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MuseLetter #352 / June 2022 by Richard Heinberg

The 1970s Again?

For the United States and much of the rest of the world, the 1970s were a time of high oil prices, surging inflation, stock market swoons, political upheaval, and geopolitical tension. Add pandemic and climate change to the list, and it also sounds like a fair description of the world today, a half-century later.

Psychoanalyst Theodor Reik once wrote, "**It has been said that history repeats itself. This is perhaps not quite correct; it merely rhymes." So, just how much do the 1970s and the 2020s rhyme?**

Quick Takeaway: Some Similarities, Big Differences

Many commentators have based "1970s redux" analyses primarily on what was then called "stagflation"—inflation in the context of a stagnant economy. After World War II, the US economic growth rate achieved sustained, unprecedented highs. But then, in the 1970s, growth stalled. That's partly because energy production also stalled (energy is, after all, the irreducible basis of all economic activity). US oil extraction rates started a long decline, the economic effects of which were greatly amplified by the Arab embargo of 1972 and the 1979 Iranian revolution, which sent oil prices soaring. Inflation surged. Averaged economic growth rates fell by half for the decades after 1980 compared to the two decades before, and interest rates topped out at nearly 17 percent in 1981.

But much is different now. Today's global energy crisis is actually much worse, affecting not just oil but gas and electricity as well. As in the '70s, high fuel prices are due both to resource depletion (then, declining US oil production; today, declining global production of conventional oil) and to geopolitical events (then, events in the Middle East; now, the Russia-Ukraine war). The '70s energy crisis was eventually defused by increased petroleum production in places like the North Sea, Alaska, Mexico, and China. Today, prospects for boosting world oil production are few (notably in the Permian formation in Texas), and most hopes for future energy supplies rest on renewable sources like solar and wind. But these sources will require vast investment and the electrification of enormous swathes of our industrial system—and may end up being limited by materials requirements for panels, turbines, and batteries.

Inflation is once again surging, but the Federal Reserve may not be able to deploy high interest rates to fight it, as it did in the 1970s and early ’80s. As energy economist Carey King explains, those interest rate hikes were a drag on economic growth. So, after the 1980s, the Fed gradually lowered interest rates, and the economy began a tepid recovery. But lowering interest rates led households, governments, and businesses to take on more debt, with increased debt somewhat making up for slower economic growth (since a larger proportion of spending was now funded by debt rather than profits or wages). King notes, “The US total debt and loan to GDP ratio rose from near 160 percent in the 1970s to over 370 percent in 2009 at the peak of the Great Recession. Following a decline after 2009, this ratio has remained above 350 percent since, with a short peak over 400 percent at the beginning of the COVID pandemic.” The result today is a situation in which massive debt—government, corporate, and household—makes raising interest rates exceedingly hazardous, because doing so boosts interest payments as older debt gets rolled over at higher interest rates, thereby risking a round of debt defaults that could send economies toppling like a row of dominoes.

So, our current situation has some features in common with, but is far from being an exact repeat of, the ’70s.

Cycles and Non-Cycles

Repetitive patterns in time, or cycles, exist everywhere in nature and society. Searching for cycles in human history can be intellectually seductive and revelatory—but it can also be treacherous if we “see” patterns that aren’t really there, or try to make bold predictions based on them. Cycles can proceed in temporal near-lockstep, like seasonal bird or butterfly migrations. But underlying or background conditions can change, resetting or altogether halting long-standing cyclical patterns (as when bird migrations fail due to habitat loss). Similarly, human societies exist within regimes of climate and relative resource abundance, and, when those regimes shift, social rhythms can be shattered. For example, ancient Egyptian civilization, which based its agricultural success on the annually replenished fertility of the Nile Delta, saw many cycles of advance and retreat. However, the ancient Greeks, who depended upon a more fragile ecosystem and depleted both forests and topsoil, enjoyed fewer turns of the screw before suffering long-term population decline.

If it’s important to pay attention to changes in underlying environmental factors when comparing historical periods, then let’s return to our comparison of the 1970s with the 2020s and consider some numbers. Human population in 1970 stood at about 3.7 billion; today, it’s over twice that, and estimated by the UN to hit 8 billion this month. Global materials use in 1970 stood at less than 30 billion tons annually; today it’s over three times that level, at roughly 100 billion tons. Meanwhile, rising population and resource extraction have had serious impacts on nature. Since the 1970s, the population numbers of wild insects, birds, mammals, amphibians, and reptiles have declined by 60 to 70 percent on average. A recent study found “a significant decline in average fishery biomass in all observed regions, across all oceans and climate zones.” A third of the Earth’s topsoil has been lost since the 1970s. In short, from a biophysical, ecological point of view, we now inhabit a different world: in just 50 years, we have shifted from relative abundance to relative depletion and scarcity. There’s no reason to regard this shift as mostly the result of a

repetitive cyclical process; rather, it makes more sense to think of it as the consequence of a one-time-only profusion of human population, innovation, and consumption enabled by a rapid influx of energy from fossil fuels. This can best be understood as a singular, self-limiting cycle—like a wildfire consuming all available fuel.

Maybe the biggest thing that's different today is climate change. In 1970, the carbon dioxide content of the planetary atmosphere stood at 326 parts per million (compared with the pre-industrial level of 280 ppm); today, it is shooting past 421 ppm. Global temperatures have increased, on average, by over one degree Celsius already, and are likewise rising rapidly. While there are cycles in Earth's climate (the past three million years have featured several roughly 100,000-year-long glacial periods punctuated by 10,000-year warmer interglacials), what's happening now, as a result of people burning fossil fuels, has no true precedent.

More Comparisons

Let's zoom back from geological timescales and consider once again the 2020s versus a half-century ago, this time in terms of social and economic factors.

Technologically, the 1970s and 2020s may seem worlds apart; however, we sometimes tend to exaggerate those differences. We often focus on computerization, where immense strides have occurred. But other industries are basically the same, including transportation (with ships, planes, cars, and trucks running on refined petroleum products), agriculture (which relies on diesel fuel and natural gas-based fertilizer), and building construction methods and materials. Computers have boosted the efficiency of transportation, agriculture, and construction, but these industries still depend on steady flows of energy (mostly from fossil fuels) and materials, including minerals, metals, and timber. These industries account for most of world energy usage and deliver most of our vital services. The internet and social media may absorb our attention, but they don't keep us fed and housed (online shopping aside).

However, our heavy industries have changed in one significant way: all now rely on globalized supply chains, so that local inventories of parts and sub-assemblies are smaller (with "just-in-time" delivery). Just one example: over 80 percent of all solar panels are now produced in China, and local shortages have become more common in the last couple of years. As we have recently learned, globalized supply chains can be brittle. We have traded away resiliency in the pursuit of greater economic efficiency.

The US economy has grown in size ($1 trillion in 1970, $22 trillion today); however, as noted above, the rate of growth has slowed. The past few decades can be divided into three periods in this regard. From 1945 to 1970, there was rapid growth of energy and GDP. From 1980 to 2008, growth of energy and GDP slowed, but debt expanded faster than previously. Then, in the post-2008 period, US energy grew faster than ever (as a result of fracking) and corporate profits shot up, but global energy grew sluggishly and so did US total debt and GDP.

Economic theory and policy also underwent a three-phase shift. After the

Great Depression, which economists diagnosed as a problem of overproduction and under-consumption leading to underemployment, Keynesian theory predominated. It advised high taxes on the wealthy and high rates of government spending so as to stimulate consumption. The results (a new type of economy called "consumerism" buoyed by rapid GDP growth) seemed to bear out the theory—though economists failed to account for the role of energy growth in overall economic expansion. But slower GDP growth after the '70s energy crisis led to widespread questioning of Keynesianism and spurred a shift to neoliberalism, which advised privatization plus lower taxes on businesses and the wealthy. But then came the global financial crisis of 2008, after which spiking economic inequality led to doubts about neoliberalism.

Throughout the past 50 years, and especially in the last 20, incomes of Americans sharply diverged, with lower and middle income earners seeing stagnating or even falling wages when measured in terms of purchasing power and especially as a share of total national income. However, earnings of high-income individuals soared by both measures. As a result, the US is now more unequal than it has been in decades, and is one of the most unequal of all industrialized nations. Today, some economists call for a shift back to Keynesian stimulus policies, though it's unclear whether those would achieve much in an energy-limited economy. In contrast, ecological economists are now calling for purposeful "degrowth" and high taxes on corporations and accumulated wealth as ways to reduce both climate peril and economic inequality.

Economic and political developments were closely intertwined during the half-century. Stagflation in the '70s led to the election of Ronald Reagan, who promised "morning in America" while hosting a neoliberal banquet of deregulation, globalization, and handouts to the wealthy (Democrats soon backed neoliberal policies as well). Underlying problems such as environmental breakdown and rising economic inequality were mostly ignored as they generally worsened. Today, as in the late 1970s, Democrats are in power, but today's politics are more partisan and divisive, making it harder to solve any problems, regardless of who is in charge.

Social activism erupted in the 1970s, fed by Black, Native American, queer, anti-war, women's, and anti-poverty issues. But gains made then are being eroded by pro-evangelical Christian, anti-immigrant, anti-abortion, and pro-gun activism on the right. Today, the country is deeply polarized, with divisions continually reinforced and deepened by social media apps and partisan news sources.

Environmental concerns in the 1970s were informed by an MIT computer modeling study, *The Limits to Growth*, which showed that continued economic expansion would confront resource and pollution barriers in the early- to mid-2000s, leading to decades of falling population, industrial production, and agricultural output. While most economists and policy makers ignored the study, today the world may be near the inflection point it modeled. Fifty years ago, ecology activism centered on issues like air and water pollution, habitat destruction, overpopulation, and resource depletion. Today, as extreme weather, drought, uncertain access to water, crop failure, and wildfire threaten huge swathes of the US and the entire world, climate change is the focus of most environmental efforts and reporting, with other

serious and worsening issues largely crowded aside.

The 1970s also saw the beginnings of a widespread search for alternatives to fossil fuels. At the time, nuclear power seemed the most likely candidate, but then came the Three Mile Island disaster, followed by Chernobyl and Fukushima. Today, nuclear power is in retreat globally, and most hopes are invested in solar and wind power as viable alternatives. However, even after years of rapid growth, these sources still supply only a little over 3 percent of world energy.

Fifty years ago, geopolitics revolved around the Cold War between the US and the Soviet Union. The Vietnam War was one of several proxy conflicts in the post-WWII era; nevertheless, the two nuclear-armed superpowers avoided direct confrontation. Today, a new Cold War has broken out between the US and Russia over the Russian invasion of Ukraine. Military analysts warn of the possibility of nuclear escalation.

Of course, many things have gotten better in the last half-century. Technologies have improved and now provide us with more services. Many industrial processes are more efficient. We have been able to produce far more food to feed our growing population. We enjoy many medical advances leading to longer average lifespans. The number of people living in absolute poverty (defined as an income of less than $1.50 a day) has declined. These are real and important benefits. However, to the extent that these benefits have been achieved through trends (energy growth and consumption growth) that cannot be sustained into coming decades, and by means (fossil fuel use) that generate risks (such as climate change) that threaten to wipe out the benefits achieved, then on an overall net basis we may arguably be worse off, rather than better off, than we were 50 years ago.

What Can We Learn from the Rhymes?

Some of the similarities and differences between the 1970s and 2020s may be explainable in terms of repetitive cycles. The cycle theories that might have the most to teach us in this regard are debt cycle theory and secular cycle theory. If the world, or the US, is reaching the crest of a debt cycle, then there is a strong likelihood that a wave of defaults will soon usher in a new and leaner economic era. If America is reaching a cyclical stage of maximum economic inequality, then we may be in for years of worsening social conflict.

But background conditions are so different today, compared to a half-century ago, that it might be misleading to make bold predictions on the basis of past cyclic recurrences. Following many decades of increasing fossil fuel usage driving growth in population, resource extraction, and consumption, as well as environmental breakdown, we're in uncharted territory in several key respects—notably climate change, the disappearance of wild nature, and a doubled global population now depending on greatly diminished resources.

Are the 2020s just like the 1970s? *If only!* If our problems now were on the same scale as they were then, we would have a much better chance of solving them.

If we want future generations to thrive, and if we want to minimize the

suffering of those alive today, then we will have to confront some unpleasant realities that we have ignored too long. Yet, if we were unable to confront them when we had far more surplus (in terms of energy, materials, and ecological breathing space), and more willingness to compromise, why would be able to confront them more successfully in a politically fraught era of cascading crises?

Clearly, the US must adapt its values, laws, and core institutions to the new conditions of increasing scarcity that we face. The only path forward that doesn't end in universal tragedy is a politics of shared sacrifice. If we are living now in a time of converging limits, and are facing the end of cheap fuel and consumerism, then we need to negotiate these new conditions openly and experience the joy of solving problems by pitching in and working collaboratively. Few of us would really mind living on an energy budget and slowing down, as long as we knew that the belt-tightening was being fairly shared. It could even be enjoyable to reclaim free time and simple pleasures. But if everyone tries to cling to their current advantages while offloading sacrifice onto others, there'll be hell to pay.

Jimmy Carter gave a fireside energy conservation speech in 1977 that resonates today ("There's no way I or anyone else in the government can solve our energy problems if you are not willing to help"). The fact that he was soon defeated by Ronald Reagan doesn't bode well.