

Three-way Race: Humanity's future at stake

Radical Randy

The economy. Growth. Growth of the economy. Its hard to find a policy pronouncement that comes out of Prime Minister Harper's government that isn't justified with an appeal to economic growth, a device which is apparently expected to end all discussion and blunt any objection. Thus are "free trade" treaties, cuts to environmental monitoring or social programs, and further tax cuts for corporations justified. Even controversial, environmentally destructive projects are defended on the basis of their growth stimulation. This is particularly evident in the Alberta government's relentless promotion of tar sands expansion.

Always more: Why capitalism requires unending growth to survive

A fundamental characteristic of the capitalist system is its need for unending growth. This is evident in the calls by Prime Minister Harper, Premier Redford, and other leaders for economic growth at all costs, presented to the public by corporate media as if this were a vital component of our lives. But why? To understand this one must understand the nature of capitalism itself and how money is created in our economy.

The overwhelming majority of all the money in circulation in our economy, and the world as a whole, is created by the banks via the fractional reserve banking system. When money is deposited in a bank the bulk of it is loaned out again. Since the original deposit is still on the books, the money lent out has been created out of thin air by an entry in a bank ledger. Most of this new money will subsequently be redeposited in one bank or another and re-lent, increasing the money supply even further with each round. Conversely, paying back loans erases that amount of money from the economy. If banks are reluctant to lend or demand for loans declines (as after the 2008 crash) more loans are repaid than initiated and the money supply contracts. This money "shortage" can lead to a recession.

Here's the Achilles' heel of the whole system: when loans are made, only the principal is created, but when they're repaid, that principal plus the interest must be paid. The same for credit cards. This is as true for the economy as a whole as it is for an individual borrower. So where does the extra money to pay the interest come from? The economy's money supply must somehow constantly keep increasing. Strangely, it is produced from further loans. Thus, to pay the interest on previous loans, additional loans must be made to create this money. Of course, these new loans will themselves have further interest charges, necessitating more loans to create the money to pay their interest and on and on, *ad infinitum*. The need for ever-escalating loans to create ever more money in the economy is at the root of the obsessive need of capitalist leaders to promote ever more growth and consumption. This growth is required to create the demand for these new loans and thereby increase the money supply. This Ponzi scheme can only continue as long as there is still room for growth. Deregulation of the financial sector was championed by neoliberal politicians since removing "useless" safety measures would

surely stimulate corporate activity for even more growth. The unsurprising result: speculative bubbles and financial meltdown. Capitalism, to survive even in the short term, needs to be protected from the greed of the capitalists.

Reaching the limits

The desire of wealthy investors for ever greater profits is, of course, another major driving force pushing capitalism's expansion. The rise of the financial sector, with its subprime mortgages and *menagerie* of exotic derivatives, relative to the real economy, also drove the need for relentless growth. The deregulated financial sector turned the world's financial markets into a global casino. Financial companies were able to take huge risks with investors' money for gigantic potential payoffs. In order to compete for investment dollars in this economy, manufacturing and other real businesses had to constantly grow to inflate their own share prices to attract investment.

The ability of capitalism to relentlessly expand is predicated on the continuous opening of new markets. This was on display with the collapse of the Soviet Bloc and the looting of Eastern Europe. It is also responsible for the relentless push by neoliberals to privatize the global commons. Medicare, education, and even our water, are all targeted as the next privatization victims for corporate takeover. Remaining government services are contracted out or given away as Public-Private Partnerships. Globalization and "free trade" treaties allow ever greater penetration of foreign markets and access to cheap labour by Western corporations. All to feed the insatiable maw of a system that must conquer new territories to survive.

Ironically, the neoliberal policies promoted for their growth potential have had the opposite effect. In reality, they just concentrate more wealth in the hands of the rich while causing stagnating real wages or bankruptcy for the middle class and working poor. The richest segment of society tends to hold onto much of this excess money with speculative investment in the financial sector, unlike the rest who largely have to spend what they have on necessities and a few goodies, which would create more actual growth. As a result, going into debt is the only way many people can live the wasteful consumer lifestyle pushed by corporate advertisers.

The relentless growth demanded to keep capitalism afloat may come to an end before it has a chance to conquer every corner of the globe. While the hunger may remain, the environment cannot supply non-renewable resources indefinitely. Jeff Rubin in *The End of Growth* brings up the point that capitalism's growth was absolutely dependent on cheap oil, especially for transportation, and posits that oil price spikes have triggered recessions, (as in the bursting of the 2008 housing bubble). Additionally, much of our power generation comes from high-grade, energy dense anthracite and bituminous coal. As the high quality, easily accessible sources are depleted, the price of energy will rise. It is the depletion of easily extracted energy resources that is forcing the turn toward more expensive and even more environmentally destructive sources such as deep water off-shore and Arctic oil drilling, mining Alberta's tar sands gunk, hydraulic fracturing for oil and natural gas, and burning dirtier, energy poor, "brown" coal. Even if these energy

sources are made available, Rubin suggests that rising prices will make them unaffordable, leading to practical energy shortages. Additionally, many of the vital basic metals and the more exotic rare earth elements are becoming more difficult and expensive to obtain, as related by Michael T. Klare in *The Race For What's Left*. These shortages are made even more acute with rising demand from major developing countries such as India and China.

The capitalist system seems destined to collapse when its growth imperative runs into the brick wall of physical reality – either when it has finally subjugated every last frontier or sooner, when resources become exhausted or prohibitively expensive. However, a much more devastating crisis looms.

The real meltdown

Environmental destruction, particularly pollution by the greenhouse gases responsible for global warming, threatens the survival of civilization itself, not simply the sustainability of our economic system. With global warming it is hardly surprising that we are experiencing heat waves with devastating effects on crops, as in Russia in 2010 and the U.S. Midwest in 2012. For each one degree Celsius rise over optimum growing temperature there is roughly a 10% drop in grain yields. In coming decades, as global warming accelerates, heat waves will become more frequent and severe and be of longer duration - the new normal. Additionally global warming is expected to cause major shifts in rainfall patterns with resulting droughts and floods as well as the disappearance of many of the glaciers that feed the world's major rivers.

As Earth Policy Institute founder Lester R. Brown reports in *World On The Edge*, many non-replenishing fossil aquifers are being pumped dry by industrial agriculture. As water tables fall so does the ability to irrigate crops. On top of this, overplowing and overgrazing are leading to topsoil loss around the world with arable land turning to desert. And oil depletion will have a major impact on industrial agriculture. With an increasing global population, the situation is dire.

As discussed by Ronald Wright in *A Brief History of Progress* agriculture arose independently in several loci around the world during the Holocene Epoch, shortly after the end of the last ice age with the advent of our stable, relatively benign, climate. The sudden and growing climate change from global warming will end this environmental honeymoon. The obsession with growth at all costs that the capitalist system demands may well bequeath to us total agricultural breakdown and the end of anything resembling civilization. Ecological collapse will willingly serve as judge, jury, and executioner of any civilization that cannot live in a sustainable manner.

Occupiers and other rebels

The final entrant in this dismal race is the one we should be cheering on. Throughout the world people are fighting back against capitalism's dependence on unlimited growth and the inequities built into the system. From Spain's Indignados to the Occupy Wall Street

movement to the European "austerity" revolts to Canada's Idle No More, citizens worldwide have had enough of the neoliberal status quo. Worker-controlled enterprises such as Spain's Mondragon network, along with cooperatives, offer an alternative to greed and growth driven corporations while rooting businesses in communities, unlike our current globalized race to the bottom. The degrowth movement, originating in France, emphasizes reduced production and consumption along with a fairer and more ecologically sustainable economy. However, as the protests and resistance to global capitalism become more intensive and widespread, so too will the crackdown on them by our corporate dominated governments and their marginalization and demonization by corporate mass media.

The race is on

As an enabler of endless growth, neoliberalism constantly stresses the efficacy of deregulation to allow the magic of the market to rip ahead at full tilt. It should therefore come as no surprise that the U.S. Congress's attempt to re-regulate the financial sector with the Dodd-Frank Act has been watered down by Wall Street lobbyists. Apparently, the American government will be expected to come to the bankers' rescue once again after the next implosion, at least until the country undergoes its final bankruptcy.

Across the pond, things haven't improved, either. European governments responded to their capitalist collapse with "austerity programs", a form of class warfare waged against their workers. But with severe cutbacks to public spending their citizens remain out of work - only now without the public services they need. Things aren't looking good.

Meanwhile, rather than dealing with the reality of global warming and the dangers posed to the future of agriculture, governments and corporate media downplay the danger or stall or take refuge in fallacious "market solutions" like carbon trading or ludicrous geoengineering megaprojects. Anything to avoid eliminating fossil fuel use. Anything to allow business as usual and corporate profiteering to continue, denying the need for massive, co-ordinated, international government intervention in and regulation of the economy. Admitting to the need for such regulation would threaten not only the fossil fuel industries themselves but also undermine the whole neoliberal "market knows best" fantasy, something that can not be allowed by the corporate elites.

The three-way race outlined above will determine the future of our civilization – or if we'll have one. We may realize with ironic hindsight only when it is too late that our generation, living at the all-time pinnacle of human technological achievement, squandered its last chance to change. A collapse of the global capitalist system would result in panic and massive disruptions to global supply lines. Food shortages would occur. All of this could trigger wars and social disintegration. However, by adopting a saner economic system, civilization could re-emerge. But if capitalism manages to hang on for a few more decades while conducting business as usual, we risk an ecological devastation that humanity may never recover from.

The best hope for the future of the human race is the replacement of capitalism with a no-growth economy before either economic or environmental collapse can occur. So which will come in first: capitalism's collapse, ecological collapse, or an end to the willingness of the world's citizens to continue putting up with the present system? The clock is ticking. The race is on.