

There is No Steady State Economy (except at a very basic level)

We keep seeing statements from the Center for the Advancement of a Steady State Economy suggesting that a steady state economy is desirable. I would agree that growth in a finite world is not sustainable, but even continuation of our current level economic level, or a drop to an economic level two or three levels below that where we are today, is not sustainable.

We are consuming a huge amount of fossil fuels, and to maintain anything close to our current economic state, we would need to continue to consume a very large amount of fossil fuels. If a person stops and thinks about it, no level of fossil fuel extraction is sustainable, because we only have a finite amount of fossil fuels. At best, we would be talking about stair-stepping extraction-reducing it to a lower level than today, and holding it there for a while.

One big issue with even trying to stair-step fossil fuel use is the fact that our financial system needs growth to keep from collapsing. In order to pay back debt with interest, it is necessary to have economic growth, and financial growth and growth in fossil fuel use are very closely tied. Economic growth can be 2% or 3% above fossil fuel use growth because of efficiency gains, and economic growth in a particular country can be higher than that of world economic growth because of greater outsourcing of manufacturing to other countries. There was even a gain in the late 70s and early 80s, as we picked the low-hanging efficiency fruit and switched to using nuclear. But overall, there is no evidence that fossil fuel use, or even oil use, can be divorced from economic growth. If there is a big decline in fossil fuel use, it *will* translate to a decline in economic growth.

The need for economic growth in order to pay back debt even applies to our money supply itself. Money is loaned into existence. This happens when a commercial bank makes a loan and deposit at the same time. The problem is that when the money is created, not enough money is loaned into existence to pay back the interest as well. So economic growth is needed to create the additional money so that the debt can be paid back with interest.

Because of this issue, a Steady State Economy (economy without growth) requires a financial system with virtually no debt. It might be possible to have a little debt, but its use would be primarily to facilitate short-term transactions. Debt jubilees at regular intervals might be needed, to keep people from building up much debt.

It is theoretically possible to create a Steady State Economy that doesn't use fossil fuels, and a new financial system that doesn't use debt. As far as I can see, though, this would put us in a situation similar to where we were in 1750, because none of our so-called newer "renewables" (like solar PV and wind turbines and algae-based biodiesel) are really possible without fossil fuels. We need fossil fuels to extract metals and to make the solar PV and wind turbines and to transport them to their new locations. There is not even a plan in place that would get us to a situation such that the various renewables would replace themselves and provide enough energy for the world to live on.

The problem with going to a system without fossil fuels and with much less debt than we have today is the fact that the world supported fewer than one billion people in 1750. There are now nearly 7 billion people in the world. Furthermore, most people living today don't have the skills required to live without fossil fuels. We also don't have all of the infrastructure in place that we would need to live as people did then (draft animals, horse drawn carriages, wells that could be repaired with local materials, schools close to where people live, homes mostly in rural areas or villages, etc.). So it is not clear that we could even successfully make this type of transition.

When I read articles that talk longingly about going to a "Steady State Economy," I am perplexed. If governments were to take away fossil fuels, or even reduce their use significantly, it would likely cause a crash of the financial system, and this would likely lead to a crash of other systems, particularly international trade. It would seem to be virtually impossible to keep this crash from affecting food production systems, international food export systems, and even such basic systems as electricity (because workers need to be paid, and fuel needs to be purchased). It seems to me that without a lot of intervention and planning, we would soon fall back to a very low level, very quickly, perhaps much lower than the 1750 level.

It seems to me that what we really ought to be doing is looking at the situation that is ahead, and figuring out what we can do to make the best of a pretty awful situation. Those wanting a steady state are dreaming for something that can never happen. Decline is pretty much inevitable. We need to be working to understand what is really ahead and figuring out how to make the best of a bad situation. Perhaps by planning, we can make things a little better.

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