there is no solution. and I am, I'm a hundred percent with Michael on that, that, that the, we, most of the problems that we are facing right now are because of supposed solutions that were so narrow in their focus that they, created, a multiplicity of complexity that was simply not anticipated.

[01:18:58] And so. I'm not very hopeful actually about, about reforming the way that our leadership thinks. because I, think that they're, I don't think by, by, by their choice of profession, that they're locked into a certain expectations. But I am more hopeful about creating some sort of a nucleus, of, motivated people who don't necessarily agree with what the four of us are talking about, but understand what we're talking about.

[01:19:40] And, to your point about, trying to imagine a future that's better than the default of people at first, going through the stage of grief of saying, oh my God, you know, things are not gonna work out the way that I had hoped to. And, who's gonna do something about that? And certainly not the people that are running the world right now.

[01:20:04] that doesn't, that does. And, I don't want to, I don't want to veer into here's a solution. I'm merely saying, that I think we, we underestimate the, potential that a small group of people who are thinking in a, certain trajectory can create on society. I mean, we're, you know, we're, going back to the, you know, the islands of coherence kind of, of thinking, which I think is, quite powerful.

[01:20:35] And, I think all four of us certainly have studied history enough to know that there have been. Fundamental shifts in the way that humankind has thought in very dark periods that were essentially begun by one person or one small group of people. And that is that that is my, I won't call it a hope.

[01:20:59] That is, a kind of, parallel expectation to the, diesel that, that you talk about. Nate,

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[01:21:07] **Izabella Kaminska:** if there was one thing I would appeal to the elite, the ruling elite on, it's that I just want them to be a little bit more honest. I think there is this, you know, we talk about China when we talk about China, we know that there is this phenomenon of face, saving, right?

[01:21:26] That they have to appear in control. And if there is a big scandal, it is, you know, reputationally very, Distorting. And so, and people will do everything they can to avoid that face shaming moment. Right. and I think our elites are suffering from a similar phenomenon. And that is the key problem in that they are not prepared to admit where they've gone wrong.

[01:21:57] 'cause it would mean losing, political currency with the electorate. And at the same time, the electorate knows and understands that they are being lied to. They don't like it. They sense that there is a sort of two faced, Attitude towards them, this paternalistic sort of snobbism. and I think they could, I think they would benefit from just being a little bit more honest and admitting where they were went wrong and that, whether that's like, you know, telling people their diesel policy was wrong and not, you know, and, actually apologizing, to, to something complete.

[01:22:35] You know, all sorts of areas I can think of in terms of, you know, renewables. one of, one of the big ones being we said renewables would be the solution, but actually turns out that can't happen without a massive, impact on your welfare and your, and how much wealth you have, right? That they could have been honest about that they weren't.

[01:22:56] so things like that, I think they would get a lot further if they just were honest.

[01:23:01] **Nate Hagens:** So our, countries, our populations are star for authenticity. And so there may be an opportunity there for some, leaders to kind of come clean and, shoot straight, despite the initial reaction. I happen to agree with that.

[01:23:17] Michael, the final word, my friend?

[01:23:20] **Michael Every:** Sure. Two parter, if you don't mind. Very quickly, I just wanna give a quick anecdote about face. 'cause I live in Asia, my wife's Asian, and

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it took me a while to learn about what face culture really is. I completely agree with you again. Isabella, so many, years ago,

[01:23:35] face culture,

[01:23:36] sa saving face as Isabella was saving face referring to.

[01:23:39] Yeah. Because when Western is here that we're kind of familiar with the concept, but. It's difficult to socially understand how it works. So here's a practical example and, you know, for a bit of levity, but it's, true. At the same time, so many, years ago, I went out for dinner with my wife, my then mother-in-law, who's sadly now passed, and my father-in-law and my young niece and nephew who were only about, I dunno, six and four at the time.

[01:24:03] And we're all sitting there having dinner in this restaurant in a room and it's quite, empty. There are no other customers there and we're all eating. And my mother-in-law, broke wind very loudly, which, you know, these things happen. But it was very evident what had happened. And without batting an eyelid, she hit my, young nephew around the head.

[01:24:25] And at that point, socially. The flatulence had been transferred to him and everyone just acted as if it was his, you know, everyone. That's it. Yeah. They go and that's, how it worked. Now, politically, I would love to think that we can manage to have that kind of level of honesty, but unfortunately we're getting more of the transference.

[01:24:42] That's, what we're getting. but in, in all seriousness, the point I would make, a, alongside the excellent ones that the other two have just mentioned, is this, I would honestly say to someone who is in a position of authority right now and thinking, what can I try and do to understand the real world a bit better?

[01:25:02] Watch The Wire or, Top Boy, which is like the London version. I'm currently still on Netflix, I believe, because that kind of aggression. It's how things work. I was having a conversation just the other day with someone who was talking about the energy situation in Europe and you know, what could or couldn't be done.

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[01:25:22] And I said, well, which fossil fuel source is Europe going to use in a precarious geopolitical situation? They said, we're a big market. Lots of people will wanna supply to us. And I said, well, even when you've got a big army again. yeah. I said, well what about when the Red Sea got cut off by the Houthis?

[01:25:38] And if Russia wanted to, they could give the same missiles to people in West Africa, then it's very hard to get any oil to you at all. And suddenly your military doesn't move. And you know, if you watch The Wire and you watch Top Boy, you see that, rather than realizing, well, you sell your product over there and I'll sell my product over here slightly cheaper, and we have free competition, they'll murder each other.

[01:26:00] That's what the, that's what the game is. Just murder each other so you can have all of it and sell it at the highest price. Now that's going on around us in big cities all over the world all the time, and we are run by. People who have never in their wildest dreams, set foot in that world or understand what that kind of reality is like, but they're now playing in that game at the highest level, whether they realize it or not.

[01:26:20] So is it, would, could it kill them to sit for a weekend and watch a box set of some good drama?

[01:26:25] **Izabella Kaminska:** Isn't that why, sorry to jump in, but isn't that why Trump is a sort of Trump card for the West in that sense? Because he is the defacto Yeah. Soft boss man, right? That is what we are sort of selling to everybody.

[01:26:39] Like the Russia has Putin, China has Xi and Trump with all his sort of mafia esque, sorry, I don't want to get you sued or anything, but you know what I mean. you know his network, that is exactly what that's about. It's about not soft power, it's hard power, but in kind of. Drama form. It's, you know, America's back.

[01:27:04] But we're gonna, we're not gonna be pushed around.

[01:27:07] **Michael Every:** Well, let's just presume that by some brain swap, like some Hollywood movie, Justin Trudeau suddenly became president of the United States and Donald Trump became president of, sorry, prime Minister of Canada. I

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don't think those roles would fit particularly well, even though many voters might prefer that, you know, in, in each country.

[01:27:25] I, I, tend to agree with you, it doesn't mean you have to like what you're seeing any more than when you watch The Wire or Top Boy, that while you can see the human side of the characters, 'cause they are great dramas. You don't like what they're doing. I mean, these, are things that you wouldn't want anyone, but they're done.

[01:27:39] They're done on a daily basis. And if you are going to be in a game where that's happening, yeah, you don't wanna be sending Justin in Trudeau down to the streets in the wire. I don't think it'd last more than 30 seconds.

[01:27:52] **Nate Hagens:** Well, so that's a little bit of what's happening now instead of, Mary Poppins and Disneyland.

[01:27:59] our reality is more like the wire and top boy, suddenly

[01:28:03] **Izabella Kaminska:** Tony Soprano.

[01:28:04] **Nate Hagens:** Yeah. I'd like to, invite specifically the three of you back, 3, 4, 5 months from now and revisit this, based on the events in the world that are gonna be coming in April, May, June, July. This is a, I think, an important conversation because we're looking one or two steps ahead of, where the markets are today and, a lot going on in the world.

[01:28:29] Thank you all for your time and, wisdom and for your work.

[01:28:35] Thank you,

[01:28:35] thank you. all. If you enjoyed or learned from this episode of the Great Simplification, please follow us on your favorite podcast platform. You can also visit the greatsimplification.com for references and show notes from today's conversation.

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[01:28:52] And to connect with fellow listeners of this podcast, check out our Discord channel. This show is hosted by me, Nate Hagens, edited by No Troublemakers Media, and produced by Misty Stinnett, Leslie Balu, Brady Hayan, and Lizzie Siri.