

Debt

Tapped out consumers, bankrupt nations and our poor battered biosphere have much in common.



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Back in October, a business correspondent, easing into a new workweek with the measured prose of a Statistics Canada update, discovered that average household debt in Canada had risen to an unprecedented \$163 for each \$100 of disposable income.

It was no great surprise. StatsCan had been reporting rising Canadian household debt since at least 1980, when it was a mere \$65 for every \$100 of income. Nevertheless, the news set the Canadian business press aflutter, in part because our climbing debt-to-income ratio had now passed the levels reached in the US and UK in 2007, just before their housing markets collapsed.

In already troubled economic times, heavily indebted households can easily be elbowed over the financial precipice. If many families were toppled, the wave of resulting defaults would imperil housing markets, retail sales, jobs, other financially precarious households, and so on down the recessionary spiral.

The October news reports offered statements of concern from major bank economists, who modestly refrained from noting how their financial instruments had helped entice so many householders into unprecedented debt. These pundits wavered on about what to do. Evidently the Bank of Canada needed to raise interest rates to discourage consumers from taking on yet more debt. But with weak domestic growth and a wobbly global economy, the Bank also needed to keep interest rates low to spur new buying and investment to keep the indebted employed.

It looked like a perfect Catch-22, though no one said so. Also unmentioned were parallels with international or biophysical debt dilemmas.

Many nations are now heavily indebted. They built up big arrears over several decades, assuming they would be covered by continually growing revenues. Then in 2007, market collapses induced by overreaching lenders brought a global economic slump from which we have not yet recovered.

A few countries – most dramatically Greece – are suspended over the brink, and several others are teetering. All are

maintained over time, and still rising. While the specifics of the calculation are debatable, we are quite clearly moving into deeper biophysical debt.

Here too the conventional responses are unpromising. The dominant economic mantra has been that the planet's carrying capacity for humans is expandable, and that minimally restrained growth will provide sufficient trickle-down wealth to mitigate the damage and replace lost capacity. That

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caught in another Catch-22. They can choose austerity, reducing spending and increasing taxes to cut the debt load at the price of additional job losses and lower revenues. Or they can favour stimulus, spending more on activities that might resuscitate economic expansion at the price of yet more debt. Neither seems to be working.

Eventually, most countries may be able to muddle through on the backs of less indebted nations. But there will be embittered victims and no guarantee of lasting repair.

So far there is also no recognition that dealing with the household and national debt dilemmas requires attention to the overlapping and more fundamental challenges of biophysical arrears.

Our growing material and energy demands overstepped the sustainable capacity of the planet's ecological and biophysical systems many years ago, perhaps in the late-70s. The latest WWF *Living Planet Report* says current demands on global biological capacity are now 50 per cent higher than what might be

dream has faded with each passing decade of rising greenhouse gases and falling biodiversity. Defenders of the established path are left with the contradictory options of denying climate and biodiversity science, or embracing nightmare science ambitions to fix everything by restructuring genes and geoengineering climate.

In the household, the nation and the biosphere, the basic reality is that debt borrows from the future. It is a sensible enough strategy if the future is made richer than the present. If in the past we had taken on more debt to improve health and education, and restore and extend resources for lasting wellbeing, we should have come out ahead.

Unfortunately, we mostly squandered our credit while degrading our planet's biocapacity, leaving ourselves in a hole within a hole.

There are lessons from all of this. They will at best come late for the battered biosphere, and for the hapless consumers and beleaguered nations that have already exhausted their borrowing privileges. But late still beats never. **AJ**