The Oil Drum
DISCUSSIONS ABOUT ENERGY AND OUR FUTURE

Peak Oil and Economic Growth: Where Do We Go From Here?

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This is a guest post by Rob Dietz and Brian Czech. Rob Dietz is the executive director of the Center for the Advancement of the Steady State Economy (CASSE). He received a master of science degree in environmental science and engineering from Virginia Tech and an undergraduate degree in economics and environmental studies from the University of Pennsylvania. Brian Czech, the founder of CASSE, is also a professional biologist in civil service and an adjunct professor of Ecological Economics at Virginia Tech. Czech has a Ph.D. in Renewable Natural Resources (University of Arizona, 1998) and is the author of "Shoveling Fuel for a Runaway Train". (note: Herman Daly, who helped me choose my Phd path, first wrote about the steady state economy in 1977 - he is on CASSE's board)

When pundits, talking heads, and government officials debate policies related to oil consumption (e.g., gasoline taxes), they invariably ask, "Will it hurt economic growth?" This statement could be broadened to a whole range of policy debates on the environment, from climate change to endangered species. But since this is the Oil Drum, let's stick with the topic of oil and economic growth.

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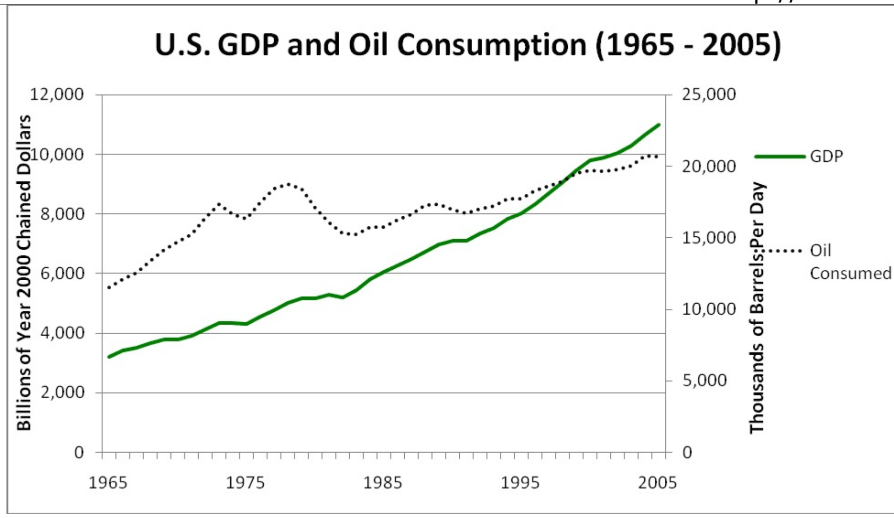
Oil and the economy are clearly and inextricably linked. Many analysts call oil the engine of economic growth. Certainly U.S. oil consumption patterns and economic output have experienced similar upward trends over the decades (see graph). It is difficult to find anything produced or consumed in the U.S. economy that doesn't require oil as an input to its life cycle. It logically follows that changing oil prices or altering oil consumption patterns will affect economic growth. That's why people (although probably not enough) worry about peak oil. They fear that the age of economic growth will come to an end.



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The real issue, though, is whether economic growth is a desirable goal to begin with! Economic growth is simply an increase in the production and consumption of goods and services. It is driven by increasing population and increasing per capita consumption, and is typically indicated by increasing gross domestic product (GDP). Theory and evidence suggest that continued growth is actually “uneconomic” or costly to society . Ecological footprint analysis shows that the global economy is consuming 30 percent more resources than the Earth can regenerate each year , a deficit that cannot be maintained for long.

If the growth paradigm is unsustainable and harmful to the environment and future generations, why is society still pursuing it? First, growth was a blessing for much of history, and it is difficult to change from something that worked in the past. Second, powerful interests from corporations to government agencies to universities have a stake in the growth economy and promote it doggedly, sometimes resorting to fallacious concepts and propaganda that confuse and mislead the public. Finally, and perhaps most importantly, society lacks knowledge of the sustainable alternative to economic growth.

The sustainable alternative is the steady state economy, which is characterized by stabilized (mildly fluctuating, that is) population and per capita consumption. The steady state economy is fully capable of meeting human needs and providing a high standard of living for all citizens. Such an economy aims for better, not bigger; quality, not quantity. It focuses on strengthening communities rather than making and using ever more stuff – including oil.

In a steady state economy, societies can redevelop local networks for commerce rather than misallocating precious energy resources. Changing the economic goal to a gradual transition toward a steady state economy is the best way to ensure ecological health and true wealth for this and future generations. In fact, a sober consideration of thermodynamics and basic ecological principles tells us it’s the only way.

Economic growth will end one way or another. Classical economists believed that after a period of expansion, the economy would stabilize. Current ecological economists have updated the theory, but largely reached the same conclusion – that a steady state economy of sustainable scale is a desirable scenario for society. Peak oil has the power to stop economic growth and even cause economic contraction. If economic growth is going the way of the passenger pigeon (or numerous other species that have been lost to economic growth), shouldn’t we attempt to make the transition on our terms? Why wait until our behavior and policies produce disastrous consequences? The sooner we get to work on the transition, the more we can avoid the pain of a forced transition. Peak oil is the messenger telling us it's high time to change the economic goal.

For more information, visit the website of the Center for the Advancement of the Steady State Economy (CASSE) at , where you can sign the only position on economic growth available on the Web.

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