

GROWTH HAS HIT A BRICK WALL

By Ed O'Rourke

The Cheap Energy Era is over. I saw this at the Shell exhibit at the Offshore Technology Conference in 2003. A huge model represented a drilling platform that was 6,000 feet from the ocean floor to sea level. From the ocean floor to the oil reservoir was another 6,000 feet. Now, the oil companies are looking at tar sands, shale and are using fracking to obtain natural gas. This highly contaminating procedure poisons the nearby groundwater.

The extractive industries have picked all the “low lying fruit.” With growing prosperity and an increasing global population, the world is not only approaching Peak Oil but Peak Everything. According to Richard Heinberg, the US Geological Survey shows that many US mineral resources have peaked:

Bauxite in...	1943
Tin	1945
Iron Ore	1951
Titanium	1964
Magnesium	1966
Potash	1967
Zinc	1969
Phosphate Rock	1980
Rare Earth Minerals	1984

US oil production in the 48 states peaked in 1971.

Energy returned on the Energy Invested (EROEI) has been declining in oil, coal and gas. The EROEI for oil drilled in the US was 100:1 in 1930, 30:1 in 1970 and 12:1 in 2005.

The American business community will talk about innovation and efficiency until the cows come home. The sad facts show a different picture.

By the 1950s, the American economy generated enough goods and services to make most white Americans reasonably prosperous. Rather than producing long-lasting goods, they used

advertising firms to entice people to buy things they could easily get along without. Rather than concentrating on mass transportation, the companies encouraged freeways and automobile ownership. Vance Packard documented this in his classic *The Waste Makers*. In his book *Brandwashed: Tricks Companies Use to Manipulate Our Minds Trick and Persuade Us to Buy*, Martin Lindstrom showed that the advertising firms are far more sophisticated now than they were in the 1950s.

The computer companies have done well in producing computers with far more memory and features and at the same time reducing the price. What they do not tout is that computers have the most toxic ingredients on earth. The industry could do the public a favor by buying the old ones and recycling them. The industry could work on using less toxic materials.

The free enterprise model is built on the idea that oil, minerals, rainforests and everything else is in infinite supply. For about two centuries, these resources were available on the cheap. No more.

Even if there were no global warming, the infinite growth model would have to change to a steady state economy where resources are recycled and there are few minerals extracted.

The bailouts in the US or the European Union can only postpone the inevitable. Face the music on the debt bubble; it's a huge Ponzi scheme. Debt has grown by 500% since 1980. Debt, measured in GDP, has grown faster than economic output in all but one of the past 50 years. Since debt represents claims on labor and materials that do not exist, this debt cannot be repaid. John Perkins in *Confessions of an Economic Hitman* told how international banks and the World Bank made loans to poor countries on uneconomic projects. Perkins's job was to convince the nations that the projects were worthwhile when he knew they were not. The idea was to keep the countries in debt peonage.

The federal government has a \$14 trillion debt. It is running a deficit of more than one trillion per year. In a few years, interest will be the biggest item in the budget, surpassing even the military and Homeland Security. US household debt which was under two trillion in 1980 stood at 13.5 trillion in 2008.

What the world's political establishments give us is austerity (capitalism) for the poor and socialism for the rich.

American banks and corporations are sitting on \$2 trillion in cash because they want to keep something when the bills come due. Many assets are in fact worthless. In the Old Testament, there was a debt jubilee every 50 years. A partial jubilee is in order in the US and the world. The prime the pump strategy that helped end the Great Depression will only postpone the crisis. Prosperity as we knew it before will never return. Nations must go to a steady state economic model and reduce their environmental footprint. This will mean taxing the rich and ending their favored status by Presidents Reagan, Bush the father, Clinton, Bush the son and Obama. In 1970, the country's top CEOs earned about \$45 for every dollar earned by the average worker. By 2008, the ratio was over 1,000 to one. Imposing a 100% income tax on everything over \$10,000,000 would go a long way in reducing conspicuous consumption and the world's environmental footprint. At the same time, forbid any deposits or withdrawals from tax havens. The Gross Domestic Product (GDP) has too many defects. It makes no distinction with waste, luxury and basic needs. It does not measure income or poverty distribution. It counts tobacco sales but should subtract them. If we are looking for what makes us happy, more goods does not help. Using Abraham Maslow's needs hierarchy, more wealth acquired after reaching a reasonable living standard does not increase happiness.

Former Harvard president Derek Bok in *The Politics of Happiness* examined the connection between economic growth and happiness in the US. Since 1976, although income increased by 60%, the average home is 50% larger and 80% of families have a personal computer, Americans are no happier than they were in the 1950s when happiness measures peaked.

James Gustave Speth, professor at Vermont Law School, shows that the US have done poorly with all its generated wealth. Among the twenty advanced democracies in the Organization for Economic Co-operation and Development (OECD), America now has:

- the highest poverty rate, both generally and for children;
- the greatest inequality of incomes;
- the lowest social mobility;
- the lowest score on the UN's index of "material well-being of children";
- the worst score on the UN's Gender Inequality Index;
- the highest expenditure on health care as a percentage of GDP, yet all this money accompanied by the highest infant mortality rate, the highest prevalence of mental health problems, the highest obesity rate, the highest percentage of people going without health care due to cost, the highest consumption of antidepressants per capita, and the shortest life expectancy at birth;

- the next-to-lowest score for student performance in math and middling performance in science and reading;
- the highest homicide rate;
- the largest prison population in absolute terms and per capita;
- the highest carbon dioxide emissions and the highest water consumption per capita;
- the lowest score on Yale's Environmental Performance Index (except for Belgium) and the largest ecological footprint per capita (except for Denmark);
- the lowest spending on international development and humanitarian assistance as a percentage of national income (except for Japan and Italy);
- the highest military spending both in total and as a percentage of GDP; and
- the largest international arms sales.

Economists, sociologists, politicians and the media should look to the Genuine Progress Index or others that measure pollution, unemployment, underemployment, leisure time, resource depletion and social well being. Any measure chosen will be more complicated and more useful. The richest and most powerful people on earth are as attached to the infinite growth model as an addict is to heroin. They use millions in advertizing and setting up Astroturf groups to make people doubt global warming as the cigarette companies fostered doubt about tobacco's lethal effects. As seen in a February, 2012 article on the Forbes website, they shot the messenger, John Holdren, Director of the White House Office of Science and Technology Policy, Assistant to the President for Science and Technology, and Co-Chair of the President's Council of Advisors on Science and Technology. They presented *no* evidence that he was wrong but made an *ad hominum* attack showing why he should not be believed.

Since about half the world lives in poverty, I maintain that the infinite growth model failed even when goods and services production peaked. Rising costs with dwindling returns threatens world peace. Rather than enact an Apollo-type program for alternative energy, the US has invaded Iraq twice and is preparing for war with Iran. Without major investment changes in alternative energy, more wars will follow.

Since world leaders have no plans to face this crisis and refuse to commit to greenhouse gas reductions, US citizens can look forward to hearing politicians, Republicans and Democrats, to go after scapegoats – illegal aliens, feminists, welfare recipients, liberals, environmentalists and anybody else. Until the Second World War's end, Jews would have made the list. The excuse will be a terrorist attack or a natural disaster like Katrina to increase unlawful surveillance, Internet controls, civil liberties reduction and later concentration camps. These camps will be in

the US and not Guantanamo or Saudi Arabia. The inmates will be held without charges or access to an attorney.

According to Richard Heinberg, “ Governments that chose to measure happiness and that aim to increase it in ways that don’t involve increased consumption can still show success, while those who stick to GDP growth as their primary measure of well-being will be forced to find increasingly inventive ways to explain their failure to very *unhappy* voters.”

Our political and economic leaders have failed us miserably. The most dishonest was Federal Reserve Chairman (1987 – 2006) Alan Greenspan who refused to perform his regulatory duties because he did not believe in them. An honest person would have refused the position due to conflict of interest. When the American people looked for clarity, he gave them riddles that were similar to statements from the Oracle at Delphi.

I have an idea that in every empire that has fallen the political and economic elites realized that something was wrong, that major reforms were necessary to keep the society together and failed to make them. The most recent example was the Soviet Union with Mikhail Gorbachev. When he tried to reform the system, the vested interests did not budge.

In the American case, people have been sounding the alarm for years. Possibly the first warning was from Dennis Meadows 1972 classic *Limits to Growth*. Pro-business interests proved that Meadows did not have a case. In fact, pro-business “disproved” the central thesis by taking some numbers completely out of context, stated that they were predictions (which they were not) and then claimed that the predictions had failed.

The US and the world have the opportunity to turn away from fossil fuels, the military-industrial establishment, the war on drugs and the world’s largest prison system and invest in alternative energy, education and poverty reduction on a world-wide basis. May they seize this opportunity and, in Winston Churchill’s terms, people can walk in broad sunlit uplands.

This would mean:

- 1) Ending all subsidies and tax benefits to fossil fuels,
- 2) Replacing the Gross Domestic Product with the Genuine Progress Index,
- 3) Instituting a carbon tax,
- 4) Enacting a partial debt jubilee,
- 5) Imposing a 100% tax on all income over \$10,000,000, and,
- 6) Shutting down all tax havens, and,
- 7) Starting an Apollo type program for alternative energy.

Main Sources:

Heinberg, Richard. The End of Growth: Adapting to Our Economic Reality. The New Society Publishers, 2011, 321 pages.

Speth, James Gustave. "America: The Best Country in the World at Being Last – How Can We Change That?,"www. altnet.org, March 1, 2012

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