

The Oil Drum: Campfire

Discussions about Energy and Our Future

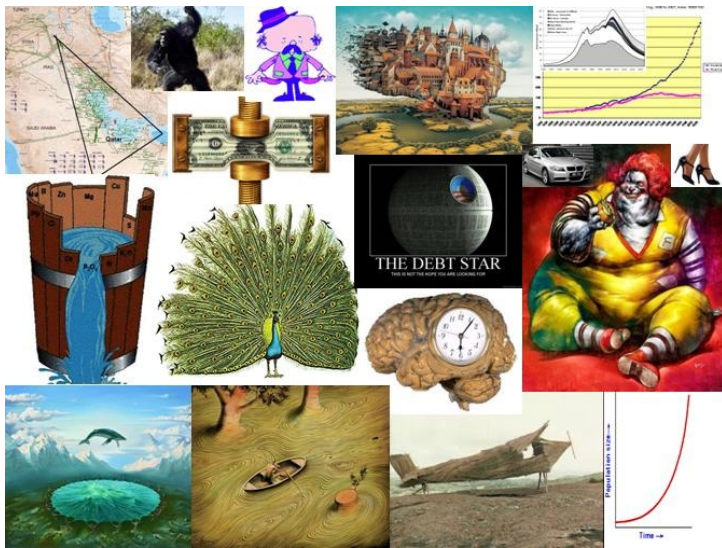
Opportunities and Constraints - A Contest of Ideas

Posted by [Nate Hagens](#) on February 28, 2010 - 8:50am in [The Oil Drum: Campfire](#)

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What follows is a writing contest of sorts. Though most of us here have disparate opinions, some wildly so, we are all well versed in the details of the numerous crises (or if you like, 'opportunities') facing modern global civilization. Resource depletion, social inequity, environmental destruction, debt overshoot and others all vie for the #1 slot on our 'problem' barometer. Given the tapestry of constraints and opportunities we face, what goal would you pursue, and what actions would you recommend (or take) to get us from our complex and nuanced starting point today to where you'd envision. Punters, writers and philosophers from the 'doomer', cornucopian, techno-optimist, resource pessimist, Austrian school, Chicago school, and school of hard knocks are all encouraged to participate. (There will be prizes.)



(Preface: some of you have emailed me pointing out that my writing in last year or so has shifted from analysis to philosophy. I think this is an accurate assessment - by and large I have taken my analyst hat off. As such, my current writing/terminology is probably a bit obtuse to any that haven't followed my posts over the past several years. Though hard numbers are needed, neither data nor technology is going to change our direction, only its slope. To me, acting outside of the box of conventional solutions is the only way I can see a smooth transition en masse to energy descent. And acting starts with thinking, or listening. I hope to one day put my analyst cap back on.)

We can bicker about the warp and the weft, but if we squint the overall image we get from the tapestry is something like this:

Our modern economic system (what some now refer to as turbo-capitalism), viewed with an evolutionary lens, is people 'selling' their wares/skills/creativity to other individuals, with an attempt to move up the status ladder given modern environmental cues. We are both cooperative and competitive depending on the circumstances, but its very important to understand that our neurophysiological scaffolding was assembled during long mundane periods of privation in the ancestral environment, something still not integrated into the Standard Social Science Model that forms the basis of most liberal arts educations (or economic theory).

We are a clever, ambitious species who for hundreds of thousands of years (or more depending on the model) lived off of current/recent solar flows. We eventually puzzled out how to access stored sunlight in the form of fossil fuels. The population and growth trajectory that ensued eventually latched on to a series of assumptions/rationales that would fuse into the system a belief that more is better and that there would be unlimited substitutes for finite natural resources like oil and water. The change from using solar flows to the energy gain contained in a barrel of crude oil was

Eventually (1970s), some cracks in the assumptions underlying this model appeared. Real wages peaked in the early 1970s and have been declining ever since. Globally, though the poorest people in the world earn more than they did a generation ago, the fact that over 2 billion people don't have a toilet doesn't really sound like an equitable global playing field. Oil peaked in the world's largest oil producer (USA) in 1970. In 1971 we discontinued the gold window and the world's economic system had no natural tether to real assets. Without such a monetary speedbump, debt skyrocketed over recent decades and became every bit as important driver of economic growth as cheap energy.

Debt functions as a social abstraction which serves as a spatial and temporal reallocator of real resources: away from the periphery and towards the center and away from the future and towards the present. Those at the center and the present are either unaware of such transfer (most) or quite pleased about it (the wealthy/elite). Even though it has no fundamental backing in real wealth, new debt in a fractional reserve financial system immediately confers economic advantages as those who believe in its future, accept paper for goods. Thus in aggregate, debt is a zero sum digital game in the very short term— someone's debt is another's perceived retirement savings, so an increase in debt is also ultimately a 'stretcher' of the current social wealth accordion (higher intra-country and intragenerational [GINI](#)). What is happening now is effectively an ongoing blood transfusion from the health of the sovereign to heal the 'injuries' to various parties in the private sector. How high of % of total debt the government can bluff to is a hot question.

Not all people pursue money, but our cultural system itself does (via profits, etc.). So gradually, the digital markers amassed over the past generation or so have allowed a certain percentage of the population to extend their perceived relative fitness advantage over others of their same species, something they were evolved to do. However, the traditional land, labor and capital inputs have been dominated by the prevalence of cheap energy inputs, (and increasingly by an acceleration of debt-as-marker). The cheap energy/cheap credit drivers of this system will soon be a thing of the past, and act as a hard leash to future global growth aspirations.

In currency reform, which occurs when fiat currencies stretch too far above their ability to maintain stable servicing of debt extant, debts are basically partially or totally wiped away with a new scrip and new rules. Since our species has a prevalence to care about relative vs absolute, especially once a certain minimum threshold of basic needs are reached, a future of digital wealth destruction via currency reform seems to be one of the few paths that would qualify as a 'solution' given our resource and population constraints. As such debt deflation, hyperinflation or even new currencies and the wiping away of prior claims are not what concern me most -it's the hominid [endowment effect](#) reaction to losing what they thought they had, combined with our mirror-neuron fed propensity to act en masse, without understanding that real wealth hasn't really changed. (though it has been stagnating for decades which is what brought us to this precipice).

A currency crash, in my opinion, is now all but inevitable. (Indeed, last night Dominique Strauss-Kahn, head of the International Monetary Fund, reiterated the possibility of a [new reserve currency](#)). Questions surround when, how wide, and what do international trade/cooperation and social stability look like in the aftermath. Given that our real assets are natural, built, social and human capital, and that finance/debt/credit etc are just markers for real assets, a currency reform in itself would not alter the world's wealth – but it would alter the distribution, and such a transition would itself influence the potential for future wealth creation and sustainability.

On the one hand, I have increasing angst and frustration at watching people remain in ignorance about the imminent global problems we face. On the other hand, as long as no one really pushes the issue of what lies underneath the Kimono, we can probably continue a bumpy social plateau for some time to come. The problem is that we are curious monkeys, and the bold, clever, loud and persuasive among us will probably stumble on some combination of truth and emotion that will cause said kimono to flash open, and set the sovereign hockey puck in motion, eventually resulting in financial dominoes.

Policy requires the combining of normative (what goals should we have) and positive (how do we attain those goals) thinking. Thinking ahead, is there a series of actions, taken either globally or locally, that would allow us to acknowledge our constraints, while focusing on our opportunities (most notably: that we are an empathic/other regarding species; that solar flows, though diffuse, are large; and that we achieve decreasing psychic returns from more money/stuff once above a [minimum threshold](#).)

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Instead of a general discussion of these ideas, I'd ask that Oil Drum Campfire readers submit one sentence on what goal/objective they think is worthwhile pursuing followed by one paragraph (<300 words) on how to get there from here. Essentially, how to navigate beyond the current

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system of claims, while paying attention to energy and resource limits, social equity, and the environment.

There are (as we know) likely no catch-all answers but lets hear some good ideas!



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