

The Great Simplification

PLEASE NOTE: This transcript has been auto-generated and has not been fully proofed by ISEOF. If you have any questions please reach out to us at info@thegreatsimplification.com.

[00:00:00] Nate Hagens: Good morning. I should put an under construction sign here because my office my podcast studio is being upgraded. It is a rainy allergy laden Minnesota September day. And I wanted to do a brief. Update lots of frankly, is coming soon. Next week's is going to be on psychopathy because next week's podcast episode is on psychopaths in human culture and hope everyone can watch that.

[00:00:29] I have some follow up thoughts. Paradoxically, I was in a very good mood after that podcast, despite the depressing subject. So here are a few things that have come across my feed in the last week, and I'm just gonna comment briefly on them things in the news.

[00:00:57] One is my friend Tavi Costa who works with my former business school colleague Kevin Smith posted this graph showing that. Recently this last month, central banks hold more gold than US treasuries, and this is the first time this has happened in 30 years. There's something biophysically, ginormous, afoot in the world.

[00:01:24] Even if you're not paying attention, you can feel it. Gold is at 3,600 odd dollars per Troy ounce. People sense that the the biophysical gauntlet of creating more and more financial claims on a finite amount of ecology and natural resources. Is problematic. And so why would I want to hold something by an entity that is printing more and more of that thing when I could hold something physical that holds value over time?

[00:01:58] So this trend is continuing and. I often use the word, the phrase bend, not break. This isn't the origin of that isn't about society. It was about my work

The Great Simplification

with the financial credit system. Over 10 years ago I worked with two US government agencies looking at what would happen if the credit mechanism in the world seized up and we would have to look at more local and regional supply chains and.

[00:02:28] Paradoxically, we looked at fertilizer because most of the US fertilizer is not made in the US but in Trinidad and Tobago and surgical gloves and things like that. But this story of a really a musical chair's situation where. We paper over more and more claims on a finite amount of resources with bonds and bills and stablecoin and other things.

[00:02:55] This is the core of The Great Simplification. Everything else is downstream from that. So it's why I watched this story quite closely. Related to that in the news is interest rates in the major countries in the world are bumping up against 20 year highs. And for the longest time countries like Germany and Japan had close to zero or even negative interest rates.

[00:03:20] Think about what that means is you get paid to borrow money. At a negative interest rate. But if you think that money is a claim on future energy and resources, higher interest rates make sense, but too high of interest rates and it breaks the system because we have to finance our mortgages and take out loans.

[00:03:41] So this is really a, a seismic event especially in Europe and Japan that don't have their own energy sources. There was collapse in the French government yesterday, and French bonds are also a. Higher in, in rates, like how do we finance future things? We can print money, but we can't print energy or ecosystem stability.

[00:04:07] Longtime followers of this show know this is a core theme, but interest rates naturally are going up. Another thing that came across my feed last week

The Great Simplification

was this almost hard to believe Gallup Poll showing the percent of Americans satisfied with the direction of the us. But broken out by a political affiliation.

[00:04:31] And you can see that historically there has been divergence between Republicans and Democrats, but now it's an all time high. 76% of people who vote Republican think the US is headed in the right direction. Whereas 0%, at least in this statistical survey of people that voted Democrat, think we're headed in the right direction.

[00:04:56] What a bizarre statistic, like 76 to zero. It just goes to show the different narratives, the different news sources, the different boundaries of analysis, the different values, the different conversations that are happening in this country and probably around the world. One thing that happened last week, not much in the US media, was the SCO in Asia, the Shanghai Cooperation Organization meeting with about 20 countries, not the United States.

[00:05:27] Lots of announcements. There. That also makes sense with this biophysical gauntlet that we're discussing. One of the announcements was new energy collaboration between Russia and China, and they're discussing the power of Siberia Two pipeline. In addition to the existing power of Siberia, one Power of Siberia two represents a major redirection.

[00:05:53] Of flows away from Europe to China and the east on the West. Siberia fields were the major source of energy for Europe for decades, and while in theory some flows could be restored, the 30 year deal between China and Russia represents a major break with Europe and the West, and it's hard to overestimate the importance.

[00:06:16] Of these agreements for global energy politics because when completed, the Power of Siberia system and interconnection could deliver over 100 billion cubic meters of natural gas to China. This is half of natural gas exports

The Great Simplification

for Russia and around 10% of global exports. And given the fact that transactions will be conducted outside the Western financial system, the deal further strengthens the move away from the US dollar, which is a key goal both of Russia and China. Not too much about it in the US media, but history will probably view the 2025 SEO summit as another watershed in the shifting balance of power between the east and the west. Back in the West there was also quite a bit of news about a Department of Energy report on climate change and rebuttals of such.

[00:07:15] Before I get to that let me briefly mention. The Secretary of Energy today is a guy named Chris Wright. I have several friends of mine who are friends of him, say he's very bright, a good guy, incredibly competent, and I looked up his top 10 energy truths, and with the exception of a couple of them, which.

[00:07:37] Really don't have to do with energy. They have to do with his opinion on climate and the environment. I agree with almost all of 'em. Energy is the foundation of human progress. Hydrocarbons are essential for the modern world. I agree with those things. The problem is we live in a siloed reductionist system.

[00:07:58] So the Department of Energy Commissions a report on climate change, of course, because some of the energy types are chosen for their low carbon attributions. So this Department of Energy report on climate has some key findings and headline, summaries. I don't have the time or bandwidth to address them all, but if I had to summarize my take is this report is a bunch of half truths and narrow boundary conclusions.

[00:08:28] Take their first point. For instance, this is what the report leads off with and also the op-ed in the New York Times yesterday by Stephen Koonin, the lead author of this also leads, which is things we hear often, elevated carbon dioxide levels. Enhance plant growth, contributing to global greening and increased agricultural productivity.

The Great Simplification

[00:08:52] So this line is a classic. CO₂ is plant food argument which is technically true in a lab sense, but deeply misleading in the real world. And I did some research on this the last few days, and here are five brief, wide boundary responses. The CO₂ boost. Is limited and temporary. And yes, it's true that higher CO₂ can stimulate photosynthesis in controlled conditions.

[00:09:20] But this effect plateaus. Plants need nitrogen, phosphorus, healthy soils and water. And without those, this fertilizer effect stalls. Many crops lose this benefit within a few growing seasons, and this is called Leics Law in chemistry that there are processes and phenomenon in the real world are constrained by their least available input.

[00:09:43] And CO₂ is not least available. Second point, the nutritional quality declines from more. CO₂ elevated. CO₂ often causes plants to accumulate more starch, but less protein and micronutrients. And studies show reductions in zinc, iron and protein content in staple crops like wheat and rice. When exposed to higher CO₂, the implication being possibly more calories, but likely fewer nutrients, which is another hidden public health cost.

[00:10:16] Third minor point rebuttal here. Climate extremes in the future will cancel out the CO₂ gains. Heat stress, droughts, floods, and shifting seasons all made worse by global heating. Reduce yields far more than CO₂ boosts them. For example, corn and wheat yields decline sharply once temperatures pass certain thresholds.

[00:10:40] Regardless of what the CO₂ is. Fourth, a little rebuttal point. Global greening does not equal agricultural productivity. Satellite data today shows that global greening is real, but much of this reality is from invasive species, shrub expansion, and CO₂ loving weeds. That's not the same as productive farmland or healthy ecosystems, greening can also make biodiversity loss.

The Great Simplification

[00:11:09] A monoculture of weeds look green, but it's akin to gradual and inexorable ecological collapse. Lastly, the boundaries are artificially narrow. The do a's framing cherry picks one short term effect while ignoring the larger systemic cost of soil degradation, water scarcity, pollinator decline, and climate instability.

[00:11:34] Agriculture depends on the whole earth system. CO2 fertilization is a thin slice. That collapses under these real world complexity nuances. You can see why these points weren't highlighted. It's very much like a 1984. Ignorance is strength big brother sort of language. And the bottom line is the CO2 plant flu food claim, which is just one of the claims made here.

[00:12:04] It takes a narrow laboratory truth. And stretches it into a misleading soundbite, which over time in our polarized society becomes a story perceived as a reality. But in reality, climate disruption, nutrient dilution, and ecological stress far outweigh any temporary boost in photosynthesis. And much of the rest of this report is similar narrow boundary truths, which miss the important context.

[00:12:34] It's hard to have an energy department and a government focus on environmental issues when the goal of our economy is growth and consumption, not conservation and protection of our natural resources and stability of the biosphere. So I can forgive them for this misstep, but. This isn't scientifically credible.

[00:12:57] This report, and this is another slippery slope that much of the science. I also learned this week that much of the science on plastics is now being done in China because we've fired all the people in the US to look at toxics and endocrine disrupting chemicals et cetera. So the US.

[00:13:16] And science is a real thing that is eroding. And this is not a partisan thing. Exactly. Though Republicans are in power now, but it's, it's a little

The Great Simplification

embarrassing. When I did the last what I learned this week, people in the comments section said, Nate, you should, instead of focusing on all the negative news, you should have some positive news and end with some hopeful good news.

[00:13:44] And I agree I should do that. I looked for some good news online and I have a lot of good news actually planned to share with you in upcoming Frank's. But I'm sure by now many of you saw what happened in Carolina I guess it was last month, but it's out in the news now where a Ukrainian refugee young woman was killed just brutally on a train.

[00:14:09] And a lot of the news about that today is, why isn't this being highlighted on in the news? My take is different. I watched just a tiny clip. Of that, and I felt sick to my stomach for hours, and it's actually a day later. I watched it yesterday and I'm still upset by it. And I thought about why that is, other than the tragedy of, and the horror of the situation.

[00:14:37] But when I talk about The Great Simplification, I'm not afraid of consuming less and living more locally and having a lot more of my time spent working or doing things with the community and less consumption and high technology. I'm worried about the people like this guy on the train and other people who are mentally unstable and.

[00:15:00] The consumption side of The Great Simplification doesn't worry me. It's the human side. And much more to talk about on that. As I'm sure many of you can relate a lot of, frankly is a lot of podcast coming. I will be again in New York City in a couple weeks for Climate Week.

[00:15:19] If any of you're there, please look me up and say hello. And I hope everyone is well, talk to you soon.