

# Where's the Growth?!

By CHRIS CLUGSTON

The Great Recession began over eight years ago, and despite historically unprecedented fiscal and monetary “stimulus” since then, the global economy has yet to recover. Why?

Most analysts look to the various economic, political, and social manifestations of our post-recession global economic malaise for answers — e.g., excessive indebtedness, decreasing personal incomes, overregulation, malinvestment, inept political leadership, income and wealth disparities, shifting demographics, increasing instability, etc.

While these adverse economic, political, and social phenomena certainly exist, none is the fundamental cause underlying our failure to recover from the Great Recession. The fundamental cause is geologically based: increasingly scarce NNRs (nonrenewable natural resources) — the fossil fuels, metals, and non-metallic minerals that enable our industrialized existence.

Our continuously deteriorating political, economic, and social circumstances and our resulting increasingly desperate political, economic, and social behavior are merely the natural consequences of the relentless and remorseless “squeeze” being exerted on global humanity by increasingly pervasive global NNR scarcity.

## BINGE

Since the latter decades of the twentieth century, industrialized humanity has been on an NNR-enabled consumption binge, ranging from massive infrastructure buildups in China and other emerging nations, to lavish spending sprees by populations residing in developed nations, with the U.S. leading the “charge” (pun intended).

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Fueling this global consumption binge has been historically unprecedented fiscal and monetary stimulus — debt, printed money, and suppressed interest rates, which have generated historically unprecedented global NNR demand, NNR supplies, and NNR-derived products and services. In essence, those of us residing in industrialized and industrializing nations have been living increasingly beyond our means economically in order to live increasingly beyond our means ecologically.

Regrettably, we now find ourselves “tapped out” globally: we are hopelessly over-indebted at the individual, corporate, and government levels;<sup>1</sup> central bank balance sheets are bloated to the point where additional money printing will jeopardize the credibility of their fiat currencies;<sup>2</sup> and artificially suppressed interest rates of 0 percent and below can no longer stimulate sufficient incremental borrowing and spending to perpetuate the consumption binge.

More regrettably, we have become tapped out just when significant incremental NNR supplies — albeit lower-quality/higher-cost NNR supplies (e.g., shale oil) — have finally come online, ostensibly to perpetuate our consumption binge. We therefore find ourselves in the midst of temporary global NNR supply abundance — even though significant portions of these abundant NNRs are being produced and sold at a loss,<sup>3</sup> a situation that cannot persist.

(Note that despite our wishes and hopes to the contrary, we are not experiencing permanent global NNR abundance. We have merely temporarily overproduced lower-quality/higher-cost NNRs — NNRs that we have only been able to produce as a consequence of our historically unprecedented, and certainly unrepeatable, fiscal immoderation.)

## OVERSTIMULATION

The result of this inopportune global NNR demand/supply dynamic is our “day late and a dollar short” global NNR supply glut, characterized by belatedly abundant global NNR supplies juxtaposed against prospective NNR purchasers who cannot afford to buy them — a scenario that has been steadily suppressing global NNR demand, NNR prices, and economic growth

since NNR prices reached their modern industrial era peaks between 2008 and 2011.<sup>4</sup>

And whereas today’s relatively low NNR prices would normally stimulate at least modest levels of incremental NNR demand and corresponding economic growth, our current global geonomic<sup>5</sup> (geological economic) environment is anything but “normal.”

In today’s world, even substantially depressed NNR prices, amplified by unrelenting global central government and central bank profligacy, cannot provide sufficient stimulus to offset the now-stifling effects associated with decades of appalling global fiscal and monetary imprudence. Excessive global indebtedness and malinvestment abound — we are perilously overstimulated!

Given today’s precarious geonomic environment, global humanity will almost certainly experience a “Greater Recession” by the end of this decade. Our impending recession will be caused by bursting asset bubbles — e.g., bond, stock, and real estate bubbles — as global central governments and central banks become unable to keep these bubbles inflated with constant doses of borrowed money, printed money, and artificially suppressed interest rates.

Cascading failures associated with excessively risky investments — inevitable manifestations of the rampant malinvestment associated with our stimulus-induced global consumption binge — will prick these bubbles.

Beyond that, only time will tell...

**HANGOVER**

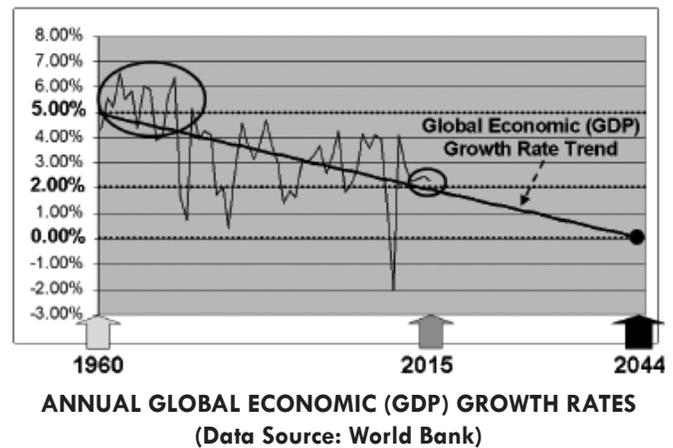
One certainty among the uncertainties is that fundamental global NNR demand/supply dynamics remain unchanged. The Great Recession of 2008/9 and the aborted economic recovery attempts that followed were caused by humanity’s first episode of epidemic, geologically induced global NNR scarcity,<sup>6</sup> which while temporary, was certainly a harbinger of things to come.

Humanity’s global NNR requirements are enormous and ever-increasing — more people want more NNR-enabled infrastructure, goods, and services. Over three quarters of Earth’s human population have yet to experience industrialized prosperity; and we will continue to pull out all the stops — economically and ecologically — for as long as possible, in our attempt to see that they do.

In the process, we will try unsuccessfully to resolve the economically depressive effects associated with our global NNR demand/supply imbalance. Because we are now “broke” in every sense of the word, we can no longer afford to “demand” sufficient NNRs to grow our global economy at a rate necessary to maintain prosperity for those who currently enjoy it, much less to provide it for those who do not.

And NNR supplies, while currently in “over-supply,” are not the high-quality/low-cost NNRs that enabled our robust economic growth historically — and that are necessary to enable robust global economic growth in the future. Earth’s high-quality/low-cost fossil fuels, metals, and nonmetallic minerals have long since been extracted.

It is highly likely that we reached “peak global economic growth” decades ago, and are fast approaching “peak global economic output.”



As recently as the 1960s, annual growth in global economic output (GDP) averaged well above 5 percent. By the year 2015 — only 50 years later — average global GDP growth had decreased to approximately 2 percent annually.<sup>7</sup> If this trend continues, global GDP growth will reach zero well before the year 2050 — that is, annual global GDP will peak and enter terminal decline within the next 35 years.

In the absence of globally abundant, high-quality/low-cost NNR supplies, the prevailing trend cannot possibly be reversed. Such NNR supplies have not existed for decades, and they do not exist today. Where will they come from during the next 35 years?

In the meantime, our impending Greater Recession will likely wipe out our unrepayable debts and our overly inflated fiat currencies, through financially devastating mass defaults and bankruptcies, thereby enabling us to “reset” and relaunch our inevitably futile attempt to achieve universal “American-style prosperity” through global industrialization.

(At issue however is whether sufficient globally available, economically viable NNR supplies remain to enable even one more ill-fated relaunch...)

**SOBERING REALITY**

In any event, those who long for a return to our old normal of robust global economic growth and improving prosperity might do well to reorient their thinking to our new normal of anemic and generally decreasing global economic growth and diminishing prosperity.

Regrettably, despite (and paradoxically owing to) historically unprecedented overstimulation, global economic malaise is “as good as it gets” from this point forward.

Global humanity’s future NNR requirements will remain enormous. And global NNR quality will continue to decrease — since the 1960s, global NNR discoveries have been fewer in number, smaller in size, less accessible, and of lower grade and purity.<sup>8</sup> And, increasingly strained human ingenuity will continue to experience diminishing returns, as we attempt in vain to mitigate the ever-increasing costs associated with exploiting these lower-quality NNRs.<sup>9</sup>

Today’s global NNR glut is temporary, as are today’s relatively low NNR prices. Increasingly prevalent global NNR scarcity has become industrialized humanity’s inescapable reality — a geologically based reality that exists independent of human political, economic, and social systems, and that cannot be “fixed” by human political, economic, or social expedients.

And the inescapable consequence of this reality is that the costs associated with attempting to achieve and maintain prosperity — individually, nationally, and globally — will continue to increase, going forward, despite our best efforts to the contrary: a scenario that does not bode well for future global political, economic, and social stability. ■

### Endnotes

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