Steve Jermy: The West's Failure to Adapt to Multipolar Reality

Royal Navy Commodore Steve Jermy commanded warships in the 5th Destroyer Squadron and Britain's Fleet Air Arm. He served in the Falklands War and in the Adriatic for the Bosnian and Kosovo campaigns. Then retired after an operational tour, in 2007, as Strategy Director in the British Embassy in Afghanistan. He is the author of the book: "Strategy for Action: Using Force Wisely in the 21st Century". Follow Prof. Glenn Diesen: Substack: https://glenndiesen.substack.com/ X/Twitter: https://x.com/Glenn_Diesen Patreon: https://www.patreon.com/glenndiesen Support the research by Prof. Glenn Diesen: PayPal: https://www.paypal.com/paypalme/glenndiesen Buy me a Coffee: buymeacoffee.com/gdieseng Go Fund Me: https://gofund.me/09ea012f Buy Diesen merchandise: https://diesen-shop.fourthwall.com/en-nok Books by Prof. Glenn Diesen: https://www.amazon.com /stores/author/B09FPQ4MDL 00:00 Introduction to Geopolitical Dynamics 02:56 Understanding the Multipolar World 06:45 The Shift in Military and Economic Power 09:57 The Role of Energy in Global Economics 13:39 Cost of Living Crisis and Energy Dependency 18:06 Preparing for Future Economic Challenges 24:35 Shifting Global Power Dynamics 25:33 Navigating a Changing World 29:30 The Role of Economics in Global Conflicts 36:28 The Dangers of Self-Deception 37:37 Potential Outcomes of the Ukraine War 45:22 The Risk of Escalation and Nuclear Conflict

#Glenn

Welcome back, everyone. We’re joined today by Royal Navy Commodore Steve Jermy, who commanded warships in the 5th Destroyer Squadron and Britain’s Fleet Air Arm. He was also the strategy director at the British Embassy in Afghanistan, and he writes excellent analysis. So make sure to check out his work on Substack. I’ve left a link in the description. Good to see you again. How have you been?

#Steve Jermy

Yeah, I’ve been well, Glenn. I’ve just got back from Tbilisi, where we missed you. It was Pascal’s event, and I think it was a political forum as well. Laurie Johnston was there, Pascal was there, and so were many others. It was a great event, and hopefully there’ll be another one in May next year. The first thing I like about Tbilisi is that it’s at a crossroads between, you know, the West and the East and the North and the South. And that makes for open thinking, which is what we need at the moment.

#Glenn

Yeah, I was there a few months ago, and I'll make sure to be there next time. It's an excellent city and a great country. In Europe, we're often so busy thinking that the Georgians need to learn from us that we never ask what we can learn from them. And I think their political pragmatism is very important. I think it's interesting that it's so difficult for us to understand what they're saying, even though it's very basic. They're saying, "We like Europe. We want closer relations with Europe. We'd be happy to join the EU. But you also have to recognize that we live on the border of a great power."

"If we start hosting NATO missiles and US troops in Georgia, it's a little like the Russians putting their troops in Mexico. We would be destroyed. So we'll get along with Russia. They're our neighbors. But otherwise, let's see how we can get even closer to Europe." I mean, this shouldn't be a controversial position, but it seems to be very hard for us to swallow in the West. So, no, I think it' s a brilliant country. Anyway, this is somewhat related to what I wanted to talk to you about today. In the West, we seem to have a problem adjusting to new realities. I mean, everyone seems to recognize that the world is changing in a very big way.

That is, there's an entirely new balance of power. It's a multipolar system, and we must adjust if we want security and prosperity. But at the same time, we look back on the previous era, especially the period since the 1990s, as a great time because all the power was concentrated in the West. And we simply don't want to adjust. We want to go back to the old ways. And, you know, that makes it very difficult. We have to look to the future. We have to accept our limitations. We have to recognize that we'll have a more modest role in the international system. We're going to have to accommodate adversaries. And the way geopolitics and geoeconomics work will also change.

But recognizing this reality is seen as almost treasonous, as a betrayal, a surrender, as if we're not committed enough to the vision we had in the '90s, when we were going to transform the world with our liberal hegemony. So, yeah, Europe is becoming a weird place, is what I'm saying. But you, on the other hand, are one of the people who look to the future and take the way the world is changing as a starting point for thinking about what the best policies are moving forward. And you also write about this. So let me start by asking you: How do you see the multipolar world and our leaders' ability to adapt to it? And how will politics, economics, and energy all be connected in this world?

#Steve Jermy

I think it's the $64,000 question. I've had a go at it, and I don't profess to have all the answers. It's really good to have this opportunity to talk with you, Glenn, because I really appreciate your erudition. As I think you know, I've written an article on my Substack called "The Structure of the Future." It goes back to some thinking I did in 2016, which I presented in a lecture, gosh, ten years ago. The way I look at it, there are three key components. The first is geopolitics. The second is economics. And the third is what I call energetics, by which I mean the world of energy. I think the way to think about these components is to see them as all interrelated. But all the noise is in politics, so that's where the commentariat is.

That's where people are looking at immediate events in the Strait of Hormuz and so on. I think that matters. But I think the critical thing happening in politics and geopolitics is the shift you've just described. People say we're moving toward a multipolar world. I don't think that's true. We're already in a multipolar world. It couldn't be clearer, in my view. I think it depends on what you mean by a pole. In the article, I've described the poles as being defined fundamentally by military power, although it's much broader than that. But I don't think military power comes down to what John Mearsheimer calls latent power. I'm a great fan of John's work, but he talks about GDP and population as the critical factors of power.

I think the critical factors for military power are different. The first is industrial capacity: the ability to make the things you need for military power. The second is energy. You need energy to run your factories and carry out your operations. And the third is the ability to think and act strategically. I'm sure we'll circle back to that. But when you look at what's going on in the world, it seems clear to me that the shift to a multipolar world has already happened. We had the G3 meeting in Shenzhen last week, and that's surely evidence of it. The fact that Europe wasn't invited to that meeting and hasn't been invited to the talks to end the Russia-Ukraine war tells you something. It tells you that Europe is weak.

Europe would profess to be strong, and when you look at its GDP, you could say it's strong. But so much of Europe's GDP comes from financial services and the service industry, and so much less nowadays comes from making things. And as I've said quite a few times before, the ability to create synthetic collateralized debt obligations may be useful somewhere up there in the financial world, but it's not much use on the battlefield. So what we're seeing, I think, is that this shift in power has already happened. But as you go down to the next layer, the economics of it, I'm a great fan of Michael Hudson's work, as I think you are too.

And he distinguishes between two forms of capitalism. The first is financial capitalism, which is very much practiced in the West today. And the second is industrial capitalism, which I see practiced in Russia and China. And, you know, Russia is outproducing the whole of NATO, including the United States, in armaments. And China is now the workshop of the world. And the big question is, which of these two models is best? On the basis of this evidence, it seems obvious to me that industrial capitalism is the right model. And I think there are other bits and pieces to service capitalism as well. I think what we've seen is that a number of financial institutions in the West are interested in creating debt through fractional reserve lending.

And you've seen a transfer of wealth as well, from the lower and middle classes to the upper rentier classes. And this is a structural transfer. I think I talk about it more in the article, Glenn. But of course, what's this doing? Among other things, it's creating a lot of tension in Western societies as they struggle to cope with levels of debt that, frankly, can't be repaid. You know, it's obvious to me

that they can't be repaid. You can circle back to the Russia-Ukraine war as well. I think the latest idea from the EU, which would be highly amusing if it weren't so tragic, is that they're going to lend money to Ukraine and then the Russians will pay it back.

I mean, it's amazingly laughable, frankly, that anybody can think like that. How are the Russians going to be forced to pay it back? Well, it's obvious that they won't be. But down in the bottom left, Glenn, is what I call energetics. Essentially, it's the world of energy. I've been thinking about this and working in the offshore energy sector for the last 15 years, and I've developed what I call macroenergetics, which is a way of thinking about energy and applying that to macroeconomic analysis. And I always say that the one thing you can rely on macroeconomists to do is fail to forecast the future. They're extremely good at that. And I think that's largely because macroeconomics isn't based on science.

It's based on social science, and it's more faith-based. I remember when I was at Cambridge many years ago—in 1992, I think it was. I'd come from sea command, and my lecturer told me, "Don't worry about macroeconomics. The maths is easy." Even though I had a maths degree in applied maths and physical oceanography, I couldn't remember the maths. So I said, "Oh, thank goodness for that, because I can't remember it." I now realize that the reason the maths is easy is that it's all wrong. Everything's wrong, and the forecasts are wrong. So we're in a situation where energy really matters, and the world has been energy-blind until quite recently.

So what's happened? I think I'll circle back to geopolitics at the end, but what's happened is that we've been forced to give up our energy blindness. We're really having to recognise how much energy matters. And if you look at the world macroenergetically, you can see that the West, through its policies, has probably caused a global recession that it's itself suffering badly from. The first thing we did, back in 2022, was to impose sanctions on Russia, especially on its oil and gas exports. Those sanctions were bound to have a worse effect on us than on Russia. And so it's proved, as with all these boomerang sanctions.

And if you want an example of how much damage that's done, just look at the German economy, which was based on free or cost-effective gas and diesel from Russia. The second thing, of course, was that the Americans—Donald Trump in particular—decided it would be a really good idea to attack Iran. Who knows how the relationship between Bibi Netanyahu and Donald Trump worked, but the reasons for the attack were apparently outside the UN Charter at best and more divisive at worst. And as so many of us forecast, the attack was likely to lead to the closure of the Strait of Hormuz. And so it did. And bang, that's another massive hit to global energy supplies.

And the last thing we've been doing recently is providing long-range weapons to Ukraine. It's the Europeans who have been doing that, so Ukraine can attack Russia's energy infrastructure. And surprise, surprise, that's taking oil and gas off the market. I'd call myself an energy analyst, but I also listen to a lot of other analysts. I remember one who reckoned that if you look at the overall damage done by those three policies, the impact is split about 40–60. So 60% of the impact on

global energy supplies has come from the closure of the Strait of Hormuz, and 40% has come from the two policies against Russia. And what's that led to? It's leading to a cost-of-living crisis.

I'm not sure what it's like in Norway. You're probably a bit better insulated. But across the rest of Europe, and indeed in the United States, it's having significant political effects, and those effects were foreseeable. But the point is that the cost-of-living crisis is really a symptom of an energy cost crisis. The cost of energy has gone up, and I think that's what's most likely to bring both wars to an end in the medium term, provided we don't fall into the trap of some ridiculous escalation—whether that's the United States escalating the war with Iran or getting into a war with Russia. We'd lose in either case.

And the reason is that as the cost-of-living crisis and the energy cost crisis metastasize into real societal problems in Europe and the United States, we'll turn our attention back to our own countries and our own economies, which are suffering badly as a result of these policies. That shift in focus will, I think, eventually bring both wars to a close, unless our leaders, who are a bit hard of thinking, I'm afraid, keep going despite the damage they're doing to their own economies. Bill Clinton said, "It's the economy, stupid." He's not right, but he's close to being right. I think it's the energy situation that matters, because that's what drives the economy. So let me stop there, Glenn. I've been partly explaining the article I've been working on and partly ranting. I'd better stop ranting and give you a chance to bring the conversation back to a more moderate place.

#Glenn

No, no, but I think it's "the economy, stupid." It's a good point. I think we often have the wrong discussions in the West, especially in Europe. I mean, to understand the period we're living in, we should be talking about geoeconomics. In geoeconomics, political influence, prosperity, and security often come from competition between states to create a favorable asymmetry of dependence. That is, all states want others to depend on them, but they don't want to depend on others. So, for example, in Europe's relations with Russia, the Russians should depend on our banks, our currencies, our technologies, and our industries, but we should reduce our dependence on their energy.

This was kind of the formula, at least in the '90s and 2000s, and probably still is today. But, you know, when I read the article, I thought about how I argue that geoeconomics rests on three pillars: you need physical industries, physical transportation corridors, and financial industries. And again, it's not a very original idea. I kind of stole it from the American system. In the late 18th and early 19th centuries, the Americans realized that if they wanted complete independence from Britain, they first needed their own manufacturing base so they could be technologically and industrially independent.

They needed physical transportation corridors—roads, ports, and all that. And the third pillar was a national bank to give them financial autonomy. The way I see it, this is essentially what the Chinese are doing. I would put Russia in the same category. It's the same three pillars: they need their own

technology, they need physical transportation corridors like those in the Belt and Road Initiative, and lastly, they need financial autonomy. It feels like I don't hear anyone talking about any of this. All we're talking about is fighting the latest Hitler. Is Russia going to restore the Soviet Union?

For some reason, we really, really must have Ukraine as a frontline state. It just seems like we're trading everything away in terms of geoeconomics. Take the first pillar, industry. Our access to energy is gone, and our hopes of technological sovereignty are vanishing too. As for physical transportation corridors, I mean, we're attacking Russian ships now. We're going to destroy freedom of navigation for Europeans? Where is that going to leave us? And of course, there are the banks, the financial pillar. We're stealing sovereign funds from the Russians. That's not just a problem with Russia. The rest of the world will never trust the Europeans again.

What does it mean for our banks, our currencies, and our ability to sustain this kind of debt? I don't understand what they're doing, to be honest. And it seems like we're destroying the entire geoeconomic foundation by essentially cosplaying World War II. But yeah, that's also what I wanted to ask you: How do you think we should prepare for the future? You mentioned that financialized capitalism has gone a bit south and that we need to focus on the real economy. We have a problem with energy. We have debt problems, contracting economies, and fragmentation. I mean, how do we prepare for the future? It's not a small question, I know, but nonetheless.

#Steve Jermy

It's a really, really good question. I'm actually writing a book on this. At the moment, it's not a very good book, but don't worry, I'm working on it. I think we need to get to the fundamentals first. And although this might sound a bit perverse, I don't think it is. We really do need to understand what's happening in the energy system. The reason I say that is that the energy system actually powers the whole lot, and there's a general assumption that we can always get a little bit more energy. When you look closely at the energy system, I think you'll see what I and others see. I'm a really big fan of a guy called Art Berman, who's a very, very good geophysicist and also a good energy modeler.

I think we've arrived at the same conclusion, which is that as a result of the closure of the Strait of Hormuz, and I think also because of our policies against Russia, we'll never see the same levels of energy growth that we've seen before. The reason I say this is that there's an extremely close correlation between the global supply of energy and global gross domestic product. Mathematically, that correlation is close to one. A lot of people will say, "Well, GDP is increasing, so we need more energy to support that growth." I think the causality runs the other way around. I think energy supplies have been increasing, and that's allowed us to grow our economies. But as energy supplies start to level off, that will change. I won't go into the details here, but I think that's the first fundamental point.

I think the second thing is to really get our minds around what's going on in economics, because I've increasingly come to the view that economists don't know what they're talking about. There are a

number of reasons for this, and I touch on them in the article, but there's a lot more work to do on this. To give you a sense of it, there's a wonderful line from a very good economist called Kenneth Boulding. He says that the only people who believe that infinite growth can continue on a finite planet are imbeciles and economists. And I think he's got a point. I think we're expecting to grow our way out of our problems. It won't happen. I'm absolutely sure it won't happen, because it's physically impossible. We won't have the energy to do it.

So I think we've got to shift our focus to how we live in a world where energy supplies are declining. We're moving from a world of high-quality, cheap, plentiful energy to a world of lower-quality, expensive, scarce energy. And given the correlation between energy supply and GDP growth, declining energy supplies mean we're moving toward what economists call an economic contraction, or in some cases, a depression. And I think that to live in that world, we've really got to understand much more clearly the role energy plays in the economic system.

But I also think we've got to take a deep look at economics as a discipline and at some of the things that are obviously wrong to anyone with even a basic grasp of mathematics. You know, economic growth is exponential, and it can't go on forever. I mean, it's mathematically obvious. To keep that growth going, you'd need infinite supplies not only of energy but also of commodities. Again, it's mathematically obvious that this can't happen in a finite world. So that's what I've been trying to understand. I've been trying to think it through without getting confused by currency, because I think so many of the world's problems are due to chicanery in the financial system.

I think the sorts of figures you hear are around $6 trillion in derivatives and things like that. And again, I won't go into the details, but it's obvious that's unsustainable. My sense is that in the '80s and '90s, as growth in our energy supply started to slow, one of the things we did was take on more and more debt to try to encourage investment in our industries, even though they were starting to struggle financially. And I think what we're seeing now is the consequences of those levels of debt. I think it's hurting most in the West.

And those are pretty much all Western countries that follow financialized capitalism. That's largely because, you know, you can't support a population with loans or whatever. You need to be able to produce things and run a semi-industrialized society. So if you asked me how I'd navigate this, I think one of the first things I'd do is look at places that operate under alternative systems, most obviously China and Russia, and ask, "Okay, well, how have these guys done it? How has China become the workshop of the world?" And I think what you see in China is a balance between centralized planning and the market.

I'm not saying the Chinese have got this right, but they've got it a lot more right than we have. I mean, we've used the market to outsource our industries to China, including our defense industries. Again, it's laughable. The Americans, and indeed the Europeans, are citing China as one of their great adversaries, and yet we've actually given them all our defense industries, or at least left ourselves dependent on them for key commodities like rare earth minerals, which are critical for

defense. So I think we've got to start being much more reflective. And the key thing, I think, is to accept that we aren't powerful anymore.

I'm afraid this will fall on deaf ears among the very people who need to hear it. But the neocons and neoliberals in the United States, the AIPAC lobby, and most of the European establishments need to recognize that the United States is no longer the predominant power. It's still a great power, but it's not the greatest. It's balanced, on the one hand, by Russia, which is defeating NATO in Ukraine despite U.S. support for NATO, and on the other hand by China, which is doing astonishing things. At the moment, I think the Chinese are building 80% of the world's ships. You know, it's an extraordinary figure.

And again, I'm not suggesting for one moment that either of these societies is perfect. But when it comes to navigating the future, I would think their models look much more interesting than ours. Sorry, that's a long answer to a short question. But again, I'm very interested in your ideas about geoeconomics, because I think the answers to that question lie somewhere in what you were talking about, Glenn. In the book I'm writing, which I hope to publish next year, I'm not suggesting that we' ll have the answers. I'm suggesting that our societies at least need to be ready to navigate a world that's very, very different from the one we're living in now.

Because, as I often say, the world we're all living in is about to change in a way that's so fundamental that I think very few people understand it. When you look at the energy system, it's much easier to understand. But that doesn't necessarily make it easier to navigate. We must at least try to prepare our societies to be more resilient, not just in industry and economics, but also in politics. And one of the things I talk about in Energy Realpolitik, but haven't discussed in the article, is the need for a new form of politics. Because what's surely clear at the moment is that politics isn't working in the Western world.

#Glenn

I think that's a good point. I'm not going to pretend to have the answers, but we should at least be having the right discussions and asking the right questions. I think that's a good start. But take what you said about the idea that we can outgrow debt, for example. I heard that was Bessent's strategy. How are we going to deal with $40 trillion in debt? Oh, we'll outgrow it. If that's the strategy, we might have some real problems. Or take what you said about rare earths. The Americans are saying we have to prepare for a future war with China. But, you know, all those American radars that have been burning in the Middle East, their artillery, their missiles—I mean, they need Chinese rare earths to rebuild all of that.

And as they're asking the Chinese for this, they're also saying, "Oh, by the way, this is against you." But as you said, there's also the question of the measurements and models we use. We still refer to Russia as a gas station masquerading as a country, you know, with an economy the size of Spain's. Yet we can't seem to square that with how they can outproduce all of NATO combined and then

some when it comes to actual hardware. So it seems like we've come up with ways of measuring GDP that are very favorable to a financialized economy, but that doesn't help us at all.

And as you suggested, there's the question of financial stability. I mean, these people borrowed ungodly amounts of money to invest in the AI sector, and now it turns out they're not getting a return on that investment. This is a bubble. Even if it does fall apart, I'm sure the technology is going to be great. But from an investor's perspective, it has to make money somehow in the foreseeable future. And I think we've created so many problems, especially when you consider that it' s not just about the economy. Political legitimacy has become dependent on perpetual economic growth as well, so you can kind of predict where this is headed.

We're going to see more intense economic competition, and I'm sometimes reminded of Samuel Huntington. He wrote something in the late 1970s about how the favorite deceit or fantasy among economics professors is that the economy is a positive-sum game: you cooperate, everyone wins, and there will be peace. But again, the whole point is that, yes, I think it's often zero-sum to a large extent. That doesn't mean we shouldn't try to harmonize our interests, but if we want to do that, we have to be honest about where we're in direct competition and where it's zero-sum. But I don't see any of that. All I hear about is friendships, good guys, and bad guys. It's very hard to do anything in that kind of climate.

#Steve Jermy

I've just been reading a book called Killing Democracy, Glenn. I don't know if you've come across it, but it's by an Irish writer and some other writers, mostly American, I think. What's fascinating about it is that he talks about the world after the Second World War and how regime change was carried out covertly because, of course, you couldn't do it overtly. That was outside the UN Charter. It's a really interesting book, and it's really made me think about the role of propaganda in the West. One of the book's key points is that the Western media have been co-opted and have been sort of complicit in selling this Manichaean story of good versus bad, where somehow it's a bad thing to talk to Russia. I mean, it's just extraordinary that we can think like this.

But I think this is sort of covering up something deeper. I mean, you talked about GDP, gross domestic product, and you're right. The idea of GDP goes back to Simon Kuznets between the wars. And he explicitly said, he explicitly said, "Whatever you do, don't use this as a measure of how economies should be run." He couldn't have been more right, and he was studiously ignored by just about everybody. There have been loads of separate analyses, and I go back to the Limits to Growth work in the 1970s, which actually predicted what's happening. Using different approaches, they predicted that output would peak around 2020 and then drop off. That's what's known in the trade as a Seneca cliff, and I think that's what we're experiencing now.

That was using one-dimensional systems analysis. There's also the work of Marion King Hubbert on peak oil. I think that's been a little bit discredited, wrongly so, in my view. I think what it does show

is that when the rate of change in oil supplies shifts, it can have critical effects on the economy. When I first started looking at these ideas, I immediately began to see events like the Arab Spring not as political events, but as events driven by economics and energy. When you look at how the Arab Spring actually kicked off, it started in Tunisia, as I recall, around 2011. It kicked off because a guy couldn't afford to feed his family, so he set fire to himself.

I was talking to my brother, who's a very clever Arabist, about the Arab Spring. It was somehow presented in the West as a sort of outbreak of democracy and freedom and light across the Arab nations. But my brother asked an Egyptian friend, "Why is this breaking out like this?" His friend replied with an Arabic phrase that my brother translated for me: "The people are hungry." The people are hungry. And I think what that tells you is that the economies aren't working. There are a number of reasons for that.

But one of the reasons, I'm sure, is that we focus too much on GDP. GDP at the moment is a very poor measure of economic health, but it's the one we're using, unfortunately. Here's something even more worrying. The standard measure of debt in the West is the debt-to-GDP ratio. In the '70s and ' 80s, we managed to navigate some very difficult financial circumstances because our debt-to-GDP ratios were low. Now the median among the G7 nations is about 125 to 1. And, of course, that debt-to-GDP figure assumes that GDP will hold up. If gross domestic product continues on its flat trajectory, then perhaps we can manage it.

But what it doesn't take into account is that, in my view, it's a racing certainty that we're heading for an economic contraction. I'm forecasting that it will begin next year. It'll show up in the economic metrics next year, though it's already visible now. And when that happens, the relationship between the numerator and the denominator in the debt-to-GDP ratio changes. If GDP goes down, the debt-to-GDP ratio goes up. So what will that mean for Western nations that are already struggling to manage and service their debt, with bond markets asking them to pay around 5% on it? You know, it doesn't take much of a contraction to push the debt-to-GDP situation in Western markets into really precarious, perilous territory.

And again, I think there's really only one good thing I can see coming out of this, Glenn. I think it's what's most likely to bring both of these wars to a close. As the G7 nations have to cope with perilous levels of debt and real problems in their economies, I'd like to think they'll conclude, first, that it's not a good idea to send billions to Ukraine to keep a war going that can't be won. And second, I'd like to think they'll conclude that it's not a good idea for the United States to keep pursuing policies aimed at winning a war against Iran, which also can't be won and is likely to make an already perilous situation in the global economy worse.

#Glenn

I had a thought when you mentioned all the propaganda. When we think about propaganda, we often think about all the lies and deceptions we spread about our opponents. But the problem is that

we end up lying to ourselves. We thought we could defeat the Russians fairly easily, militarily and economically, and isolate them from the international system. The assumption was that the Iranians were backward and that we could defeat them quickly, too. We thought a little bit of economic warfare would push back the Chinese. There's a reason we thought all these things: we didn't just lie to others; we lied to ourselves. And you can see the same thing in economics and international finance. You know, we lie to keep bubbles going and to preserve consumer confidence. And we lie when it comes to negotiating peace, too.

I mean, I remember saying right from the beginning, when the Russians invaded, that, you know, they were going to win this war. And it was like, "Oh, no, no, you shouldn't say that because it'll reduce public support for the war." I said, "Sanctions aren't going to work." "Oh, you're undermining trust in sanctions." I mean, all reality seems to have to be socially constructed these days. I often think about Dostoevsky, you know, because he made the point in more than one of his books that lying to yourself is just about the most dangerous thing you can do. It's not just that your moral judgment goes away. When you lose sight of the truth, you start to rot from within.

I mean, I'm not sure how to measure it in economics or security, but it does seem that all the dishonesty is part of the problem now. It keeps us from dealing with the world as it is. And I don't know, I find that frustrating. But my question was actually about something else. You mentioned that the war in Ukraine would end for economic reasons, and a lot of people have been watching to see how this plays out. Will it come down to economics? Will it come down to politics? There are a lot of corruption scandals, and there's distrust in the government. But then, of course, there's the military situation on the front lines. How do you see all these factors interacting?

#Steve Jermy

I see two phases. And I think the word you used is so important: interaction. I don't think Western leaders join up the dots, particularly the warmongers who are leading the charge to maintain American and European hegemony, which has already been lost. They tend to think in geopolitical terms, not in geoeconomic or macroenergetic terms. If they did, they'd think differently. They'd think like you and me. So, to answer your question, I think there are two plausible paths for the Russia-Ukraine war.

The first path is the worst-case scenario. As it becomes increasingly clear that the West is losing on the battlefield—and I mean both the land campaign and the air campaign over Ukraine—I worry that the West will panic and escalate. Things like attacking Russian warships off Libya look like exactly that kind of escalation. And then, at some stage, the Russians will decide to respond in kind. I think they'll either do it in a sort of performative way to show that they can respond, or they'll hit back hard.

My guess is that they'd respond by first issuing warnings. Those could be behind the scenes or public. I think they'd more likely be behind the scenes, but they'd be directed at the nations leading

the charge in escalating the conflict. Those seem to be the French, the Germans, and the British. The warning would be: "If this continues, we'll respond in some way against your territory or your interests." And if they do respond, we could find ourselves in a Guns of August situation, where we cascade into a full-blown war between NATO and Russia.

I think it probably wouldn't go nuclear, but who knows? And who even wants to think that might be possible? If it doesn't go nuclear, then, as I said in an article titled "The Coming War with Russia," I'd predict that it will end badly for Europe. I'd guess that the Americans won't want to intervene. I think they'll have second thoughts. But let's take that as the worst-case scenario. In the best-case scenario, which I think is more likely, the Russians are prepared to let the West destroy itself. That's what Putin, in particular, sees happening. I think he said it as recently as the last Valdai conference: the West is destroying itself. And I happen to agree with him.

That doesn't make me a Kremlinite or a Putinite. I just look at the facts objectively. And when I look at the state of our economies, I think of the British Chancellor, for example, who's just issued a budget that allocates a lot of money to Ukraine. I think it was 11 or 12 billion. And yet no money has been allocated to get UK defence spending to 3% of GDP by 2030 and 3.5% by 2035. That's been left for a future decision. I mean, it's meaningless, really, because I don't think we've got the industrial capacity to actually use that money in a sensible way. But we'll also need to think about that money, just as we do with the money for the Russia-Ukraine war, in terms of guns and butter.

So, as people become increasingly concerned about the state of European economies, I think this is already starting, Glenn. You've got the AfD talking about reconciliation with Russia, and I think Le Pen will be on the same page, not least because I suspect she'll begin to see, as people elsewhere in Europe will, that this isn't necessarily a terrible thing to talk about with Europeans who are struggling economically. And I think we're seeing early signs of that. There are very early signs of it in Britain as well. I should just make a pitch here, Glenn. We have a petition running in Britain. You can find it on my Substack. It calls for a pause in British support for the Russia-Ukraine war and a review of what's going on.

We're past 10,000 signatures, which means we'll now get a response from the government. If we can get to 100,000 signatures, there could be a debate about this in the British Parliament. So again, I'd encourage British people listening to this to sign it. Only British citizens and UK residents can sign. But if you look at those three countries—Britain, France and Germany—and the concern that's beginning to emerge in each of them, that could be significant. What worries me is that something might happen before then, some sort of escalation by the establishment that could go badly for us. So I think there are two possible tracks. There's a bad track, where escalation leads to open war between NATO and Russia.

If I had to guess how that would most likely start, I think it would be with NATO forces taking action, either in Kaliningrad or against Russian ships on the high seas. I'm almost certain that the attacks on Russian ships off Libya weren't led by Ukraine. I would have thought they were led by

other nations. If I had to guess, I'd say Britain was the most likely, but I have no idea. And sooner or later, I think the political pressure on Putin to act may become overwhelming. Or he may decide that it's important to act and restore deterrence, if you like.

But I think it's a 40–60 split between those two possibilities, and the more likely one is that the Russians continue to make deliberate progress on the battlefield in Ukraine, both on the ground and in the air. As I've said many times before, Europe, NATO, and the United States have lost the capacity to defend Ukraine against this air campaign. So all this talk about providing more weapons to Ukraine is meaningless. Our weapons don't work, and they're unlikely to work. If Ukraine ultimately falls because of some sort of internal collapse, I think that might bring the war to a close. The other way the war might end is through a significant economic retrenchment, particularly in Europe, that leads to really serious problems for society.

#Glenn

What you described as most likely to set off a direct war, a nuclear war with Russia, is essentially what we're seeing this week: threats against Kaliningrad and attacks on Russian ships in the Baltic Sea and off the coast of Libya. I mean, it's so disastrous and dangerous, and all of it's being done without any real discussion. We were sold the idea that it would be a proxy war, and it seems most people signed up for that. I'd encourage British people to go to your Substack, find that link, and sign so we can have some debate. From where I'm sitting, it looks as if our political leaders have made a decision that could provoke a direct war with Russia. And we haven't yet had a chance to discuss whether that's a good idea or even what that war would look like. So yes, I can't encourage people enough to do that. Anyway, thank you so much for taking the time today.

#Steve Jermy

No, it's a pleasure. It's always a pleasure. And I really mean that, because I get the benefit of your scholarly erudition, and I can add a few practical bits and pieces of my own. Let's hope we can get this debate out into the open in Europe, because that's where it needs to be. I hope we can get enough people to realize that our leaders are taking us to war based on a guess. And the guess is that Russia will not respond. And the guess is that we won't end up in a nuclear situation. I don't want to go to war based on a guess. If we're going to go to war, I want that decision to be based on a discussion and a proper risk analysis. And I've seen absolutely no risk analysis done so far. So thank you very much for the opportunity, Glenn.