Abstract

Modern people live in the world of consumption. There is a big gap between rich and poor people and poor try to become richer improving the living conditions through the economic growth and more resources consumption, at the same time rich people do not stop looking for the ways of improving their life standards and continue expanding their economies and resources consumption. Everyone seeks to grow, to achieve quantitative and qualitative development. According to the logic of thinking among most people, this state of affairs seems to be positive, because people got used to think that the word "development" (thinking about quantity) has only positive connotation. If some people tried to think out of the box they would probably notice that some quantitative development can lead to negative consequences. For example, as it is known not all Earth resources are renewable and if people continue consuming them with the current speed and amount one day they will be run out of the resources. Year by year the population of the Earth increases enormously and it can or even will lead the world to the problem of the food shortage. Also people produce too much waste and cannot store and recycle it, and that leads to dramatic ecological problems.

Today people live in the world where economic growth might be impossible due to the fact that it can bring the whole humankind to a disaster. In 1973 an American ecological economist and Herman E. Daly developed a concept of a Steady-State economy which suggests that any state should stop its quantitative development and maintain its economy at the same level so that to avoid most of the problems listed above. However, in spite of all the advantages of the theory it has not been put into practice yet. Thus, in this research paper it is going to be discussed what are the main reasons that prevent the use of the theory, in what kind of society people should live to be able to follow the rules of the Steady-State economy concept.

Key words: Steady-State, quantitative growth, food shortage, consumption.

Introduction

Nowadays people live in the world of consumption where everybody consumes more day by day. There is still a big gap between rich and poor people and poor try to become richer improving the living conditions through the economic growth and more resources consumption, at the same time rich people do not stop looking for the ways of improving their current life standards and consecutively they continue expanding their economies and resources consumption. To cut a long story short, everyone in the world wants to grow, to achieve some quantitative and qualitative development. According to the nowadays logic of thinking among most people, this state of affairs seems to be very good and positive, because people got used to think that the word "development" (thinking about quantity) has an absolutely positive connotation and nothing can be wrong or bad with it. However, is it really so absolutely good for our world today? If some people tried to think out of the box but not just follow some widespread and imposed opinion, they would probably notice that some quantitative development can lead to some negative consequences. For example, as it is known not all Earth resources are renewable and if people continue consuming them with such a speed and in such an amount one day they will be run out of the resources. Another example is connected to food and population: year by year the population of the Earth increases enormously and it can or even will lead the world to the problem of the food shortage: people might not have enough food for surviving. Also,
it would be important to point out an example that touches upon a problem of waste: in the modern world people produce too much waste and they cannot or sometimes even do not know how to store and recycle it, that leads to dramatic ecological problems.

All factors that were mentioned above lead to a point that people nowadays live in the world where economic growth might be impossible due to the fact that it can bring the whole humankind to a disaster. In this connection, in 1973 an American ecological economist and Professor at the University of Maryland Herman E. Daly suggested and developed a concept of a steady-state economy. This idea was a real surprise for the society, because according to this theory any state should stop its development (quantitative one) and maintain its economy at the same level so that to avoid most of the problems listed above. However, in spite of all the advantages of the theory it has not been put into practice yet. Thus, in this research paper it is going to be discussed what are the main reasons, key factors that prevent the use of the theory, in what kind of society people should live to be able to follow the rules of the steady-state economy concept.

The basic theoretical aspects concerning the theory of a steady state economy will be taken from the works of Herman Daly. More than that, while conducting this research, opinions of different people including critics of the theory such as Richard Smith, Christian Kerschner, etc. will be taken into consideration, so that the reader can have an opportunity to look at the situation from different sides.

Hopefully, this research paper can be able to join together different perspectives for the future development of Herman Daly’s theory and show the most probable problems that this theory could face on the way to its implementation.

1. The Concept Of A Steady-State Economy

As an ecological economist, Herman Daly thought of an economy from the paradigm of physical science and biology. Daly expressed an idea that the Earth is a steady-state open system: there might be some inner changes but generally the Earth has a more or less constant stock of resources, water and so on. It means that from the very beginning, when the Earth just appeared, it got some certain amount of resources and nowadays it cannot fill them in more from any other place. Both: the surface and the mass of the Earth do not grow or decrease. The inflow and the outflow of the radiant energy to the Earth remain almost equal. The next example can illustrate this idea: imagine a person who can go for shopping just once in his/her life, so this person has bought some amount of food and clothes and now he/she needs to survive by using only the things that he/she has. Similar idea was expressed by a British economist Kenneth Boulding: he said that the future economy can be called the “spaceman” economy in which Boulding compares the Earth with a single spaceship without unlimited reservoirs of anything. Of course, people today try to find all possible ways to change the current state of affairs, to solve, for instance, resource problems, to find new mineral deposits, new resources and even invent new kinds of energy. However generally, it does not change the fact that the Earth has just as many things as it had at the moment of the world creation disregarding the way people use those things.

Coming back to the Earth as a steady-state system it should be noted that Daly says that all parts of the Earth are also steady-state systems, for example all organisms, because they have the same features as the Earth (think of people: a human body has a constant amount of arms, legs, etc.). Herman Daly also claims that an economy is a subsystem of the Earth because economies exist inside of it and use everything from it (or mostly everything: taking into consideration the space exploration). So thus, an economy should be a steady-state system as well. It follows thence that this kind of economy should not grow, it should remain constant. For the control over the economic growth the theory proposes a creation of social institutions of three kinds: institutions for maintaining a constant population,

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2 School of Public Policy, [https://www.publicpolicy.umd.edu/faculty/herman-daly](https://www.publicpolicy.umd.edu/faculty/herman-daly), accessed 30 October 2016
constant physical wealth and for monitoring distribution. However, the fact does not mean that this economy will stagnate. As Daly says, a steady-state system is such a system which permits qualitative development but does not aggregate quantitative growth. It means that people should use rationally everything that they have trying to avoid unnecessary waste. Moreover, Daly points that the steady-state economy should not be considered as a failed growth economy. It is an economy that is simply designed in another way, not for the growth. In order to survive and thrive an economy does not have to be designed to grow.

According to the Daly’s opinion, people have been living in a growth economy for about 200 years and during this time the world economy has changed a lot: the world has shifted from an “empty” to “full” state. However, the Earth no longer is able to provide the necessary sources and sinks for the “metabolic throughput” that is needed to sustain the existing state of the global economy (especially, if the economy will continue growing). So it follows that some changes have to be made in order to prevent or avoid an economic disaster. The steady-state economy can be a solution to the problem.

People got used to live in the world where quantitative development is considered to be a good and essential feature of an economy. That is why nowadays it is quite hard to imagine how the steady-state economy can be employed and what it would be like. Anyway, new does not mean bad, new means something that brings changes, hopefully, for the better. Unfortunately, now the world is at the stage when these changes are necessary and inevitable.

2. Obstacles To The Theory

No matter how well the theory may look at the paper, it is still not applied in the world. Accordingly, it is important to find out reasons for that.

2.1 Absence Of Moral Growth

Christian Kerschner, a researcher from Masaryk Memorial Cancer Institute (Czech Republic), calls the steady-state economy “unattainable goal” from the psychological point of view. Modern society (or most of it) has a really special view of life: people are willing to be richer, more skilled, more successful, more admired, more powerful, etc. than anyone else and these goals are among the key goals of people’s lives. Undoubtedly, everybody understands that nobody can be absolutely better than others and it means that those goals are clearly unattainable. However, people still do not stop trying to achieve those goals and they do more and more on this way. Many of these goals, according to Christian Kerschner’s opinion, can constitute the economic growth path. Consequently, as far it can be seen, such a society now is not able to have the steady-state economy, the modern world wants a fast growing economy which can satisfy its (the world’s) increasing demands. Herman Daly says that modern people are addicted to growth, that is why in this case the steady-state economy sounds rather as utopia. Even if one day some politician suggested a policy based on the steady-state economy, people would not vote for it. For implementation of such a policy there should be, as Daly suggests, “moral growth” that will allow people to think in a different way. The necessity for economical changes should be realized not only by scholars and academics but, more to the point, by large numbers of people. In this case, the steady-state economy can be implemented far easier. Unfortunately, nowadays the world’s society has not achieved this “moral growth” yet, but the absence of this growth is one of the main obstacles to the Daly’s theory.

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5 Herman E. Daly, Toward A Steady-State Economy, 1-27
6 Herman E. Daly, Sustainable Development Commission, “A Steady-State Economy”, UK (April 24, 2008)
8 Herman E. Daly, Toward A Steady-State Economy, 1-27
10 Herman E. Daly, Toward A Steady-State Economy, 167
11 Herman E. Daly, Toward A Steady-State Economy, 170-173
2.2 Unwillingness To Redistribution

One of the key points of the Herman Daly’s theory is a control of distribution. Daly says that today people try to improve distribution by establishing some minimum living standard. He agrees that this standard is very important but people are missing some upper limit. Daly says that in the steady-state paradigm there must be some limit above which it is forbidden to rise. According to this idea, any wealth that comes above the upper limit (per person or per family) has to be confiscated and redistributed\(^{12}\). Redistribution should prevent the increase in consumption and may be a big step toward a new type of economy.

This is a very a good point but assuming that, as it was said earlier, at this point in time there is no big “moral growth” among people, they do not really understand why they need to change their habitual way of life and particularly why they have to give a part of their belongings to people whom they even do not know.

The conflict between the rich and the poor exists for a very long time or even most of the time. Most rich people will never agree to share a big part of their wealth with anybody else (sometimes even with relatives and friends) and make their lives worse. The same can be said about the middle-class. However, the poor will highly unlikely refuse this redistribution. These factors may lead to serious social clashes. Considering the world’s history it is quite fair to mention that most attempts for “redistribution” usually ended up with dangerous social movements that caused many revolutions and wars (for example, the Russian Revolution of 1917) due to the fact that rich people are not satisfied with sharing their belongings and poor people think it is unfair that they live worse than the rich accusing some of them (the rich) of obtaining wealth by dishonest means. These clashes can appear not only inside of one country but also between different countries: in the steady-state economy (on a world-wide basis) the redistribution will be between the rich North and the poor South and that may lead to more dangerous conflicts.

2.3 Unreadiness To Stop The Economic Growth (South)

Herman Daly’s steady-state economy suggests stopping the economic growth of countries and keeping a level of the economy constant\(^{13}\). This idea can work quite well with developed countries (most of them are in the North hemisphere that is why sometimes they are called just the North) as they achieve some good level of the economic development, the level of life in these countries is good enough so the North can just maintain this level and people in those countries may be quite happy with that. However, there is quite a different situation with the South: most countries there are poor or very poor and generally have catching-up economies. Apparently, the South will not agree to stop its economic growth.

Even assuming that the North is ready for redistribution (what is quite doubtful as it was explained before) and willing to support the South, on how much support the South can count? Will it be enough? It is quite unlikely that the North can help the South to achieve the northern life level without a noticeable economic growth and damage to the North’s economies.

2.4 Population

Herman Daly says that in order to achieve the steady-state economy the stock of population must be maintained constant. One of the examples of such maintaining used by Daly in his book “Toward a steady-state economy” was taken from a work of Kenneth Boulding\(^{14}\). Boulding suggested issuing licenses for having children. These licenses certificates would state how many children an individual or a family can have. For each “extra” child parents would have to buy an extra license, those people who have fewer children than stated in the license or do not have children at all would receive a

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\(^{12}\) Herman E. Daly, *Toward A Steady-State Economy*, 168-170

\(^{13}\) Herman E. Daly, *Toward A Steady-State Economy*, 152-157

payment for their licenses that are not used. This concept may sound rather as a joke but Daly suggests treating that as a serious proposal\textsuperscript{15}.

Probably, this theory has a lot of advantages for the idea of the steady-state economy, but it has big disadvantages as well. Firstly, as these certificates can be bought and sold on a market, people might start doing business on that in an illegal way (selling those certificates at a lower price, etc.). Secondly, there may be a big increase in the number of orphans and unwanted children as far as not everybody would have an opportunity or wish to pay for extra licenses. Next point is that the implementation of the Boulding’s theory could lead to the population ageing: after a while (reducing the current number of population) there would be more old people than young that would result in the scarcity of labor. More than that, this theory can put under control only the population that is officially registered or documented. It means that there still would be some uncontrolled growth of population as no one exactly knows, for instance, how many homeless people live on the streets or how many illegal immigrants come to different countries. Another disadvantage touches upon religious issues: the use of contraception is forbidden in some religions so some families would definitely have more children and of course would have to pay for more extra certificates. This fact could cause social conflicts.

All listed above points and many others make it clear that the Boulding’s theory is quite difficult if not impossible to implement.

2.5 Unprofitableness

As it was said before, the theory of the steady-state economy assumes that a population must be constant. But Daly suggests considering not only the population of human bodies but also the “population” of the extensions of human bodies. By the extensions of human bodies Daly means the things that people use every day to improve their personal abilities, for example, cars can serve as extensions of legs, phones – ears and so on. As people have a certain amount of body parts so they should have a certain amount of the extensions (for the steady-state economy concept). Generally speaking, Herman Daly proposes maintaining constant physical wealth. That means that instead of having many cars, phones, etc. it is better (or even it is a must for the Daly’s theory) to have one phone but with a very good quality, one car but which can serve you for a very long time.

One of the key points for achieving this goal is greater life expectancy or durability of goods\textsuperscript{16}. This idea sounds very good, but unfortunately, today it may face a serious problem. The thing is that nowadays a lot of companies use a special business trick which allows them earning far more money than they did before: the companies reduce durability or expiration dating period of the things they produce so that those products serve less time and there is no other alternative for customers but to purchase new products more frequently.

Such a business technique is absolutely incompatible with the Daly’s theory. In this case, the implementation of the theory means a huge loss of money for businessmen or companies using that technique. People (especially taking into consideration the absence of the moral growth among the majority of population) are constantly seeking to maximize their income. In consequence, they would sensibly look for the ways to make more money rather than vote for a type of economy which would guarantee material losses\textsuperscript{17}. Money addiction is a huge obstacle to the moral growth\textsuperscript{18}.

2.6 Incompatibility With Capitalism

Herman Daly does not reject the capitalist market economy and, on the contrary, he suggests basing a steady-state model on capitalism. However, many scholars, including an American economic historian Richard Smith, claim that a steady-state economy could not exist in capitalism as far as this

\textsuperscript{15} Herman E. Daly, \textit{Toward A Steady-State Economy}, 158
\textsuperscript{16} Herman E. Daly, \textit{Toward A Steady-State Economy}, 12-19
\textsuperscript{17} Richard Smith, “Beyond Growth or Beyond Capitalism?”, real-world economics review, issue no. 53, 26 June 2010, 28-42, \url{http://www.paecon.net/PAEReview/issue53/Smith53.pdf}
\textsuperscript{18}Михаэль Дорфман (Michael Dorfman), «Правота экономической ереси: остановить экономический рост» (“The correctness of economic heresy: to stop economic growth”), Sensus Novus, \url{http://www.sensusnovus.ru/analytics/2012/09/03/14342.html}, accessed 9 November 2016
economic system requires an economic growth. Richard Smith says that Daly has not given any concrete way explaining how a capitalist economy which consists of capitalists, employees, investors, and consumers can function not growing quantitatively\textsuperscript{19}. As it was mentioned before, people of the capitalist society tend to get more profits from everything because capitalism itself is based on the private ownership that is prone to be expanded in order to get more profits. According to Richard Smith’s ideas, if people stop consuming more and more, the system (capitalism) collapses into crisis. That is why people have to find a different kind of economic system which would rely not on profit, but on a different system of values such as, for instance, human and environmental needs. As Smith said: “Either we save capitalism or we save ourselves. We can’t save both”\textsuperscript{20}.

2.7 Choice Limitation

The theory of the steady-state economy, once implemented, would bring a lot of changes to the people’s life. It would affect human’s wishes, choices, and rights.

Modern world economic system allows people to have a big variety of choices, for example, how many and what kind of goods to buy, how to use them and so on. More than that, people have a right to have as many children as they want and are able to have (under condition that parents can provide children with all the things that are needed). And the parents who have many children do not pay extra money to anybody, but sometimes even vice versa, some governments pay money to them in order to support multiple children families (as it is, for instance, in Russia\textsuperscript{21}). Furthermore, as it was said before, the Daly’s theory would also affect the “life” of individual producers, businesses and corporations: they would lose their freedom of choices, for instance, to produce (sell, buy, etc.) as much or little as they need or to get more profits from the business which they do in the course of its development and so on\textsuperscript{22}. All these factors and many others, playing an important role, make up the lives of many people nowadays. These factors are integral parts of the modern society and that is why this society is very unlikely would choose the steady-state paradigm as a basis for the future economy (NB the absence of moral growth).

Conclusion

Today it is already not a secret that the modern economy wherein all people exist is leading the whole humanity to an absolute disaster. No one exactly knows when this disaster will happen but almost everybody is sure that it will definitely happen if this economy is not changed. For the change people have to find a substitution to the modern economy and, as it was already stated here, Herman Daly came up with one – the concept of the steady-state economy. And this concept would serve very well unless quite a big amount of different drawbacks and problems – obstacles that stand in the way of the concept’s development. Among all of those obstacles there is one which is if not the most but definitely one of the most important factors preventing the implementation of the Daly’s theory – the absence of moral growth. This is the thing which creates a so-called inhibitory effect for the whole economic system suggested by Herman Daly as far as it (the absence of moral growth) is the reason for the most theory’s obstacles. Mostly, the obstacles discussed in this research paper can be gotten over by attaining this kind of growth. However, it sounds rather as something impossible because the modern society having its increasing consumer's habits seems to be not ready for the steady-state economy, but it (the society) is slowly but surely coming up to the line after which there might be no time for speculating, comparing and contrasting the arguments for and against a variety of different theories. Now it is already the time for making serious decisions, not for rejecting the theories that seem to be challenging, but for making efforts to find solutions, for dealing with woes, stopping.

\textsuperscript{19} Richard Smith, Beyond Growth, 32-34
\textsuperscript{20} Richard Smith, Beyond Growth, 42
\textsuperscript{22} Richard Smith, Beyond Growth, 33
criticizing and beginning to improve the theory or coming up with a new better idea. Moral growth is needed not just for the steady-state economy but for the future of the whole humankind. However, as a first step, moral growth possibly could stop economic growth.

References

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