

Oikonomics and the limits to growth

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1. Introduction

Imagine some interstellar anthropologists trying to understand our tribe, the earthlings. On the one hand, they would see a part of the tribe devoted to understanding the functioning of all our Earth systems. Called 'scientists', these tribe members command great respect and funds. This function was once held by the shamans and sorcerers who claimed to speak to the spirits who inhabited it; then, it was taken by the priests and theologians claiming to know the will of God who created it. Now, the earthlings have decided to look to the scientists as their guide, believing that they are the best suited to unveil the laws governing their world and, thus, guide their actions.

One common trait these anthropologists would detect in all scientific narratives is that everything in the universe follows clear laws of scale, existing within definable boundaries. Everything is seen and believed to live in a dynamic balance, neither too small to exist, neither growing indefinitely without eventually collapsing under its weight or exploding from its inner growing pressure. This perception of the importance of scale balance and limits was already present in the previous mythological and religious narratives by the shamans, sorcerers, priests and theologians. Indeed, although expressing it differently, earthlings always knew there was hubris, sin or chaos and system malfunctions beyond these boundaries. From Pachamama, Gaia and the Gods asking humans to respect the limits they set under penalty of Godly punishment, to Daedalus warning his son Icarus to fly neither too low to be caught nor too high to get too close to the sun, up to Jehovah punishing the earthlings for not following the commandments he had given them: everywhere, humans were told to behave respecting the laws and limits seen to govern the universe.

Similarly, scientists worried that climate was changing because of greenhouse gases surpassing certain limits or ecosystems were on the brink of collapse once critical limits for their stability and resilience were reached. Others warned about peak oil scenarios and the economic challenges they represented. Even looking at atoms, seen as the building blocks of matter, these scientists saw an unavoidable law of scale: no atom lighter than hydrogen was seen to exist, and no heavier element than uranium occurred naturally on Earth. Some scientists devoted sophisticated resources and much time to creating artificially heavier elements. They even succeeded in doing so, although all proved unstable and doomed to disintegrate as soon as they were made. In medicine, scientists discovered that subtle balances govern body health and how the unchecked reproduction of cancer cells eventually leads to the organism's death. Even historians and later environmental historians realized that human history results from social power balances and balanced relations of humans with their environment. Empires and civilizations grow to a certain point before becoming unstable and eventually collapsing (Pointing 1993, Diamond 2005).

Notwithstanding, and this may have puzzled these interstellar anthropologists, the economists were a notable exception: they claimed to have discovered the only known system in the universe not

subjected to the laws of scale and doomed to grow on forever, namely the economic system. Unless all the others, they devoted their thoughts and energy not to understanding and defining the lower and upper limits in which stability, balance and health could be observed but to devising ways to promote ongoing growth. What may have puzzled our interstellar scientists even more, is that the voices of this small group calling for infinite growth found friendlier ears from all other earthlings, becoming the dominant narrative instead of all others. Thus, the earthlings devoted their efforts to promoting further economic growth, despite all warnings and even their millenary cultural tradition and wisdom, all built on the need to respect balance and harmony. More strikingly, these modern growth-obsessed earthlings did not realize how odd this idea of unhinged and infinite growth is. Thereby, these interstellar anthropologists may have discovered that Earthlings suffered from cognitive dissonance, holding conflicting beliefs, values, and attitudes without being aware of it.

Of course, a few voices still pointed to the need to respect limits to growth in the social and economic realm, too. But their warnings, as Daedalus call to his son, were ignored.

“A hundred years before the French Revolution, proportion as a guiding or orienting idea, as the condition for finding one’s basic stance, began to be lost. Up to now, this disappearance has hardly been recognized in cultural history. (...) Kohr’s ‘a certain appropriateness’ strikes one as a powerful intuition only when it is understood in the context of a historical fracture. In this rupture, the world we inhabit finds its origin. Kohr insists on the correlation between a certain size and the harmony that shines forth in appropriate proportions. Outside this configuration lies Nemesis.” (Illich and Rieger 1997, 18-19, referring to Kohr 1957).

As a result of this loss, the same earthlings who were becoming increasingly aware of growing imbalances and how their climate, ecosystems, societies and overweight bodies were becoming unhealthy and unstable still believed that more economic growth was the only way forward. Politicians showed concern and solemnly committed themselves to stopping climate change, deforestation, desertification, biodiversity loss, social crisis and violence. Still, they committed more vigorously to recover or increase economic growth, promoting more production and consumption. While concerned with the signs of impending disaster, the earthlings still devote some of their brightest and most creative members to promote human needs and wants, devising clever ways to convince all to consume more and more, while planners, development experts and economists look for ways to remove obstacles and accelerate economic growth.

Earthlings, these interstellar anthropologists may conclude, had a terrible growth-addiction problem while unaware of it. Like all addicted people, they were heading to the abyss while believing this was okay. Thrilled by the magic powers unleashed by the growing number of gadgets, machines and instruments allowing them to accelerate beyond their biological limits with a gentle push of their feeds or communicate with the other side of the world without having to raise their voices, earthlings seemed to be enjoying the ride despite their increasing problems, crisis and pitiful appearance.

Why couldn’t they see the problem? How come and how was it believed that, somehow, the economic process was not subjected to the laws of scale governing the whole universe? What brought this cognitive dissonance and allowed it to become hegemonic?

2. It's the economy, stupid

In his *Politics*, Aristotle (1999) made a crucial distinction between *oikonomy* (which he regarded as 'the art of living and living well') and *chrematistics* ('the art of acquisition'). The former included all human activity aimed at producing, distributing, owning and consuming use-values to live and live well. The latter dealt with commerce and trade, thereby exchange-values and prices.

Moreover, Aristotle saw that the 'art of living and living well' starts with Nature providing the substance, the material of wealth. As he argued:

"as political science does not make men, but takes them from nature and uses them, so too nature provides them with earth or sea or the like as a source of food. At this stage begins the duty of the manager of a household, who has to order the things which nature supplies; he may be compared to the weaver who has not to make but to use wool (...). The means of life must be provided beforehand by nature." (Ibid., 17)

Fully aware of the importance of Nature and that chrematistic had to be seen as a means and not an end, Aristotle warned about the need to keep the proper balances and the qualitative rather than the quantitative aspect of trade and commerce at the heart of our economic practice. He even managed to foresee what eventually became widespread with the rise of our modern capitalist society:

"Indeed, riches is assumed by many to be only a quantity of coin, because the arts of getting wealth and retail trade are concerned with coin. (...) But how can that be wealth of which a man may have a great abundance and yet perish with hunger, like Midas in the fable, whose insatiable prayer turned everything that was set before him into gold?" (Ibid., p. 15).

Differentiating between wealth and prices, use-values and exchange-values, Aristotle warned about the misconception and risks of taking the latter for the former:

"Hence men seek after a better notion of riches and of the art of getting wealth than the mere acquisition of coin, and they are right. (...) For natural riches and the natural art of wealth-getting are a different thing; in their true form they are part of the management of a household; whereas retail trade is the art of producing wealth, not in every way, but by exchange. And it is thought to be concerned with coin; for coin is the unit of exchange and the measure or limit of it. And there is no bound to the riches which spring from this art of wealth-getting. (...) But the art of wealth-getting which consists in household management, on the other hand, has a limit; the unlimited acquisition of wealth is not its business. (...) The source of the confusion is the near connection between the two kinds of wealth-getting (...). Hence some persons are led to believe that getting wealth is the object of household management, and the whole idea of their lives is that they ought either to increase their money without limit, or at any rate not lose it. (...) Some men turn every quality or art into a means of getting wealth; this they conceive to be the end, and to the promotion of the end they think all things must contribute." (Ibid., 15-16).

More than two millennia later, Adam Smith (1776/1937) used his intellect to *inquire* scientifically *into the nature and cause of the wealth of nations*, thus fathering modern economics. Following Aristotle, Smith defined use-value as "the utility of a particular object" and assumed that "every man is rich or poor according to the degree in which he can afford to enjoy the necessaries, conveniences, and

amusements of human life” (Smith 1937, 30). Despite this definition, Smith focused on the quantitative and measurable dimension of wealth, namely exchange-values, as did those economists who followed him (Stahel 2020a).

Therefore, although aiming to inquire into the nature and cause of wealth, on how to produce best, distribute and consume use-values, modern economics focused on how markets, prices and trade worked, on how to generate and accumulate exchange-values. This reversal is even more striking if we consider that Smith saw no direct correlation between use- and exchange-values and that the former cannot be subsumed into the latter. After all, it was he who put forward what is known as the ‘water and diamond paradox’, arguing that

“the things which have the greatest value in use have frequently little or no value in exchange; and on the contrary, those which have the greatest value in exchange have frequently little or no value in use. Nothing is more useful than water: but it will purchase scarce any thing; scarce any thing can be had in exchange for it. A diamond, on the contrary, has scarce any value in use; but a very great quantity of other goods may frequently be had in exchange for it” (Ibid., 28).

He could undoubtedly have extended these examples to a myriad of other use-values, like the fresh air he breathed continuously to stay alive, the stable climate he lived in, the social and familial networks that sustained him and the academic relations and friendships that nurtured both his emotional and intellectual needs, and his professional career. Moreover, had he looked at these satisfiers, he – and those economists who followed him – would have seen that their capacity to satisfy human needs is subjected to clear laws of scale: too much or too little represents less rather than more use-value. Indeed, depending on their scale and context, some become life-threatening and impairing beyond or below certain limits, thus being negative rather than positive.

By ignoring the centrality of use-values to the economic process and how exchange, from the perspective of ‘enjoying the necessities, conveniences, and amusements of human life’ is but a means to an end, Smith ignored Aristotle’s warnings about what constitutes proper economy and household management. By doing so, economists fell to the illusion that wealth-getting, as Aristotle had already warned, can and should go on forever. It ignored what humans had known till then: life and a good life are found and grounded in balance, not ongoing growth. The Greeks called it eudemonia.¹ The economy, as an art subordinated to life and the good life, is thus neither alien to eudemonia nor dissociated from ethics and aesthetics, from combining different qualitative elements in the proper balances and keeping them within the correct limits.

Notwithstanding, no one seemed to notice that economists mistook exchange-value for wealth and then created a science focused on chrematistics and called it economics. Progress, the guiding principle of Western human aspirations, was hegemonic in the 20th century. It led Europeans to pursue techno-scientific and industrial growth, expanding, colonizing and exploiting the whole world. Later, in the 20th Century, the ideal of progress was reduced to development and then, development was reduced to and quantified in chrematistic, monetary terms and became simply GDP growth (Sachs 1992 and 1999). Nowadays, financial capital has taken the upper hand, putting the accumulation and growth of money out of money at the centre of our economic process, allowing a growing number of

¹ εὐδαιμονία/eudaimonia is a Greek word commonly translated as happiness or welfare, derived from *eu* (good) and *daimōn* (spirit). It can be understood too as meaning ‘human flourishing’ and was a central concern of Greek philosophy, where many varieties of eudaimonism can be found.

billionaires to multiply their digital chrematistic wealth without physical limits, mistakenly presented as rich when, as Midas, they have mostly been blinded by their unhinged growth appetite (Stahel, 2020b).

3. Going beyond economics

Restricting their inquiry to wealth's quantitative exchange-value dimension, and approaching it in purely mathematical terms, modern economics altogether lost touch with the true meaning of wealth and reality. It ceased to be a science by misapplying the method devised by mechanical physics to inquire into the behaviour of simple, passive objects to look at a complex, ever-changing, multidimensional historical reality like the economic process instead (Stahel 2020c). Like medieval theologians before them who tried to read into the physical nature of our universe and our solar system by reading the scriptures, modern economists decided to look into a social and historical reality not by observing the living phenomenon as all other social scientists do but by assuming an idealized, abstract alternate world in which the economic reality is supposed to happen in purely mathematical and definable terms (Stahel 2021a).

In this abstract world of idealized economic models, nothing prevented modern economists from imagining a system in which unrestrained growth is possible and desirable. Not having to deal with the real world in its physical, ecological, social and psychological dimensions in which limits and balances are of the essence, economists resorted to mathematical formulas where functions and equations can be manipulated at will. After all, no number is big enough that we cannot make it bigger by adding one. To do so, as theologians had done before them, economists start their argument from some initial dogma – in the case of economists, the initial hypothesis of the model – and then, through clear mathematical, deductive reasoning, arrive at the conclusions, ignoring that these derive from the chosen starting point, not from the observed reality as such (Stahel 2021a). By conveniently choosing their initial hypothesis and models, economists proved that free-market competition leads to growth-efficiency and that more production and consumption is better than less. What few people have noticed is that, by doing so, economists have become the sole advocates of infinite growth by sacrificing the real world as a reference, looking at an imagined, abstract theoretical world instead. Indeed, economics became a perfect rationalization for capitalism and its continuous need to grow and accumulate.

As Marx, following Aristotle's view, showed,

“The circulation of commodities is the starting-point of capital. (...) The modern history of capital dates from the creation in the 16th century of a world-embracing commerce and a world-embracing market. (...) The circuit C-M-C starts with one commodity, and finishes with another, which falls out of circulation and into consumption. Consumption, the satisfaction of wants, in one word, use-values, is its end and aim. The circuit M-C-M, on the contrary, commences with money and ends with money. Its leading motive, and the goal that attracts it, is therefore mere exchange-value. (...) The simple circulation of commodities – selling in order to buy – is a means of carrying out a purpose unconnected with circulation, namely the appropriation of use-values, the satisfaction of wants. The circulation of money as capital is, on the contrary, an end in itself, for the expansion of value takes place only within this constantly renewed movement. The circulation of capital has therefore no limits” (Marx 2015, 145, 146 and 150).

Paradoxically, perhaps, economics became the new theologians disguised as scientists by misplacing Newton's mechanics to study a complex historical phenomenon. From mechanical physics, they took

the scientific aura, and from theology, the method and practice. From both, they took the claim to pursue a universal truth, valid at all times and places. Like theology and theoretical science, its conclusions are based not on observing reality but on abstract reasoning. Notwithstanding, unless in the natural sciences, its findings are and cannot be empirically verified.

Unless all other social sciences, economics became the only one trying to explain a social phenomenon in purely mathematical terms, ignoring Dilthey's (1989) hermeneutic and phenomenological approach, firmly rejecting the application of a methodology formed exclusively from the natural sciences (*Naturwissenschaften*) to the human sciences (*Geisteswissenschaften*). While the former was centred on explaining natural phenomena subjected to unvarying natural laws, the latter had to deal with life's creative manifestation and historical change. While within the natural sciences we seek to **explain** phenomena in terms of observable cause and effect, which repeats itself universally in space and time, in the human sciences we seek to **understand** them in terms of the relations of the part and the whole, as a living, unrepeatable, context-dependent, changing reality (Stahel 2021b). Notwithstanding, no one seemed to care, and indeed, we even forgot that at the end of the XIX Century, within the field of political economy, the Prussian historical school was the favoured and hegemonic approach before being completely replaced and side-lined by the Austrian and later termed neoclassic approach (Stahel 2020a, 118-128).

Moreover, economics, as such, represents an exception not only within the social sciences but, as we saw, all sciences and past human understanding of reality by adhering to the belief and defence of infinite growth. Forgetting that the economic process happens in the real world and, as Aristotle showed, Nature provides its substance, economists ignored the ecological limits to growth. Moreover, by assuming Nature to be external to the economic process, depicted in purely monetary and abstract form, economists aim to manage our household (*oiko-nomos*) without bothering about the laws and order governing this house (*oiko-logos*) in the first place, ignoring how childish such an attempt actually is.²

Moreover, economists soon realized that applying the mathematical method is only possible by assuming the *ceteris paribus* condition, greatly simplifying reality to represent it through equations in the first place. Thereby, economists managed to get rid of all other social, historical, cultural, technological and psychological factors by considering them to be unchanging and, thus, external to their models. Notwithstanding, by doing so, economics, like theology, became a rhetorical dispute between models and abstract representations to prove a supposed truth — a place where infinite growth or the virgin birth of Jesus can be imagined and defended (Stahel 2021b and 2021a).

Only by looking at the real world and the economic process as a multidimensional physical, ecological, political, social and cultural historical process will economists realize that there are limits to growth at all levels. Even more, we may remember, as humans always knew, that stopping growing after a certain point is the prerequisite for preserving and promoting a good life (Stahel 2020a).

² The etymology of the word is now clearly established, reaching back to the Greek word οἰκονόμος/oikonomos (i.e. 'household management', a composite word derived from οἶκος/oikos ('house') and νέμω/nemein ('to manage; distribute') by way of οἰκονομία/oikonomia. As for the Chinese *Dao* and the Buddhist and Hindu *Dharma*, *Logos* has the meaning of rightful or cosmic law and order. It should be self-evident that the *oiko-nomos* has to be grounded on the *oiko-logos* and that the economy is as well political, once it has to do with choices, and ecological, once it happens and is sustained by our world. To believe that we can have an economy which is neither political, nor ecological, is to ignore reality and escape into a mathematical 'as if' phantasy world where, as playing children do, you can imagine your own rules and reality at will.

The signs that we are flying closer and closer to the sun, the wax on our wings already starting to melt, are there for all of us to see. But will we wake up from our illusion before we perish amid the abundance created by the capital's insatiable prayer, turning everything set before him into gold? Or will we, like Midas, continue to mistake exchange-values for wealth, gold for life?

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