

Where we are

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Where we are, where we came from and where we are headed

All over the world developed nations have created more government than their increasingly uncompetitive, over-regulated, over-taxed economies can support. Deficit spending is epidemic and borrowing is reaching the limits of capacity to even maintain payments on interest. Increasing numbers of local, state and national governments are running on empty. Unpaid bills, layoffs and cuts to welfare and essential services are spreading. Financially desperate governments seem determined to seek and destroy any remaining pockets of economic viability *via* increased taxation and regulation.

While better off than most, Australia is not immune to this global malaise. We too suffer from chronic balance of trade deficits, unsustainable government commitments and proliferating bureaucracy strangling any productive activity. Australia has the highest house prices in the world, the highest level of personal debt, the steepest increases in food prices of any OECD country over the past decade and a declining manufacturing sector that is now the smallest in the developed world.

When an idea becomes widely accepted or a condition of society has persisted for more than a few years we have a tendency to accept it as a given; but, history demonstrates that much of what is accepted as unquestioned reality at any given time is later seen to have been nonsense or only a temporary anomaly. It would be extremely naive to think that this process no longer applies. Much of what we now believe is probably wrong.

The conditions and ideas that have been fundamental to modern society are not a given and they are changing. It is increasingly apparent that we cannot continue in the same manner we have in the recent past. When it becomes obvious that the usual way of doing things is no longer working it can be useful to back off and take a wider look at the situation, how one got there and where one is headed.

Just two lifetimes ago only a small portion of our population lived in cities and a large majority of farmers was required to produce enough surplus food to sustain just a few cities of modest size. Almost all labour was hand labour. Airplanes did not exist. Ships were powered by sails. Beyond a few railways, land travel was by foot, horseback or horse drawn carriage. Infectious diseases killed about half of children before adulthood. The average lifespan was about 30 years less than it is today. Electricity, telephones, radios, television and computers did not exist nor did refrigeration or central heating. It was a very different world.

While numerous technological advances have contributed to the development of modern society the core element enabling all the rest has been the harnessing of the energy in fossil fuels and most importantly of all, the highly concentrated liquid energy of oil. At this point in our development there is no effective alternative to oil to power ships, airplanes, trucks, and the heavy mobile machinery essential to agriculture, mining and construction.

Our entire mode of life has also evolved around extensive use of automobiles for personal transportation and while more fuel efficient cars and ones powered by electricity are beginning to be developed, we are still decades away from their widespread adoption. In the meantime ongoing use of oil is vital to the continuing functioning of the economy and even to produce enough food to avoid mass hunger.

Fortunately there is enough oil to sustain us for some decades longer. However, the large, high quality, easy to produce, oilfields are depleting at an increasing rate and despite large advances in exploration technology, discovery of new ones is not keeping pace with depletion. An increasing portion of oil is coming from expensive to produce sources such as deep water, heavy sour crude, or oil sands. While we are not in immediate danger of running out of oil, it is getting more and more expensive. Demand is already pressing the limit of supply and is rapidly increasing. Shortages will almost certainly mean further steep price increases with increased costs and decreased production imposing recessive economic impacts across the entire economy.

This process is already underway and has recently been exacerbated by the major blowout in the Gulf of Mexico which is curtailing production in one of the world's most productive offshore oil provinces. Even when government imposed restrictions are lifted most of the big deepwater drilling rigs will have been redeployed to distant regions and no longer be available. Then too the sovereign risk of a vengeful government is likely to deter all operators from betting their companies on the inherently risky business of deep offshore production. This lost capacity will have to come from production elsewhere in an already tight market. Significant price increases in the near future seem almost inevitable.

Unfortunately, this is coming at a time when the economy of developed nations is already struggling with recession, debt, unsustainable levels of government commitment, ageing populations, and business costs that are increasingly uncompetitive in the global marketplace. If this sounds overly pessimistic it can only be because one is living in a fantasy based on a world which no longer exists. The time when Western culture had a monopoly on advanced science, technology, business, and finance has passed. What we now have is an economic environment so encumbered by bureaucracy, regulations and taxes that overall economic activity is declining, whole industries are moving offshore and increasing portions of even those which do remain viable are being offshored.

Regardless of ostensible differences in political parties in developed countries, all major parties must appeal to the votes of a majority constituency comprised of non-producers and those directly or indirectly employed by government. Irrespective of the party in power, government has its own constituency and they vote for benefits which must ultimately be paid for by what has become a minority who actually produce our material wealth. When non-producers become a majority, democracy becomes a kleptocracy.

Like over-indulged children, the non-producers feel neither guilt nor gratitude, but rather a sense of entitlement. To this purpose environmentalism serves an important role. The world of non-producers begins at the shop and ends at the rubbish bin and it largely exists in an urban realm wherein nature has been virtually exterminated. From this viewpoint, only producers despoil the natural environment. Environmentalism affords non-producers a satisfying sense of moral superiority over those who support them. Not surprisingly, it is a popular belief commonly held with great conviction and righteousness.

Meanwhile every day, a plethora of data continues to confirm the declining productivity and quality of life we are imposing upon ourselves. However, to even suggest the bleeding obvious, that our Western democratic klepto-bureaucracies are stumbling along a path of decline leading to the precipice of economic collapse is still unthinkable heresy. But, we should perhaps enjoy our delusions while they last. All too soon we are going to be forced to have a serious rethink of many of the basics of our whole society. Right now the U.K. is facing the first stage of a planned cutback of 600,000 jobs in the public sector and in the U.S. 40 million people depend on food stamps to have enough to eat.

The developing world has already surpassed us in many areas of manufacturing and they are rapidly closing the remaining gaps. They have also now reached a critical mass of Western educated elite to begin to establish their own universities and rapidly expand their educated workforce. The prognosis for our already chronic trade deficits cannot be viewed as likely to improve in the foreseeable future. Almost certainly they will become worse.

Although food production is one most important area where we still maintain an advantage, our politicians and eco-tards are busily destroying this capacity as well. Here in Australia much of our best grazing land is being overtaken by low biodiversity eucalypt scrub as a consequence of tree clearing prohibitions. Beef production has been essentially flat for the past decade. Prices have not kept up with costs and the return on investment has become low to negative for most producers. Steep price increases for consumers have suppressed domestic consumption. The most likely future trend is more of the same.

The situation in agriculture is similar. Tree clearing prohibitions prevent expansion of farmland while increasing water costs and restrictions are reducing production and profitability. In the latest demonstration of unreality, our prime minister has announced a policy of buying up more water rights in the Murray River basin to increase “environmental flows”. This amounts to taking some of our best agricultural land out of production and returning it to desert in order to create a condition that never existed in nature. The result will be trading off many thousands of hectares of green fields and productive farms for a slight increase in artificially maintained greenery for a few metres on either side of the river.

It might also be noted that interference in water rights is a clear violation of section 100 of the Australian Constitution which states:

100 Nor abridge right to use water

The Commonwealth shall not, by any law or regulation of trade or commerce, abridge the right of a State or of the residents therein to the reasonable use of the waters of rivers for conservation or irrigation.

This is clear and unequivocal. It should be noted as well that in the language of 1900 when it was written, “conservation” means conserving, as in holding back for subsequent use and it is a right of a State or its residents, not a right of the Commonwealth. The restrictions and charges on farmer’s water rights now being imposed is not just stupid. It is a direct violation of the constitution.

In fisheries the situation is even worse. With the largest *per capita* fisheries resource in the world, we have the lowest production and our harvest rate is the lowest in the world at only 1/30 of the global average. Our fishing fleet has already been reduced to one-third of what it

was two decades ago. All this is entirely because of bureaucratic mismanagement and over regulation. None of it is due to overfishing.

That we now have to import two-thirds of the seafood we eat, and all of it comes from much more heavily exploited resources elsewhere, is unconscionable. That we are selling off non-renewable resources to pay \$1.7 billion annually to import a renewable one we ourselves have in abundance, then call this sustainable management and pat ourselves on the back with self-proclaimed status as the world's best fishery managers, is beyond moronic.

The situation with our aquaculture is, if anything, worse yet. Aquaculture is the fastest growing sector in world food production; but, despite having ideal natural conditions for it, our industry is weak and declining. Thailand and Vietnam each have only about one-eighth of Australia's coastline; but, both have around 30 times greater aquaculture production than we do. The EU has over 40 times greater production. Even New Zealand has more than double Australia's production. The reason for this disparity is only one thing, bureaucratic over regulation. This imposes multi-fold greater costs, delays and uncertainties than anywhere else.

To make matters even more detrimental, recent numerous large scale clinical and epidemiological studies published in the world's leading medical journals have found major health benefits from increased seafood consumption for a broad range of neurological, cardio-vascular and immune related conditions. Translated into reduced health care costs, it could save Australia billions of dollars per year not to mention a far better quality of life for millions of Australians.

The ongoing proliferation of government and bureaucracy, political pandering for green votes, extortion from producers and abrogation of personal and property rights is rapidly turning our way of life into a new form of feudal system wherein taxes, interest and insurance usurp the majority of worker's incomes. We live as tenant occupants of property we in effect rent from the government, where all we really own is a right to use so long as we keep paying. Then we serve our whole working life as indentured labourers forced to pay for the benefits of our overseers and tithes to our overlords in the banking, insurance and finance rackets.

Despite an overwhelming abundance of evidence clearly indicating that most Western nations are on an unsustainable path to a major economic crisis, the prevailing climate of denial is astounding. Every day brings further news of unequivocal decline and every day there are new pronouncements that all is well and getting better. Instead of aiming to foster and expand remaining sectors of productivity, they are being penalised to subsidise failures and non-production. Like a plague of parasites devouring their host the non-producers are consuming the productive sector which supports them. Ironically we obsess over an uncertain possibility of limited damage from foreign terrorists when our own self-induced malignancy is eating away the vital productive organs of the entire nation.

The good news is that despite all this, the situation is not so much pessimistic as it is necessary. History shows that established social conditions tend to usually be maintained well past their *use by*: date before change comes in a rush. Recent examples were the collapse of the Soviet Union and the opening up of China. Change will only come when enough people recognise that it must. The frustrating part is watching the situation grow worse while waiting for sufficient people to wake up and begin to notice that anything is wrong.



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