

Special Series on Geopolitics and Economics
Politics and the Management of Systems

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Webinar transcription

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Meredith Friedman:

Thank you all for joining us today. We're really glad that you have put aside some time to be with us on our next series of geopolitics and economics. If you have questions after George is finished with his lecture part, please type them into the Q and a box and I'll read them out for George. It just makes it a little more efficient and he doesn't have to be looking at the questions as they come in. So let's go ahead and start George over to you politics and the management of systems.

George Friedman:

Well, I've already, if you go back to the beginning, this has been about economics and geopolitics, and we're kind of reaching the heart of the matter now by making the argument that the distinctions that are made between state politics, war economics is ultimately delusional. These things all exist together. They all interact, they all shape each other. The idea that I was trying to really drive home is to undermine the idea that economics as an autonomous force is more efficient than when it's part of the whole system. So the most freedom that you give to the economic system, more efficient it is, it's not that this theory is inherently wrong. It is correct if you could separate it out. But the argument I'm making is that separated out is an impossibility because we live in a human existence. Human existence consists of many dimensions.

Economic is one of them. And E any of those systems could be made more efficient if they did not have to cope with the complexities of the other systems. So what we really need to think about in all of this is that economics politics, the military, our components, along with other things of a single reality, they are not individual elements that are then attached to it, but they are cannot exist except within the context and the very important context of the others. You can't really have an economic system without a political system. You can't really have a economic system without a military system in this world. If you lived in another world, you might be able to do that. And so on. And I started this entire thing by talking about Adam Smith, because Adam Smith is always raised by economists as the founder of the notion of an independent economics and of the science of independent economics.

Except if you actually read Adam Smith, that's not what he said. He attached it to war. He attached economics to the law. He attached it to the state. He attached it to everything. He always called it

political economy, not economics. That was a notion that grew up in 19th century, late 19th century, and is now commonplace. It is economics, and it's not a problem. Military, his statement bites itself. Well, things are politics, but in the case of economics, it creates an illusion and illusion that it is possible to separate it out. Now, what I'm saying here is not meant to be ideological. I don't really like ideologies because they're all about how the world should be. I'm not sure how the world should be. I try to understand how it is. So when I look at the way these systems work together, not just in the United States, but in other countries it's very clear they can't exist without each other.

And that therefore when you're sitting there with a economist and a chart, which McAdams always has a chart. So when he has a, and you're sitting there and watching it, you're watching a small fraction of what is going on and a small fraction of what's going to happen. And therefore there's a built in error factor in what's called econometrics and mathematical modeling of the economy. Just as there's a error factor built into military modeling in error factor, that's built into the idea that we can game out of war. And that problem is the exotic force. And the exotic has forest is not a Martian landing and taking control of the situation. The exotic force is all those other things that are going on at the same time that have to be taken into account. And that impact the system and kind of metrics in a, in a frictionless world works.

George Friedman:

And in a way, the economic profession looking for a frictionless world would wish everybody else would go away. Then there, their model would work. But the fact is that the problem with, you know, the problem that we have with economics as is normally considered is that it regards the outside force as episodic. It just happened to show up and don't pay no mat. What I'm driving toward is a theory of activity of which economics has part in which it's embedded in an entire thing. The entire thing I look at is that economics is a component of assist of series of systems and a different systems assistance. One is the political system. The political system is the matter in which controls are put on other systems that benefit some people, not old people, whatever. Okay. And it makes certain that there is a balance within you in life and that economics isn't able to upset it.

Many times economics is extremely instructive when the benefits of it, for example, are so widely skewed that there are large numbers of people starving and small number of people who enjoy themselves. Well, normally what happens is politics an uprising, a revolution, the death of people, but the political system works to rectify the consequences that might exist in people's lives. Okay. Secondly, there's the social system, which has nothing to do with economics. Social systems are things like ethnic differences, which don't inherently have economic components, but tensions between ethnic systems are very real non issues that are moral in nature. We're just watching the issue of abortion. This is not an economic issue, but it has forced itself into being a political issue and could in due course, depending on how it goes, affect the economic system. So there are a range of things that are social.

The issue of abortion is a social issue. It is embedded in religion, particularly in the Christian religion and definition of life. It is also socially embedded. You can see the map to see the geography of where people live and where they want to have changes. It is also one connected to various other political causes of movements. So you'll normally find pro-abortion people attached to Democrat party. Anti-Abortion people attached to the Republican party. There's always attachments along the social line and

that's social line that is occupied. Okay. can totally upset other things. So for example, coalitions are formed in the political system to accommodate the social system, which in turn empowers a particular political movement to take control of the state and change the economic dimension. Because in addition to abortion, they may have positions on a range of other issues. So they're always flowing into each other.

George Friedman:

So you have the international system that has to be taken into account as Leon Trotsky put it, you may not be interested in war, but war is interested in you. And the importance of that is to recognize that the existence within a country is dependent on the intentions of other countries. So for the United States the intentions of the Chinese or these intentions, or the Canadians for that matter, who are our largest trading partner can affect our internal political system and rebalance it. So for example, those regions heavily dependent on sales to Canada, and also opposed to abortion. Let's say you might have a political movement that opposes that supports abortion, but poses cabinet that is prepared to face Canada. And if that happens, then internal crises occur. So in aside from the fact that you can be occupied by another country and you no longer have an economy these things, you know, are possible.

What is the state? The state is the administrator of the outcome of social political and military activities. The state basically is under the control of these forces that allow the state to impose certain edicts, because it has sufficient political support and social support, military support to be able to do them. So what we have to take a look at is that buried in this is the economy vital activity buried in it is the social as we see with, with race issues and other issues in the United States, vital issues there, the political issues that divide us on how we wish to be governed, what the taxes should be in all those other things. There's a military system that soaks up resources or doesn't, and then four is defeated somewhere and becomes important. And then there's the state which sits there and tries to absorb all these pressures and create a coherent base that allows it to move in certain directions.

So when we say, what is a relationship of economics to geopolitics? It's not that we are saying that it is simply the prisoner of geopolitics, nor are we saying that it doesn't have an autonomous function. We are higher saying that we cannot really understand how the economy works without understanding all these other systems and that any econometric model that doesn't take a look at the external pressures that originated come at it really can't function. So I wanted to give some basic way to think about it before I started with the historical. And I wanted to use the examples that I have in my book, because I already have them in the book and I already know them. So if you've already read them, then you'll know them. So what I want to talk about then is for example, the cycles, the Jackson period, and Andrew Jackson arises as a challenger to the United States.

The United States at that point is east of the Appalachian. It consists of bankers having power, particularly in Massachusetts, Massachusetts is center of gravity. Boston is center of gravity, of the financial system and the trading system. After Louisiana purchase, we have to settle Louisiana territory. The financial system favored by the Massachusetts people and John Quincy Adams, who was president at the time, made it impossible for settlers to borrow money. When you settle farm you have to borrow money partly to pay the farm faith of the farm, but also to buy seeds, to buy fertilizer to do all the things that you need to do. But the Massachusetts bankers wanted to keep the dollar valued high under their

control. Why? Because they were trading with England and they wanted that to be the economy. So on the one hand, you had an economy that did not yet exist, an economy that did exist.

And the one that did exist was throttling the other economy, but you had a social problem, which is settlers are coming to the United States. There was not enough room for them to settle east of the east of the Appalachians. They're moving west they're opening farms and going bankrupt. So there was an election between two men, Andrew Jackson, first American president, who was born west of the Appalachians. And second John Quincy Adams, the ultimate Massachusetts guy. Okay. And at first Jackson lost because essentially the election was stolen from him this time. Really? It was a steal. It, John Quincy Adams managed to maneuver the, the college and move it over to the S the representatives. They voted Jackson down. There was chaos. Four years later, Jackson took over crushed the opposition and instituted a financial system that essentially devastated Massachusetts, the Eastern backers.

George Friedman:

And they still remember it as a terrible thing to do, except by pegging the dollar against silver and gold. He created a stable PR a stable dollar and that stable dollar allowed people to borrow money without the cost of that money, suddenly soaring up, which is what the ma Massachusetts people did. And in doing that, he created a vast agricultural empire that wound up spreading throughout the center of the country. Okay. So you take a look at this and you see, okay, there's economics, but economics has different outcomes that are desirable. So the question is, who has the power to impose that particular outcome? There's also the question of reality. What are we going to do with Louisiana purchase? So the economic question, if you were modeling the United States econometrically would be focused on the 90% of the American economy without understanding that that was no longer sustainable.

And there's another economy coming to life that had a completely different model of management money. So what you had was a social phenomenon, immigration, and moving westward, turning into a political phenomenon. Louisiana purchase had military reasons to secure the west. Okay. And you know, and this entire thing, you had the international system, the social system, a political system going on Andy economy. It was there too, but whose economy, what economy? In other words, when we talk about the relationship of economics and geopolitics, you have to first find what economy you're talking about. Because in most countries, there are many economies. There is one dominant one, but if you try to figure out what the dominant one in the United States was right now, you'd have difficulty because the United States has a mixed economy. So you have to balance all these economies, which never happens.

Somebody's always losing somebody, always winning. So the way to abstract, this is talk about money. If you only look at aggregate money and its cost and everything else like that, you're dealing with the economy. If that's all you're doing, you're going to have an outcome that you didn't anticipate. So if there were kind of metrics at the time of Jackson, you'd be looking at the question of, well, what does Massachusetts need? And, oh, yeah. Let's take a look at Virginia to New York. And that would be the country, its economy. And you wouldn't detect the emerging of it. And detection of the emerging of it requires a study of something very different one. We bought Louisiana per purchase. Why wanted France out of there? And we wanted to settle it to settling. It meant a whole bunch of other people, three, they needed another money management system.

They needed the currency to behave differently. And therefore you had not quite a civil war, but certainly not economy by itself could not comprehend what was going on. The same thing happened after the civil war, the United States was devastated. The not worth the greenback came there, not in the revolution. As other people thought adopting the money was worthless because the north had borrowed vast amounts of money from the Europeans to finance the war. And now they were having to pay it back in various ways. So the question became, how do we stabilize our economy? Well, this is a solution that rather than be Hayes and salmon P chase, oh yes. Chaz chase, chase bank. What they came up with was going back to the gold standard. Now the farmers went nuts because they were suffering and going to a gold standard at this point, raise the price of borrowing.

George Friedman:

And after the civil war, that just wasn't possible. The southerners they lost, nobody cared about them. But what they did was they kicked off in the Northeast, particularly the industrial revolution, the industrial revolution existed because an economic model was imposed by social forces who took political power. And it made for the next 50 years, we turned the United States into a third world from a third world country two by 1900, the world's producing 50% of the world's manufactured goods. And of course by world war II or at least the depression, it did it again. So in each of these cases, what we see is that what's called economic policy is shaped by forces outside the realm of economics, although aware of economics and consequences, but you had in the case of the gold standard, a military consideration again, how do we make sure that we pacified the south an economic a social, all these farmers who went west, we fought in the war.

What happens to them? How are we going to deal with them and so on? And that's doesn't mean that the system makes everybody win. One of the things you notice is that the sense system always has losers and losers always are the ones who have the least social support and therefore the least political power. So these are the people who, for example, the south who had no social support, no political power, they got screwed and then get out of it until after world war II. If you look at the question of the agricultural community, well, they were not going to build a railroads, was in a civil war. We built the railroads and the railroads were the key to using the west because they could transport goods back and forth. And that took capital. And the capital would only be raised if you stabilized the dollar at a high value to pay back to European on.

And so that's what we did. So we see the losers in the first instance to be the banking system this losers that was during the Jackson period. Now, the losers are the farmers, the same farmers who'd won the last time they lost you wind up with with Roosevelt. Okay. they had had this vast industrial plant. It worked, it was brilliant. The problem was that all the money went into building the industrial system. And very little of it went into the hands of the workers who couldn't buy the product that was solved by selling the product overseas through Europeans, which was a boarded by the fact that the Europeans had a world war that left them, not in a position to buy anything. And suddenly the us went into that depression.

And it goes on and on the process, for example, of what create a Ronald Reagan, what the Roosevelt period really invented was the credit card. That's overstating it, they developed consumer credit. So the consumers that didn't have enough money could buy some of the goods that they wanted, that they

could buy that those goods and borrow money and get the system going again. Didn't much work world war II. Did that world war II, put everybody back to work pumped a vast amounts of inflated dollars in taken out bonds. Okay. And that defined the end of that period. So this was a case in which the period was totally overthrown because of partly it had an impression, but also had world war two, a military event, redefined economy, and that military event had built into it, an ongoing commitment through this period through Roosevelt period, to credit, to consumer credit, buy a car on time, buy a house on time.

George Friedman:

The most important thing that comes out of world war II is consumer credit. And at a certain point, it works great, but there's so much consumer credit and it's buying so much stuff and starting to buy it overseas. That is not enough money to build new industries, modernize industries and so on. And so you wind up in a situation where things get crossed more and more and more. And because businesses are failing, unemployment is higher and higher. It's the 1970s. You then go to see that something comes out of this Ronald Reagan who overthrows the Roosevelt principle of cheap credit, but comeback and focuses on money being reallocated to building capital. And does that by basically cutting taxes on the rich and holding him steady on the poor, which violated every principle. But it did create the high-tech universe. The universe has starts in 1980 and uses that vast amount of money that's being collected to build it forward.

Now we're in a position where really outrider starts playing games. COVID which we'll talk about later, how it goes in, but what I'm showing you is there's this constant interplay between the social requirements. You know, I gotta have a job or I really, really, really hate Mexicans or something. Okay. So that's that is part of it coming out of that alongside it is war. So to understand the American economy, you've got to understand the civil war. You really have to a little understand world war one because it led to the depression and you have to understand world war II, which took us out of depression. Now, if you understand that, then you also have to look at which classes have won or lost. So in the Reagan revolution, the industrial classes lost the United States, shifted from a primarily industrial economy to a service economy, a tech economy, and so on and so forth.

And so those who had been employed in by general motors and Ford and everything else lost. So one of the things I'm getting at is that someone owes loses and those who lose become a political force destabilizing when the state can manage to take these losses and not these stabilize, the growth process, not undermine the military process. That's when the state is doing well. It is not only democracy's most brutal dictatorship must take into account the social interest in needs and does so a dictator who simply is indifferent to what the people need will eventually be overthrown. He has to try to keep the system happy. He is the state. He is seeing all the political forces, the social forces, the international forces, and he's trying to manage it's okay. He can see what it is very clearly. When you take a look at a country like Iran, which is desperately trying to maintain the social reality of the country, maintain the military boundaries of the country, feed the people, maintain the economy and keep a political system that doesn't go into upheaval.

Whenever you look at a country and you see these variables present, then you see that they infect each other. In order to maintain the social religious principles of Iran, they had to have a military posture. The

military posture undermined the economic posture and the government is fine. Trying desperately to find a way to combine the military posture with the economic. So it's a simple thing to say. A country is a single thing, a country, that's it. And it's a simplification. And that's what I try to do, which is we can get lost deep in the complexities of econometric modeling or the latest tank or anything like that. The details are important, and they have to be known by some people, but understand how a nation goes. You have to be watching these, this amazing array of forces against each other and see how they play out and see how the state tries to manage.

George Friedman:

So, for example, we're writing now the forecast for next year, which is a lot of fun because there's one wild card. COVID that we have no idea what to do. So we have a choice of pretending it's not there, or pretending that it'll destroy the whole world, which would give us a good forecast or something. So sometimes you get externally, even to geopolitics, something like this, that's not geopolitical, but in general, we wind up in a situation where you can forecast what's going to happen. But only if you understand, as simply as possible, the economic, social, political military forces that are building around you. And of course, every once in a while, a disease of I've never done that before, but it's interesting. How do you do this? Well, you sit down with each country and you take a look, what its power is because its power comes out of its ability to force other nations through economics, through military force political force, to do the things at once and the same process that benefits some nations slams the other nations.

And sometimes that leads to armed conflict or trade wars, or what have you. Now the whole problem here is that if you sit down and try to forecast the economy of next year, well, the Russians do what I don't think they're going to do. And start a war in Europe. The economy is going to be different. And the economists will always say, well, yes, we didn't take that into account, but we didn't expect it. Ah, but you can't expect to, you can have a good sense of what's going to be happening. In which case economics becomes a subordinate element to military events or political events, or turn it around. It becomes a dominant event and it becomes a kaleidoscope moving around. My hope is eventually to come up with a coherent, stable theory of geopolitics that incorporates all of these different players in whatever else I find.

And this, you know, instead of lectures you want to call them you know, was, is really helpful to me. And we'll still go on. But what I'm trying to reach is a notion of the nation state that doesn't try to turn into an economic process or a military process or a political process, or a social has all of these together to create a field theory. If you will like just inherited Neisner sorry. Einstein did. So a geopolitical field theory that allows you to comprehend the entire field through singular small forces. Good chance. Yeah, but it keeps you busy and is better than worrying for a living. So I will stop here. I have no idea if everyone over, behind to under.

Meredith Friedman:

You're right on George, not a problem. We've got now about 25 minutes for questions. So I'm going to start with polls. Question is the administrative state, as it exists in the modern west, too big to co-exist with modern freedom.

George Friedman:

Well, certainly you get much more freedom here, but if the state can't come in and take you away and kill you in traditional society, they could. But the idea of freedom as the ability really depends what you mean by freedom to do what you want indifferent to the outcome. Well, you're limited in that by the economic and social forces that are raised against you. So freedom is a concept that really needs clear definition free to do. What does the state take away power? Well, essentially the economy takes away power wars, take away power from the individual social pressures take away power. Everything takes away power and also you can manipulate them to get power. But the question is can a solitary human being do as he wishes regardless of the community and answer that is I've never known a society where that was possible because in most societies violating the social order in traditional society meant burning at the stake or something equally unpleasant in our society.

You can pretty much say what you want. You can't do everything you want. And the answer is that the history of Liberty was always complex. And in the founding of the United States, where there was a lot of room, you absolutely had no right to do anything you want until the banks came in and smashed you. So if freedom involves economic freedom, well that constrains us a lot more than the government. Good. And the government can restrain his lot. I'm not dismissing the idea of freedom because I really like it, but it always has to be understood. What do you mean? What can you do? But certainly there's no social order that doesn't constraint freedom.

Meredith Friedman:

Thank you. Before I get to Steve's, which is a long question, and I'm going to go to Carmel. His question is, was the invasion of Kuwait by Iraq, an economical, economical decision, economic decision. So what,

George Friedman:

Well, the reason there were a number of reasons. Firstly, Iraq had gone to war with Iran. That was something we wanted because here was Iraq, very hostile Arab country and ran a very hostile version country. And instead of us having to deal with them, they dealt with each other. We provided aid to the Iraqis. We provided aids to the Iranians, ran Contra was a very effective operation. We gave them anti-tank missiles, Saddam, attacked, Iran, thinking he had an agreement with the United States that he would become the regional power. If he wins. In other words, he threw away a million lives to get that agreement, to get what he wanted. He thought that he was after this, going to dominate the oil fields. So yes, it wasn't economic issue for him because if he could control that and the first step was Kuwait and he really thought he had an agreement from the ambassador us ambassador to Kuwait to Iraq.

And he kind of did have one because we were using him to fight and, but we never expected him to win. And so we double crossed him. So he went into Kuwait and sort of, we went nuts and he said, what the hell? Well, you know, we have to deal. And he kept talking about it publicly. And the answer was, yeah, he was hungry for Dean the oil power, because he was an oil power. He would be firstly, politically powerful with Interac God-like and he would dominate the region and make himself straight. So it had an economic dimension, but it was dealt with, with an American economic dimension, which at that time was to make sure Saudi Arabia survived. So we double crossed him. But yeah, they there wasn't economic dimension.

All right. So Steve's, I'm going to read out, it's a fairly long one. We talk about the real economy. People exchanging goods and services, barter and trade, for instance. So what is the other economy? Is that the states and state like corporations who trade resources internationally, these economies complimentary or conflicting, do they enhance or impede each other? Finally does the global economy tend to suppress the real economy. So as advanced nations, de-industrialized living standards, decline, infrastructure, education, and government hollered out. We are retrenching from the first world and becoming second and even potentially third world states riddled with corruption and authoritarianism.

George Friedman:

Well, I grew up in the Bronx and in the Bronx corruption, Charlie Buckley and Charlie Buckley ran the Bronx. So I have seen nothing to parallel the corruption of New York city in the 1950s and sixties. In other words, the United States has always been corrupt. It has always had dimensions of corruption and almost every country does because corruption breeds, efficiency, corruption makes it possible for people to get things done that they can't get done the other way. I mean, you couldn't get your street cleaned by going to your Congressman. He was busy on ethics, Charlie Buckley. He had his truck cleaned. So I have a strange theory on corruption, which is without corruption, if ever I had followed the law, the place would fall apart. Okay. This is a more serious question. What is the other economy? Well, the other economy with Andrew Jackson was the agricultural economy growing in the west, as opposed to what was seen as the real economy, which was the bankers.

The railroads were the real economy for awhile in a dynamic country. The real economy changes all the time. It is simply the place where most money is being made. Most excitement is being made. It is a psychological condition. Every economy must feed its people. Every economy must house them. These things are well known to what they're going to do, but there's always been rising economies in the world and declining economies in the world. And it's very easy to look at these things emotionally, because what happens to the leading economy is new challenges come up. And every challenge you see is going to be the decline in the United States. So for example, right now we all speak spec the Japanese, because we knew in 1980, that Japan was the rising power. And that if you stood around in circles and holding hands and singing hymns, you would have a great, great future.

The auto industry was collapsed on its own and by the Japanese, but another industry emerged. So when you look at the United States back to Jackson, always look at the next thing coming. You always have the thing you thought would never end in decline and then something else showing up. So the auto industry was America. It could not fail. It could not decline. Never would well tell that to bill gates. We don't recognize the, you think coming. So also new nations come up. We, we were the China of the 19 of China, of the 19th century. We were, no one would have expected that this req country was going to become powerful. We became the home of cheap exports. Low-Cost exports, manufactured goods. We swept the economies of the British and everybody else, and they really hated us. And then it stopped. It failed.

Then there was Japan, it swept the world. Okay. And we all said, my God, we have to learn from the Japanese until they went bankrupt and not back then the Chinese came out of nowhere and they did it. And now we're solving their struggles. In other words, it's a dynamic thing and there's always something declining. And it's always the big industry of that time. And it always looks like the country is going to

class, but you gotta look at the next thing coming. And if you do that, then you start to like Jeff Bezos, which I don't want to do, but he saw the next thing coming. And he knew that Sears Roebuck, which would never die, was going to die and he took it off. And so the problem is psychological, particularly in dynamic country, like the United States, since it's always an evolution in the economy.

George Friedman:

And the biggest things you're doing are the ones that will go bankrupt. You know, it's going to be the Chryslers that are going to go get because they're the most exposed to the change. And so, you know, I, I still have stock in the New York Central railroad is not a joke. My father bought some stock in New York Central, central railroad. It's not there anymore, but no one could believe that you could lose money in New York Central. So my view of this is that it is very uncomfortable to be human because everything you see that's been solid melts away. It's a fails comes. Meredith.

Meredith Friedman:

So Steve's response to that is he's a determined as to perfect classic George. And you never told me about the railroad stock. I would not have let you sell it

George Friedman:

With the company no longer exists. You could wallpaper the house correctly, Hopefully foray into the stock market, but you want it to be safe. So I bought you our central excellent, which then became Penn Central. And it was just a long story.

Meredith Friedman:

Okay. So vessel's question is the level of student debt in the USA of potential economic problem and therefore, eventually a political problem.

George Friedman:

Well, yeah, we put it this way. It is not a catastrophic economic problem. It's only a few billion dollars billion here, billion days. So you have real money. That's so sick. So I think it's about \$13 billion, no \$13 trillion. That's a serious money, but the problem is not the debt. The problem is that the educational system build itself up to a completely unmanageable size by depending on students borrowing unlimited amounts of money and therefore raise the infrastructure costs to staggering levels. My example always is Columbia university, beautiful campus on the upper west side of Manhattan. Does anybody know how much that land is worth? It's sitting on Manhattan land? And the problem is that as we was draw the the loans as we're starting to do, the students will survive because they'll cut the pay, cut the tuition, but the universities are built on the expectation of ever rising student loans.

As they go up and costs to student loans will go up and it's not going to happen. And so then we have a crisis in education because we actually need the colleges, not necessarily the ones that we have, but we need the colleges and we need educational systems. But if you ever go to Europe and see a university, it's a, it's a big building. You know, you go in we don't have country clubs, they don't have country clubs. So we're going to have a real redefinition of two things. First. I think what is the physical plant of university actually need? Okay. And does it really need that beautiful land? That Cornell that I loved was

on top of. Okay. And the second question is, what subjects should we actually be teaching? Is the university a place for vocational training, which is a dirty name on the university campus? Or is it a place where you prepare yourself for his job? What is the university at this point? We don't know. Okay. And I see many students coming out of university who I will call technically dumb masses. I don't know what they know or don't know. All right. I mean, even I was smarter than them and I was an idiot. So what happens in university now? That's what we worry about because that's where our intellectual capital comes from. And is it coming from there any longer?

George Friedman:

And this is what's scary. It's not the debt. Okay. It's over here on the social side, what are the social expectations of students, of their college education and what is the expectation of the university of what they can do to them. And right now you got me. And that means that how do we get the next generation into their first job? And not that at least made smart.

Meredith Friedman:

So the Columbia university tuition for, I think that's a little above the median average revenue income for a house hold in the U S middle-class household. So one year at 60, 1000 of colonial was 59,000. So not far behind,

George Friedman:

But you know, what's the worst part. The west end bars closed by the university at the west end bar was a great bar. I didn't go to Columbia. I was uptown city CCNY with the poor kids, but we went down to we went down to the west end bar to hit on girls and we never succeeded, but we had disillusioned the one day the will happen.

Meredith Friedman:

Oh, that's what you get for cheaper education. You didn't succeed. Okay. Marshall has a question. If you took the U S geo economics in 50 year cycles, what is likely to cause the next change after Reagan and will that be by 2030? I think you may have written about this somewhere too.

George Friedman:

Yeah, but I mean, the essential problem is compounded now. So when we have an economic resolution and a, I can, you know, a technical revolution is always in response to a social need. The social need we had when the automobile came in, was efficient ways to populate the countryside, not to have all these factories located in the city computing going into long story. Our basic need now is medical. The rise in old people. Hi guys. And the decline in childbirth. I mean, they've given up childbirth, I assume they've retained sex. They've gave up childbirth. And so in around 20 years, people above the age of 60 will outnumber substantially those below them. Now that's a problem because the most expensive period of life is as you head toward a barn, you know, the medical costs of keeping people alive under various conditions like Alzheimer's and you know, all the other disease diseases they're there.

That can't be sustained. Now, since this is a democratic society, old people will vote for themselves benefits because they can that younger people will like, so you'll have a social crisis, but the pro solution

to that is a medical one. Now, one of the things we've realized is that our medical establishment is not very good at major necessary things. You know, there, the notion of the scientific method does not seem to have built into it sustained risk. You know, what, what is the risk of this time lag or something? So there has to be a social transformation in the medical profession and simultaneously a technical one. I mean, we, what one of the advances in vaccines is we've created a platform for creating vaccines. Now that seems to be the case. I don't know. We don't have platforms. Every patient is unique. Every patient is treated as such every can't be done. There has to be a systematic approach to medicine. Okay. and diseases that are incurable now have to be cured, or we have to shoot old people to get them. Now that's probably not what I'm going to go for, because I think my children should support me forever. But if you're not planning wholesale killings of old people, then you have to cure them. So I think the next wave is medical. It is biological research will be what the microchip was in the Brazil years.

Meredith Friedman:

Okay. ed asks, I hear the word technocracy more and more often than an undertone of conspiracy. Would you please describe what it is and how it differs from today's governance? So what's the difference between technocracy

George Friedman:

Did you originally phrase is it's non-ideological we came out of world war II and the experts won the war. The people who could build a nuclear weapon, who built a hundred thousand aircraft who built an amazing number of submarines and so on, we turned the economy over to expertise and it really worked now that was in a very specialized circumstance. The question now is who should run the federal government and it came, it shouldn't be Charlie Buckley, although he certainly should be remembered. It should be experts expertise. And that's the origin and named technocracy originally comes from Europe, which is non-ideological government. It also raises the question of non-principal to government, which is to say, what exactly is the end of this government? Technocracy doesn't fully explain that aside for talking about efficiency. Now, Hitler was efficient. It's amazing how many Jews he killed.

He did it very well. Is this what we mean by technocracy? So that could be one model of technocracy. I personally don't support that. There could be another model of technocracy. So technocracy properly understood is I'm going to let really smart people run it and not be bothered by ideologues and people would opinion and stuff like that. And that was supposed to replace democracy. It never worked that well in the United States. But Fauci is an example of a technocrat. He knows, they say a great deal about, he doesn't know anything about governing and democracy. I mean, that seems knife. You shouldn't be his doctor. And we have this problem with the medical system, which is a technocracy and they do amazing things. I mean, I'm curious of all sorts of weird, and it's amazing that they get rid of this stuff. It is very capable thing that doesn't understand.

It has become an integral part of society in democracy. It's like Zuckerman. He does not understand that he succeeded and therefore he's gonna get his kicked for not taking political notice the integration. And so the medical system having really become technocrats has not understood that the, as they have to be political as well, that if they don't do that, they don't succeed. So technocracy is a term that is, was I think, first developed in France, of course, and Israeli government by experts. But the problem

government has to have experts of governments in there too, or be like, Roseville, just know how to do it.

Meredith Friedman:

Okay. I'm going to take some questions from some other people. And some of you are asking two or three, so I'm going to make sure everybody gets one question answered at least. So George Wilson asks, how do you see the growing evolution and development of cryptocurrency assets fitting into these economic models? How often in history has a completely new asset class like crypto come onto the scene and what have been the effects in the past?

George Friedman:

Well, they've come in and seen many times beavers, for example, we're a unit of exchange in nearly west and international trade as well. The difference is the cryptocurrency is it has no use. It is like a dollar bill and whatever value is placed in it is placed in it by the investor. So what can you buy you when a currency's value is determined by what it can purchase? I'm not having a great deal of difficulty seeing what it can purchase a sip for more cryptocurrency. So for example, if I went into a store and offered them cryptocurrency who wouldn't be purchased, the question is, will this become useful either in investments or in everyday life? And the question is it is very volatile. What are the natures of a currency is stability because I want to be able to save my money and have some safety in it.

So I don't want to wake up tomorrow and say is great. It's going on 50% or all my God went down 50% currencies have that stability in, oh, in the sense that changes are not abrupt. Okay. Cryptocurrency seems to have fairly radical moves at various times at unpredictable times. So if you're looking at your currency as the place you hold your, your money, your wealth, okay, you want to know it's safe. This stuff you can gamble on me. I prefer Vegas because somebody shows a great and when I lose it, I don't feel that bad. That's my crypto currency. I'm sitting with a pile of chips and there's a dealer and there's a girl called field Meredith Sienna who sits next to me. And I say, Vienna, where are you from England? Very nice that her husband shows up. So these are things you can't give a cryptocurrency.

You can't get keys feeling to sit down next to you and you can't have a real life run. The answers is a very important question and it will become interesting when it goes past the enthusiast stage. And I'm not sure how something that's abstract like that holds a value. The value seems to be set by the traders in the object that has no use value. Now that happens with dollars too and everything else, but it's got to lose its dynamism. And if it loses dynamism, why not just use a dollar? So I don't see how it works, but then I would have never bought a beaver.

Meredith Friedman:

Well, I would have bought a beaver. I liked beavers there.

George Friedman:

I'm not going to make the joke. I'm thinking of it.

Meredith Friedman:

Thank you. Here's another one from Matt and it's a little more serious international organizations and corporations have more influence and reach than ever before. And it seems that a social narrative is being applied to the world. Top-Down and marketed almost like a brand great reset, corporate personal social scoring, et cetera. How do you see citizens of various nations, particularly the U S responding to this?

George Friedman:

I think a small class take it very seriously. Most others, you know, money talks and walks, as they say you know, we talk about the great recess. What do they mean? And who's resetting it. There are many enthusiasms for climate change, legitimate, properly all sorts of things, race and everything else. But what strikes me sitting in rural Texas is how little it affects anybody here. And when you go to the people you read the newspapers, you think this is a massive concept, but life is enormously normal. In spite of it has very little existential impact, but those who prevail it, I think gained social status from having their pet passion, take a front place, and then they can be the expert and the implementation of that. So I, I see we've, we've had this before. I mean, during the Eisenhower years, we've had a range of concepts that were put forward.

But again, I tend to be fairly calm about these things because people have a tendency of dying and people forget what they were saying. It, the clock moves on and these things pass away when they become a compulsive legal issue. When there's enough social force behind it, to turn it from a political issue to the embedded issue in the state. That's what you have to start looking at about it. But otherwise, you know, I, I do a lot of Tokyo conferences and I really amazed. I'm the only ones talking since maybe not, but that's what I'd like to think.

Meredith Friedman:

So putting these two things together, talking about medical innovation, as you were a few minutes ago Yonis tasks as aging creates the condition for medical innovation. What about climate change? Can that revolution on roof revolutionized our energy production? So more about the economic impact on energy production?

George Friedman:

I will say what I said before the temperature is rising. The climate will change. We don't know how, or whether it will be bad. We have many climates and the models that people use all say, the picture will be a desert. Well, we have deserts now, will they grow bigger? Or what my house? And I'll be a desert. So it is very difficult to model weather. Okay. Because there's so much dynamism and so much differentiation. And it's just very difficult if you look at the modelers, okay. I do know that modeling and because it's so hard to do any sweeping statement that first the search that the same thing will happen everywhere, or that I know what will happen. Well, it's hard to say now we assume that the rise in temperature will lead to climate change. Okay. Well, when you look at climate change, Raylee, what is the climate?

Okay. But the idea that we know that it will be catastrophic and outcome is not supported by the data I can design any model you want, that'll show anything you want. But in terms of the complexity, we don't have the data on how climates behave right now to create a baseline. There's no global baseline, there's various things. So my view of this is we don't know what we'll be and the people who do modeling, which I do badly. So don't count on me. Really don't want to get the head slapped by raising this issue. The second thing is we're facing a famine. Natural gas is a major source of key components of fertilizer. Okay. Right now there's a shortage of natural gas. So we can expect a shortage of fertilizer for the next harvest. You know, we get through the winter, we start planning, okay.

George Friedman:

As this is not a consequence, I think of anything having to do with climate change. It's just another breakdown of the system. But we really have to think about, we think of hydrocarbons as simply drivers of trucks and loud noises and, and polluting the atmosphere. They're also the material that makes up fundamental elements, our allies, nothing more fundamental than food. So I think as we finished talking about it and making speeches about it, and we actually are going to do something about it, we're going to encounter the fact that we really haven't thought through what heart hydrocarbons do. And we don't have an alternative. And then I think voices will come out. Well, maybe the world won't end, maybe, I mean, world might end. I'm not an expert here, but I do know that one of the things that I'm forecasting struggling with is food shortages because of natural gas, shortages and other things. And that's going to be the real issue. I'm not sure yet, but it's starting to look. The Europeans are meeting. So you know, that things are serious with the Europeans, hold a meeting.

Meredith Friedman:

And, and that will take me into our next question. Since the European central bank is holding interest rates very low and negative and keep printing money, are we trying to keep up or try to match their efforts in order to stabilize both current?

George Friedman:

Well, let's ask this question first, socially, what do we need? Okay. We need a stable currency and inflation is dangerous right now. The middle class can't buy a house. Thank God I own one. But those who don't, they can't buy a house. The inflation we're experiencing is unique in its abruptness and the manners, which is affecting a whole range of things. So the ability to lower and higher hyperreflexia is hard. It's hard to bring it down. Okay. But I would think that what the banks are saying right now, the central bank, the fed is looking at right now is they're looking at housing prices and saying, we've just, we've just priced the middle-class out of home ownership, something they have had for a very long time. And they're trying to think of how to do it. If they pump money into the system, it will increase the price of houses.

If they pull money out of the system, 80 days have bought the house. They have no idea what they're willing to pay for my house. I love it would be idiots who would buy my house would suddenly find themselves in a very difficult position to repay the mortgage. So in the United States where home ownership is critical in a way that it isn't in Europe the things we're struggling with is, you know, housing prices, can't be this high. And that's, what's really knocked in, in Texas and California and other places. It's just gotten ridiculous. And you have a social crisis. Middle-Class, can't buy a house. That means that

you have to pay attention to political system has to pay attention to that. Okay? Cause that's the one that stabilizes us. And I'm glad I'm not in the fed because I don't know what I would do.

Meredith Friedman:

So I'd like to get in this question allowed me be a longer answer than we have time for. But that's the last is to have political future still of the opinion that COVID only exacerbated existing trends. What had COVID invokes something completely new, which might alter the 50 or 80 year cycles.

George Friedman:

It enhanced it because it made the medical problem front and center. It speeded up that process. We will be dealing with medical issues. The peculiarity of COVID was how the government managed it, how governments everywhere managed. They had a zero tolerance for risk. When all such disease are risky. They also, they didn't manage the risk concept coherently in the sense that this most people who are below the age of 65 will get through this many people are over the age of 70 will die. Okay? So we need a differentiated set of rules. Old people should stay home. They should not go out because they're going to get sick. Young people should not be deprived of school. So the damage that was done was in school. You learn how to have a fist fight, how not to hit a girl, maybe should I, these days it's basic principle, how to be with an adult who does that think?

You're wonderful. These are the important four. Five-Year-Olds have to have that, that lesson. They didn't have it. They stayed home with their parents. And I don't know what the social consequences of that are going to be. So I would say this much, I don't think we've changed. The pattern remains the same. However, we've created a set of stresses that I suspect were unnecessary. It could have been handled differently with self-quarantining, to Dennis dangerous. And so I will only say I take my shots. I take of it. Okay. If I give it to a guy who didn't take his shots, his, not mine you know, there was decided not to do it. So he didn't do it. Somehow. The government has taken a role of protecting us for our own insanity and winding up hitting its own credibility. Fauci is a brilliant man. As a politician, he is incapable of a coherent statement and you wind up the poor man has lost his reputation that he gained simply was you watch them and say, what, what did you just say? So I would think that COVID is not a transformer of the social system, but a certainly dented it very hard

Meredith Friedman:

And something we have to look at in our forecast for next year, obviously. I've got one last question. If we could get a short answer for this one, how do you deal with the replication crisis in which the experts are questioned as experts? It kind of follows on from what you were saying about 5g.

George Friedman:

The problem with experts is they're experts at a narrow area, but they don't think also ways the consequences outside their area of their solutions. So what we have to have are generalists, who will sit down with the expert and say, look, you have now proposed the children, not go to school for two years. This is not good. You can't explode. It is the solution to the problem you're dealing with, but you're probably dealing with, it's not the only one, the problem. And this is again, technocrats. This is the problem experts deal with narrow areas. They're very good at it, but there's no one overseeing them. So I have an idea I'll float out. First time, we need to recover the cabinet of the United States. Nobody ever

pays attention to cabinet, but the cabinet is there. Washington created to have a bunch of smart people, not experts running the various departments.

George Friedman:

You know, the ex the captain no longer does that, but they are people who are politicians. They became this because they were politicians and they understand you can't do that to the public. Cause there's a rip your third ads. So there's no one except the cabinet or some such institution. We should look at a doctor and says, I think that'll solve your problem. However, you're creating 17 others that won't handle. And the problem with the experts is they know that they're there. They're hedgehogs. They know one thing extremely well, they're not foxes. They don't know many things poorly. And we used to have a government which did not depend on us. World war II took us to that. I stopped now as I shared enough.

Meredith Friedman:

That's wonderful. Thank you. We're just three minutes over our lot of time. Thank you all for sticking with us. And we will see you again very soon. Have a wonderful evening. Thanks for joining today. Bye bye.