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Steve Keen: "On the Origins of Energy Blindness" | The Great Simplification

1 hour 32 minute video

<https://youtu.be/lrMWSkzrMYg?si=P8AxGlsl3zw7gCe8>

(Conversation recorded on December 14th, 2023)

Show Summary:

On this episode, economist Steve Keen offers a deep forensic history of why modern economic theory has neglected the role of energy in productivity - and why this "Energy Blindness" is now a major blind spot in how our culture views the present - and the future. The massive, temporary carbon surplus we've extracted over the last few centuries has resulted in an exponential increase in the standard of living for many. This explosion of global economic growth also happened to coincide with the development of all modern economic theories and formulas, leading to a core misunderstanding in the way our economies are powered. How have technology and innovation been used to cover up the role of a growing energy supply in the last century of rising prosperity? In the midst of discussions between value and labor, where does energy really fit into the equation? Where do we go once we understand the true role of energy in our economy - and will we have the ability to reshape economic policies to be in line with our energy realities?

About Steve Keen:

Steve Keen is an economist, author of *Debunking Economics* and *The New Economics: A Manifesto*. His new book, *Rebuilding Economics from the Top Down*, will be released in 2024. He is a Research Fellow at the Institute for Strategy, Resilience, and Security at University College in London. Steve was one of the handful of economists to realize that a serious economic crisis was imminent, and to publicly warn of it from as early as December 2005. This, and his pioneering work on modeling debt-deflation, resulted in him winning the Revere Award from the Real World Economics Review.

BIG, BIG PICTURE

Nate:

Big, big picture. Let's move to the stratosphere here. What are the implications of everything that you've said for our modern society and for our future and for our decisions and planning for that moment?

Steve:

The fundamental of grounding is that without energy, there is no GDP.

Big Picture Implications and we have been getting our energy out of fossil fuel forms. And of course with fossil fuels, we generate carbon dioxide. That is causing global warming and that is destabilizing the climate on which our production systems depend.

Now we've been blind of that, particularly the economists who are so-called specialists in climate change, William Nordhaus and friends have no idea of this either.

Nate:

Right. So that's another flaw in the production function is there's not the waste capacity that feeds back in to the biosphere that is our only source of wealth. Because without oxygen and viable ecosystems, we all die.

Steve:

Yeah. No, that's not concluded in the way the neoclassicals think about climate change. And that's why you've got nonsense

statements like by Nordhaus for example, saying that it's really, really difficult to find any direct impact, so the expected climate change on the bulk of the economy in the next 50 to 75 years. Now by the bulk of the economy, he meant all of manufacturing. He even included all of mining, services industries, government, et cetera, et cetera. He could see no way in which climate change will affect that. If we get a blanket ban on using fossil fuels because of totally destructive change to the climate in the next 5 years or so or 10 years, there'll be an incredible plunge in GDP and we're not prepared for it at all.

Nate:

I think if James Hansen and his colleagues are right, we're going to have a spike in climate warming temperatures in 2024 because we're shifting from the PDO, from La Nina to El Nino on the backs of the sulfur aerosols being reduced as a masking of the thermal inertia. So we're going to see, and if we go up a half a degree Celsius next year as they're suggesting, that's going to have massive impacts around the world. And then yes, you're right, people are going to be like, "Oh my god, this is real and our emissions are rising and fossil energy is to blame." But I think most people still don't understand the deep linkage between fossil energy and the size and scope of our economy because they're energy blind.

Steve:

Yeah. And economists have contributed to this blindness rather than clarifying, that they are actually absolutely essential.

Nate:

And on your previous podcast here, this is your third appearance on this show, you predicted that economists, because of their identities and status and built personal situation, they will not change until there's a crisis. So can we anticipate what's going to happen with the environment with oil depletion, though that's going to happen gradually, with what's coming and create some blueprints and break glass in case of emergency plans that are actually based on what a physiocrat might advise the French king, the modern equivalent of that? Can we do that?

Steve:

I think it's incredibly late timing to be doing that, but as you know, we depended on fossil fuels for about 85 percent of our energy, and that hasn't changed much in the last 20 years. It's gone down to some extent for some time because of growth in fossil fuel production, decline in hydroelectric, which that's the main form of renewables even now is hydroelectric. It's not wind and solar. Potentially, we're going to see quite serious climate catastrophes coming our way. Most of the climate scientists I'm in touch with are scared about are a global famine caused by a collapse in food output from one of the wheat belts or corn belts of the world, and that then leading to social breakdown because suddenly we haven't got the food we need. Or wet-bulb catastrophe is the other one, which would hit third world countries more than it would hit Westerners probably. But something which is catastrophic, which causes a massive collapse in population, and then leads to probably rogue behavior by governments around the world then, because we haven't managed to even reach an agreement to phase out fossil fuels, the last COP-out meeting. It'll be every country for itself in what could be a very chaotic environment, will be a very chaotic environment if we see something like a global famine.

Nate:

So you're saying that we shouldn't look to the neoclassical economists who are the current economic shaman and cheerleaders of our cultural narrative of the early 21st century? We shouldn't look to them to change their minds and chart a different course?

Steve:

They will be the most shocked and most confused by what happens completely. They're useless. They've led us astray. It's just been a cascade of errors right back to Smith, as I've said, that led us to the situation, but the last people that have any understanding of the physical role of production on the planet are economists, and the were last ones who realized the dangers of climate change are also economists. So I would just like to kick them out of the room. They don't belong here.

Nate:

I tend to agree, but let me play devil's advocate. There are a lot of bright pro-future young people in college, in graduate school, in postgraduate. Couldn't some of them take the kernels of truth bombs that you've been laying out here and contribute to the science and understanding and translate between what you're saying and what the traditional neoclassical economics departments around the world? I suspect your answer is going to be no, because their boss and the people that gets the funding are the tenured economists and they're not going to fund this sort of research. Or what do you think?

Steve:

No, it's a waste of time. I mean, some of the young ones are worth reaching to say, "Look, for God's sake join Rethinking

Economics, fight against your curriculum." But fundamentally, if you want people to give you guidance right now, it's going to be the engineers and they're the ones we should be... Get the engineers to look at it. The first thing an engineer is going to look at is the energy supply. That's just the nature of training of engineers. It's all about how you use energy and how you direct it to produce useful outcomes rather than blowing things up. So the engineers are the ones we need to rely upon, and we should have been getting them to build the alternative technologies in the last 40 or 50 years rather than me getting a lot of them to go off and work out as financial engineers instead and give us speculative bubbles in real estate and shares. We've had a huge misdirection of our intelligence for the last 40 or 50 years. And again, economists are to blame for that.

\*\*\*END\*\*\*

~You must always be willing to truly consider evidence that contradicts your beliefs, and admit the possibility you may be wrong. Intelligence isn't knowing everything, it's the ability to challenge everything you know. Let's all give up our fear as a justification for not to take action because we are the creators of our reality.

Sending healing vibes  
Monica Zazueta  
Concerned Mum

360-723-7707

Sharing energy,

1.

Doughnut Economics 7 Ways to Think Like a 21st Century Economist  
by Kate Raworth

Free digital copy of the book,

<https://fenix.tecnico.ulisboa.pt/downloadFile/845043405579281/Raworth%20%282017%29%20Doughnut%20Economics.pdf>

2.

29 minute video explaining Doughnut Economics

"How radical ideas can turn into transformative practice. Stockholm impact week 2023"

<https://youtu.be/qwyzsAWRMcw?si=Hut8czYBLqAjOBpb>

3.

Nate Hagens: "Episode 100 - The Great Simplification"

<https://youtu.be/GocuMZX3hIs?si=impadsCjN-aGZzk0>