The End of Globalization: Why Abundance is an Illusion

with Jeff Currie | Episode 229

Show Notes and Links to Learn More

The TGS team puts together these brief references and show notes for the learning and convenience of our listeners. However, most of the points made in episodes hold more nuance than one link can address, and we encourage you to dig deeper into any of these topics and come to your own informed conclusions.

00:00 – Jeff Currie, Carlyle Group
03:12 – Iran war, Strait of Hormuz disruption, Houthi attack on Saudi oil tanker, Nate on the Strait of Hormuz
03:24 – Wide-boundary perspective (Frankly on such)
03:51 – Red Sea shipping attacks, Black Sea shipping disruption, Russian refinery capacity halved
04:06 – Oil struggling to hold $100 a barrel
04:31 – Trump Always Chickens Out (TACO)
04:40 – US-Iran crude supply MOU
05:47 – Commodities as best-performing asset class of the decade (more info)
05:59 – 2020 bullish commodity supercycle call
06:27 – Diesel prices up ~81% year to date
06:44 – Roll yield vs. Price appreciation returns
08:01 – Contango and backwardation in oil futures
08:43 – A barrel of oil equals ~5 years of human labor
10:28 – 3-2-1 crack spread
11:03 – Arab Gulf refinery outages and product shortage
11:56 – Ukraine drone strikes 1,300 km into Russia
12:05 – Russia importing jet fuel from Japan and diesel from India
12:31 – US Strategic Petroleum Reserve drawdowns
15:35 – Crude distillation units and shut-in production
16:32 – Energy as the lifeblood of civilization
17:28 – Futures markets as a price-signal buffer
18:05 – Onion Futures Act
19:33 – Dodd-Frank Act
19:42 – Jeff's *The Physical Capital Paradox* op-ed
20:09 – Energy and materials as a shrinking share of the S&P 500
21:10 – 2022 commodity-driven portfolio drawdown
24:40 – Scarcity vs. debasement, Gold as the debasement trade, Oil, copper and grains as the scarcity trade

25:05 – Two-decade lead time to build a copper mine
25:33 – Guyana and Brazil oil from the prior investment cycle
25:56 – AI build-out demand for metals, turbines and transformers – Largest supply-demand shock in commodities
26:35 – Technological singularity
26:48 – *The Abundance Illusion*
27:16 – Carter's 1977 energy address
27:36 – Carter coining energy transition, Moral equivalent of war (MEOW)
27:52 – Project Independence
29:09 – George H.W. Bush, the Gulf War and the SPR
30:09 – China's investment in nuclear, solar, wind, batteries and lithium
31:28 – Robert Pape on the escalation trap
32:12 – Economic superorganism
32:37 – Splintering of the superorganism into East and West
33:10 – Robert Pape article on Iran in *Foreign Affairs*
33:28 – 1991 Gulf War, Soviet collapse, and US hegemony
34:37 – Drones vs. Patriot missiles
35:09 – End of globalization and bloc formation
35:23 – De-globalization and the war on free trade thesis
36:17 – Liebig's law of the minimum – Nate on the law of the minimum
36:29 – Petrodollar and the global credit system
37:42 – Bottom two income quintiles and lack of credit access
37:58 – K-shaped economy
38:07 – Fiscal transfers as the driver of inflation, 2022 stimulus checks and commodity prices
39:08 – Fiat currency
40:38 – Dodd-Frank and declining open interest in commodity markets
42:27 – Money as a claim on energy
43:10 – Exorbitant privilege
43:19 – Bretton Woods and the grand bargain, World Bank and IMF
44:09 – US Navy protection of global sea lanes
46:02 – *A New Martial Plan*
47:30 – BRICS vs. G7
48:41 – China's control of critical minerals
49:05 – Offshoring of emissions and toxic processing to China (Carbon leakage)
50:05 – China controlling chips via Taiwan
51:12 – Russia weaponizing commodity exports
52:12 – Targeting of Russian food supplies
52:27 – Ukraine and Russia produce more than 20% of global grain, Odessa port blockade
52:40 – Fertilizer shortage
53:01 – El Niño and crop damage
53:08 – European heat wave
55:21 – Second and third-order effects of diesel scarcity

55:58 – Silver price spike and Chinese hoarding
56:19 – US energy dominance myth
56:47 – US reliance on Canadian crude
57:16 – Banning product exports as national hoarding
58:15 – Debt-to-GDP ratios of Europe, US and China
59:06 – New economics of warfare
59:52 – French nuclear capacity and German renewables
1:00:48 – Battery technology race
1:01:32 – NVIDIA, ASML, and TSMC, ASML's technological moat
1:02:10 – *The New Joule Order*
1:02:27 – Security premium replacing the green premium
1:02:49 – Energy quality
1:03:17 – Electricity's share of final energy, Hard-to-electrify sectors
1:04:16 – Coal as the dominant global hydrocarbon
1:04:23 – Zero marginal cost of renewables, batteries, and nuclear
1:05:48 – Transcontinental railroad
1:05:57 – Peak oil demand-side
1:06:15 – Petrostates vs. Electrostates
1:06:41 – Fiber-optic controlled drones
1:09:23 – Fossil energy required to build AI data centers
1:10:29 – Zero marginal cost software vs. upward-sloping physical supply curves
1:11:11 – AI power and compute constraints
1:11:51 – AI winter and deflationary risk
1:12:18 – AI mega-caps as ~40% of the S&P 500
1:12:34 – 2014 oil price crash
1:12:53 – Sovereign balance-sheet imbalances
1:16:10 – Chicago school economics
1:16:22 – Return of state capitalism
1:16:50 – World War II industrial mobilization
1:18:25 – Peak oil demand accelerated by security
1:19:01 – Peak oil supply-side
1:19:37 – Reality of the Strategic Petroleum Reserve floor
1:20:08 – Amos Hochstein and SPR minimums
1:20:41 – SPR salt caverns
1:22:06 – Physical capital paradox and the munificent seven
1:22:25 – Physical shortages as the trigger for commodity investment
1:23:04 – James Schlesinger on complacency and panic
1:26:32 – Planetary boundaries