Column of Oct 11, 2013. Editor's Headline: "Growth Can Be Unsustainable"

The government shutdown has been portrayed as a partisan squabble over Obamacare. If only it were that simple! In actual fact, the shutdown lays bare a crisis in the U.S. economy that's been brewing for decades. Additionally, since the entire developed world finds itself in weakened financial straits, we may expect profound change, and it will likely mean economic pain and confusion. The type of growth on which our economy depends—exponential growth—is unsustainable and must come to a stop someday. Nothing can grow forever—and anything that grows by some percentage, does so exponentially, meaning, it speeds up inexorably. Hence, it's unrealistic to expect that the future will resemble the past.

To illustrate exponential growth: Historically, population has grown roughly at one percent per year. If one million people grow at 1 percent, within 694 years that one million will have become one billion; in another 70 years, it will have grown to 2 billion; another 41 years and it stands at 3 billion; another 29 years changes it to 4 billion; an additional 22 years equals 5 billion; the next 18 years will have changed it to 6 billion, and so forth.

Or take China's economy, which grew at 8 percent from 2000 to 2009. This rate of growth means, China doubles its energy use roughly every nine years. In other words, if China started with 500 coal-fired power plants, after nine years at 8 percent growth, it needs 1000 such plants—and growth doesn't stop there. These examples come from Chris Martenson's 2011 "The Crash Course," a book that is subtitled "The Unsustainable Future of Our Economy, Energy, and Environment."

When the bubble burst in 2008, it should have made us take note, since our banking system practically collapsed in its wake. Yet here we are in 2013, readily believing that the danger has passed. Statistics tell us, jobs are back—never mind that recently-created jobs are part-time although not listed as such. And the giant banks are back to their 2008 tricks, writes Robert Reich. They've become ungovernable, "too big to fail, too big to jail, too big to curtail." More dangerous than ever, they've turned into "gambling addicts," creating pseudo-wealth electronically via computer strokes. Meanwhile we cling to the unjustified hope that our government will continue to function in an effective and orderly manner.

The shutdown shows the U.S. economy in crisis, first and foremost because of its unprecedented—and unsustainable—level of debt. The debt has been growing much faster than the national income (as per Gross Domestic Product, GDP). However, conventional GDP measuring does not factor-in the use of credit/debt when calculating growth; hence, GDP numbers are utterly misleading—precisely why we (along with other debt-saturated countries) are headed for rough times.

According to Martenson, in October 2010 the debt obligations of the U.S. Government stood at $13.7 trillion. Once governmental liabilities are added (Medicare, Social Security, and such), the debt amounts to more than $100 trillion. And it's not just the federal government that has underfunded its liabilities. Many states and municipalities are also underwater on their pension promises. Yes, these benefits can be slashed to save money, but this would result in low standards of living for the recipients, which profoundly affects the economy, an exigency Martenson calls "zero sum."

Besides governmental debt, the Great Credit Bubble, which has been thirty years in the making, has raised consumer debt to an all-time high. (Martenson distinguishes between Good Debt—a college loan that will result in higher earnings eventually—and Bad Debt, incurred, e.g., for the sake of a fancier car, a granite counter top, an expensive vacation.) Add up all governmental and consumer debt and you'll find "the total amount of debt in the United States doubled over the course of the 1970s. By the early 1980s it doubled again, and by 1990 it doubled once more, and then it doubled again by 2000. Between 2000 and 2010, debt doubled yet again, from 26 trillion dollars to 52 trillion dollars."

Credit has been growing in perfectly exponential fashion. Since our money system is continually growing by some percentage, it's an exponential system by its very design. This means, the amount of debt in the system will always exceed the amount of money in it.

Combined (federal, state, municipal, corporate, and household), we have the highest levels of debt ever recorded, coincident with the lowest levels of savings, ever. Such irrational financial behavior is "the height of folly"—but history is rich with folly, he writes, citing examples from past civilizations. Current total credit market debt stands at 360 percent of total GDP.

Two ways exist to settle a debt: pay it off or default on it. If debt is meant to be paid back, then it must not rise faster than income. Today's governments, however, have developed a sly way of obscuring this fact—the U.S. is not unique in its use of the chimera—by printing easy money or lending into existence. Such programs go by fancy names like quantitative easing (QE), which simply means creating money to buy various forms of debt. Meanwhile, treasury departments print up treasury notes or bonds whenever they need to raise money.