

The Oil Drum: Campfire

Discussions about Energy and Our Future

The Anti-Economy: How the Pursuit of Private Fortunes is Destroying Community Wealth

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Below the fold is a guest post from RogerK, a part time hardware engineer working in San Jose California who has spent a lot of time over the last four years thinking and writing about the finite world paradigms which are needed to replace the 'no limits' paradigm which has become the cultural norm of modern industrial society.

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The Anti-Economy: How the Pursuit of Private Fortunes is Destroying Community Wealth

Ever since I became aware that oil depletion was a near term problem I have devoted a considerable amount time and intellectual energy thinking about possible ways to structure an economic system so that it does not require constant growth for 'healthy' functioning. If human beings are going to be around on this planet for the long term then growth in resource consumption must to come to an end. I know, of course, that many regular readers of TOD believe that economic growth and growth in resource consumption can be decoupled, if not completely so, then at least sufficiently so that we can comfortably get richer for many decades into the future without mussing the hair of the biosphere. Of course given the fact that a highly respected biologist like E. O. Wilson [estimates](#) that species extinction rates have probably already risen to 1000 times prehuman levels, one could argue that we have already gone beyond the 'mussing' stage to the 'falling out in chunks' stage with respect to the state of health of the global coiffure. However, it is not my intention in this essay to try to prove that these optimistic assessments about the extendability of the economic status quo are false. I am simply going assume that a complete decoupling of economic growth from resource consumption is impossible, so that, sooner or later we must stop expanding our total economic output.

Many people have claimed (I am one of them) that our current economic system requires constant growth for healthy functioning. This growth orientation of the economy is oftentimes blamed solely on our financial/monetary system. Granting unearned purchasing power to businesses and/or individuals in exchange for a larger amount of purchasing power in the future requires growth in the net production of use value. The excess purchasing power owed to the financier has to come from somewhere. Either purchasing power is taken away from someone else, or the net production of use value must increase. Since finance as means of robbery cannot be a politically stable institution, the desire for real growth in the production and sales of use value predominates.

Of course even in a declining economy investment in infrastructure may be a desirable thing in order to limit the extent to which the economy will decline. Thus investments in the energy efficiency of buildings, sustainable systems of food production, alternate energy systems, and public transportation could help to put a floor under economic descent. I personally do not see how investments which are intended to limit loss of wealth can be effectively made within the context of our current financial/monetary institutions, although I have occasionally run into people who claim the contrary. If anyone out there thinks that they can explain how investment as a competition to lose the least amount of purchasing power can be made to work effectively, fire away. Personally I think that we need to develop a system of public or community investment, the purpose of which is to insure that economic outputs vital to the community continue to be produced as needed, rather than trying to increase the purchasing power of private investors. I see no reason why such a system of community investment must imply state factories in the Soviet sense or must imply the complete death of private enterprise.

However, it is not my purpose in this essay to give a detailed proposal for financial reforms. Instead I wish to point out a structural feature of our current economic system which would strongly drive a growth orientation even if the financial system had the flexibility to deal with stagnant or declining production. This structural feature is the pursuit of future material security through the institution of private savings.

This claim might seem surprising to some people. What economic action could be more conservative, responsible and straightforward than saving for the future? The problem is that in modern monetary economies savings are really expenditures. If I were to retire when I am sixty-five (Don't I wish!) no physical cache of goods would exist corresponding to my retirement savings. No warehouses under lock and key filled with food, clothing, and fuel dedicated to my exclusive future use will exist. If I go on eating, wearing clothes, and staying warm at night after I retire, it will be because men and women get up out of their beds every morning and go to their jobs to produce economic output, part of which they give to me.

In modern monetary economies one person's savings is another person's consumption. Apart from some necessary amount of inventory, the only real savings is the built up infrastructure of society, in which category I include the knowledge and skill of the men and women who are the brains and hands of that society.

We build infrastructure to use it in the present. We do not build roads that we are going to use decades from now when our current roads have worn out. We do not build empty houses against the day when our current houses will have fallen into ruin. We do not build factories and fill them with machinery and then let them stand idle for decades. We build infrastructure for which we see an immediate use. Therefore our desire to store up value is really a desire to consume resources in the present. When consumer confidence is high and people are in the stores buying home theater systems, cell phones, MP3 players, and digital cameras, then our pension funds and 401K funds are happy.

I have used the example of stock funds because the insecurity of this method of 'saving' is currently painfully evident to many people. However, the same principle applies to more conservative versions of financial savings. For example the deposits in a local community bank cannot be large unless the economic activity of that community is large. Don't get me wrong. I am not arguing that all economic activity and all infrastructure building are bad things. Rather I am arguing that we need a socially agreed upon conception of **sufficient** economic activity and **sufficient** infrastructure rather than desiring the increase of these things without limit.

As long as individuals and families have a constant anxiety that they have not stored up enough value to secure their future, a desire for the expansion of current economic output will continue to exist. This fundamental contradiction lies at the heart of the problems faced by modern capitalism; Increasing consumption of resources in the present has been made to give the appearance of providing us with greater security for the future.

In a resource rich world with a smaller human population this appearance corresponded to reality to a substantial extent, as long as our time horizon was short enough. But we have now reached a stage in human history where it seems likely that we are impoverishing our own personal futures by building and maintaining unsustainable infrastructure in the present. As long as future security is pursued in terms of storing up value in an atomized fashion by individuals and families, tremendous pressure will continue to exist to expand total economic production. This desire for growth would continue to exist even if we succeeded in reforming the financial system so that the absence of growth did not automatically produce an economic upheaval in terms of unemployment and job security.

As I said earlier, I do not mean to imply that all infrastructure building is bad. For example, I would feel a lot happier about the future if we had a food production system which preserved top soil and recycled nutrients. This is a sort of infrastructure that I wish we had put into place long ago. The problem with modern capitalism is that it has a short time horizon with respect to the value of infrastructure. On the one hand any infrastructure investment which increases short term production and sales is viewed as a good thing, and on the other hand any infrastructure which puts a floor under our long term productivity, but harms our short term productivity is viewed as being 'unprofitable'.

So what are the alternatives to the pursuit of private fortunes as a means of gaining material security? A detailed practical program for social reforms which would end the destructive tendencies of the current economic system is beyond the scope of this essay and possibly beyond the scope of my unaided intelligence. Nevertheless the broad conceptual principles which could bring about such an economic system are not hard to understand: Voluntary simplicity and mutual support.

By voluntary simplicity I do not mean that we all should live like 18'th century rural small holders. I mean that we need to reach a socially agreed upon conception of 'enough' in the realm of material wealth. Individuals need to reach economic maturity in the same way that their bodies reach physical maturity. If the individual desires increasing wealth without boundary then so will the larger economy. No matter how creative and productive an individual may be their income should not exceed the socially agreed up definition of sufficiency.

I say 'socially agreed upon' because, in spite of libertarian delusions to the contrary, in complex economies with a high degree of specialization of labor, wealth is a social creation. If Isaac Newton and a mountain of gold bars were dumped onto a resource rich planet devoid of intelligent tool users, then he would be rich no more forever. Highly productive people will need some other goal and reward for the full exercise of their creative powers than the amassing of private material fortunes. If satisfactory alternative goals and rewards cannot be found, then any attempt to create a system of industrial production with long term stability is probably doomed.

Mutual support is the other foundation stone of an economy which is not rushing to destroy the commons in the name of private material security. I have already pointed out that real physical

savings consist of the built up infrastructure of society, including the knowledge and skill of its constituent citizens. Since mutual support is an objective physical reality, why don't we stop seeking a delusory financial 'independence' and implement a system of universal social security? We need to create a social environment in which people who put their shoulder to the wheel and help to create and maintain the economic infrastructure of society, even in a humble capacity, can have confidence that that infrastructure will be used to support them in their years of declining productivity.

The question of how to implement such a system is complicated. If large scale monetary systems continue to function then one possible element of a system of mutual support is social security payments via a payroll tax as in the current U.S. system. I should point out, by the way that payroll taxes would not necessarily tie retirement security to the procrustean bed of a monolithic national retirement system. Irish economist Richard Douthwaite (among others) has [suggested](#) the utility of creating sub-national or regional currencies to complement national currencies. One could imagine similar social security systems associated with these regional currencies, so that people earning income in the regional currency would be building up retirement credits in the regional system. Someone who switched back and forth between jobs earning money in the two currencies during their working life would end up receiving multiple income streams when he or she retired. Therefore this idea does not necessarily preclude greater localization of economic production.

Of course national and regional currencies could also be supplemented by more local forms of currency such as [LETS](#) (Local Exchange Trading Systems). People who had formally retired from the larger scale economy might continue to earn income in these local systems on a part time or full time basis, so that they would not be entirely dependent on income from the larger scale economic systems. However, insofar as these large scale economic systems continue to exist and have not become entirely dysfunctional, they should contribute to the support of people who have done their part in maintaining the wider economic order.

Many people will claim that all of this talk about mutual support and putting limits on private wealth accumulation is idealistic, utopian nonsense. This accusation of utopianism takes a strong form and a weak form. The strong form asserts that our greedy, acquisitive, competitive, hierarchy loving natures make such a form of social organization psychologically/physiologically impossible. No imaginable historical circumstances exist under which such a society could come into being. This claim of absolute impossibility can neither be proved nor disproved, though certainly lots of discouraging historical evidence can be cited in support of the negative assertion. I prefer to remain agnostic on this issue and to discuss physically possible solutions to our difficulties without reference to any preconceived ideas about the limits of human psychological and social adaptability.

The weak form of the claim of utopianism associated with these economic ideas does not assert absolute impossibility, but rather claims that under the current historical circumstances the likelihood of the adoption of such economic forms is extremely low. If our net productivity starts to decline due to some combination of resource depletion and the negative impact of human economic activity on the biosphere, then cultural inertia guarantees that the current power structure will flail about trying to preserve the status quo rather than attempting to serve the real needs of the majority of the population.

I have absolutely no doubt that, in the face of a productivity decline, real understanding of the nature of our situation and realistic proposals for alleviating the associated suffering will be hard

to come by. However, if the unique and unvarying response to this situation, for all time to come, is a vain attempt to restore the 'normality' of exponential economic growth, then it is hard to see how the decline of industrial civilization can stop anywhere short of neolithic villages. I prefer to assume that the case is not so desperate and talk to other human beings about our common dilemma as if I thought that intelligent cooperation were possible.



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