

Steady-State Economy: Light at the End of the Tunnel

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The growing economic meltdown is a wake-up call that our infinite growth bubble has burst. After the house of cards finishes falling, there will be only one viable economic solution left standing: a steady-state economy.

Insolvency Crisis

The world economy is essentially broke. U.S. daily bankruptcy filings have risen from about 1,300 in January 2006 to about 5,000 in September 2008.

Here is how big the problem really is. First, the value of all the money in the world until recently was three times greater than the value of all physical goods and services. In other words, our "money" is actually worth 30 cents on the dollar. And considering, physical assets such as real estate have been over valued, your pixel money is actually "worth-less."

Second, the U.S. government's \$9.7 trillion commitment to solving the financial crisis amounts to almost two-thirds of the value of everything produced in the U.S. last year. The promises are composed of about \$1 trillion in stimulus packages, around \$3 trillion in lending and spending and \$5.7 trillion in agreements to provide aid.

Third, until recently our growing economy has been able to cover our debts and deficits, but now the blue-light-special lifestyle is over. Everyone, from the public to governments is now under water. America has built up a staggering amount of debt. At the time of the 1929 stock market crash, total U.S. debt was 176 percent of GDP. Before the current financial crisis began, total debt stood at a whopping 304 percent of GDP. Today it is far worse; we are well beyond our means.

The next bubble to burst will be pensions. America's 500 largest companies have a deficit of \$200 billion in their pension plans. If the Dow hits 4,000, the deficit would rise to \$400 to \$500 billion. Companies will stop contributing and reduce payouts when forced to make a choice between payroll, corporate jets, and pension contributions.

Bailout Liquidity Makes Situation Worse

If the world financial crisis is really one of global insolvency, adding liquidity in the form of more government debt is actually dangerous. If I have a successful business and I borrow money for a temporary cash flow problem, no problem. But, if I am actually

insolvent, increasing my debt by borrowing more money makes the situation worse for both me and the lender who will lose their investment in my soon to be bankrupt business.

Because of their size, the bailouts may ignite hyperinflation from all of the liquidity that is being generated out of thin air. Since the financial crisis began last year, the money supply has been nearly doubled out of thin air. Hyperinflation may cause the \$50 trillion derivative markets to explode. The credit default swaps would be the first to blow driving interest rates to double digits which would light the fuse to the \$50 trillion interest rate swaps supernova [more on this subject in a follow-up article - ed.].

Wasted Opportunity

Since World War II, we have produced little of value, but built a huge pile of debt upon debt. Europeans invaded what was an entire unspoiled continent 517 years ago, and today we have little of real value to show for it except a lot of people and a trashed ecosystem. What was once a vast expanse of fertility and old growth biodiversity from sea to shining sea is now an input-dependent monoculture wasteland. Take a ride on an plane while you still can and look down. Almost everything coming out of big-box stores is soon destined for the dumpster and our spread out suburban infrastructure will prove to be a liability as peak oil eliminates happy motoring.

Bernard Madoff's \$50 billion ponzi scheme revealed how our Taker economic system really works. The problem is bigger than just our institutions such as fractional reserve banking, the Federal Reserve, and the looming derivative bubble. Our entire Taker culture is based on little of value. Growth, debt, greed, concentration of wealth, something for nothing, depleted resources, and overpopulation are not assets—they are liabilities. If we are to ultimately thrive, we must contribute to biodiversity, not destroy it.

Long History

We have actually had this "value-less" system that Daniel Quinn calls our Taker culture for 10,000 years since the agricultural revolution. Ever since it became OK to lock up the food, privatize land, concentrate wealth, make war, and for a minority to control the majority we have been impoverished. As long as we had abundant enough natural resources and a low enough population, the Taker ponzi scheme worked. We kept consuming the world to keep everybody happy. But, now we have overshoot the earth's carrying capacity.

Steady-State Economy

When all of the cards are done falling, local powered-down steady-state economies will be the only replacement for our infinite growth

global consumer economy. To live within our means for perpetuity means living within the earth's carrying capacity which we have vastly reduced especially over the last 100 years.

Economic growth is a threat because it assumes a growth in population, production, and consumption within our finite planet. A steady-state economy has a constant stock of capital that is maintained by a rate of output no higher than the environment can absorb. Even banks can lend only as much money as they have.

In a steady-state economy, society focuses on more noble goals than economic growth. The late Masanobu Fukuoka asked "Why do you have to develop? If economic growth rises from 5 percent to 10 percent, is happiness going to double? What's wrong with a growth rate of 0 percent? Isn't this a rather stable kind of economics? Could there be anything better than living simply and taking it easy?"

Our economic measurement systems are a shell game. Bhutan's Gross National Happiness is a better indicator than our Gross Domestic Product (GDP). GDP counts goods and services, but ignores the important things such as clean water, fresh air, public health, and biodiversity. GDP also lumps everyone together. If executive pay goes from 100 times average wages to 1,000 times, while real middle class wages are falling, GDP does not show that. Concentration of wealth, externalized costs, depleted resources are invisible.

A sustainable economy requires a stable population, lower per capita consumption, and reduced complexity. In fact, since human population has overshoot the earth's carrying capacity by over 20 percent, our population and the economy are going to have to be significantly reduced size before true stability can occur. See Chapters 3 and 4 of Culturequake for an in-depth discussion of our population explosion and overshoot.

Also, since human population is in overshoot, taking more resources than the earth can generate, future carrying capacity will continue to be eroded. Imagine how great a population North America could have supported with all of our old-growth forests, topsoil, watersheds, and biodiversity intact? Now, half our topsoil is gone, much of what's left is dead mineral matter only able to supporting crops through fossil fuel fertilizers, watersheds and fisheries are collapsing, the Ogallala aquifer supplying farmers from the Dakotas to Texas will be depleted in forty years, and global warming is ending stable weather. I'll stop there.

Invest Locally

President Obama's Herculean effort to revive the consumer economy is about as useful as a bucket-brigade on the Titanic. I have great respect for president Obama's commitment and abilities, but he still clings to the illusion that "growth" is still possible with dwindling

resources and a burgeoning population.

Other than feeding unemployed people and keeping them in their homes, the rest of the money would be better spent rebuilding our big-box bombed-out local communities, our railroads, and start Cuban-style urban agriculture and land reformation. Urban agriculture feeds half the people in Havana and 80 to 100 percent of people in smaller cities. Bank deposits should be insured and insolvent banks allowed to fail.

This will probably be last time we will be able to muster this level of resources; the last time people will lend us this much money. Our resource base is a shadow of what it was 100 years ago and our population has grown six times. I am saddened to see what is ultimately my children's tax dollars squandered trying to revive the rusting, sinking hulk of our industrial economy.

Because our elected leaders and the media do not realize that we are entering the twilight of modern culture, they have not leveled with the people. Thus the people are not ready for the kind of cultural change we are going to see over the next century. It takes a crisis like this to be the wake-up call.

Economic Decline Can Be a Good Thing

Ernest Callenbach wrote in *Ecotopia* that a financial panic can be turned into an advantage if in the end society can focus its energy, knowledge, and skills to what is really important in life. With the ensuing flight of capital, the factories, farms, and other productive facilities would fall into the people's hands like ripe plums. Whole markets should be reorganized, no one or no corporation should be able to own more than say 40 acres. In fact, corporations should only exist for public projects such as roads or utility infrastructure and be de-chartered when the project is completed.

Our economy will be reshaped by many influences including re-localization, new-urbanism, peak oil, and learning lost horticulture and craft skills. Powering-down will happen discontinuously. We will rest at a plateau for a while and then drop to the next lower energy and complexity level. Governing institutions would be more useful if realigned along bioregion and watersheds lines—not in a continent-sized country made up of arbitrary squares.

Where to Begin?

Start where you are now and live your truth. Act from a sense of passion and joy. Plug into your local community; offer your skills and resources to sustainability efforts. Use your creative imagination. Ask yourself, "how can I partially or completely unplug from the wage

economy in the next three years?" By doing so you will meet like-minded people. If people see you as sharing what you have, they will share with you.

Turn off your TV and tune into your family, friends, and neighbors. Educate yourself about useful skills such as permaculture. You are better off living near a community on a good piece of land that you own in a yurt than you are buying a house with a mortgage that the bank owns.

Seek a new vision and a new lifestyle. Instead of recycling, how can my waste become another's food? Instead of debt, how can I simplify? Instead of mining topsoil how can I build it?

Humans are meant to take their modest place in a seamless web of life, disturbing that web as little as possible. This means sacrificing present complexity and consumption, but it ensures future survival. People should be happy not to the extent that they exploit their fellow man and creatures, but to the extent they live in balance with them.

Starting this spring, Culturequake essays will begin to describe our own personal journey to re-localize on our small permaculture farm in Ashland, OR. We will share our experiences with soil food web building, food forest design, installation, harvest, appropriate technology, and community education.

Notes:

Herman Daly

Steady State Economics (1974)

James Bruges, Resurgence

Enduring Economies

Mark Pittman and Bob Ivry, Bloomberg.com

U.S. Taxpayers Risk \$9.7 Trillion on Bailout Programs

Bob Chapman

Acts Of Insanity Are What Destroyed The Economy

Larry Korn, permaculture.org

Masanobu Fukuoka's Natural Farming and Permaculture

Ernest Callenbach

Ecotopia

Richard Heinberg

Powerdown: Options and Actions for a Post-Carbon World

Center for the Advancement of the Steady State Economy

steadystate.org

Institute of Ecolonomics

instituteofecolonomics.org

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