

If Herman Daly has a better plan, let's hear it

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The great strength of Herman Daly's work has always been his passionate, eloquent, and insistent argument against both mainstream economics and green growth proponents that economic growth cannot continue forever on a finite planet and that humanity will not survive unless we construct a sustainable "steady-state" economy. I could not agree more with this thesis. Where we differ is that Professor Daly believes that our present capitalist economic system can be reformed in such a way as to make it function as a steady-state economy whereas I contend that it cannot, that such an economy would be undesirable in any case because the "market allocation of resources" Daly wishes to keep is neither efficient nor rational in environmental or social terms, and that the only way we can actually get a non-growing sustainable economy is a democratically planned socialist economy.

Now it is quite true, as Professor Daly says, that he never uses the term "steady state capitalism" but instead always talks about a "steady state economy." This he says is "something different from both capitalism and socialism." But one of the most frustrating aspects of reading Daly's books is this maddening imprecision. If it's not capitalism and it's not socialism, what exactly is it? For a start, who owns it? If we're talking about a modern industrial economy, who owns the factories, the mines, the auto plants, the oil companies, the airlines, etc.? And if this economy is mostly comprised of corporations, owned by investors, what are the implications of such corporate ownership for the problem of growth? And what are the implications of the threat of unemployment if one or another factory has to shut down in order to stop pollution or out-of-control growth, in order, say, to get a "steady-state" economy? Daly says almost nothing about such questions.

All he tells us is that in his imagined SSE, private property will be the rule and the market will determine the allocation of resources. Further, Daly has never to my knowledge suggested that there is anything even slightly socialist about his SSE – no common property, no economic planning, no workers' self-management, no popular economic democracy. Indeed, like Milton Friedman, Daly even rejects capitalist social welfare states (like Sweden). So if there is nothing particularly "socialist" about Daly's SSE model and he insists that the means of production must be privately owned and that markets "determine the allocation of resources," then what else can he be talking about but capitalism?

In his response to my article, Daly says that even if capitalism can be "socially and ecologically constrained" such that "the market can no longer determine the scale of the economy relative to the biosphere" and also "not any longer generate huge inequalities of power and wealth," this is just not enough to satisfy me. I would still be "unhappy" and insist that we would still need a socialist "cure." That is not what I said. For the record, let me state that I would be thrilled if we could get a socially and ecologically constrained market economy. The problem is, as I explained in my article, we cannot get that so long as capitalist private property and markets rule. We would need, in effect, a socialist revolution just to get serious social and ecological constraints imposed. This is because so long as the economy is based on private/corporate producers producing in competition with one another in the market, then all the evils of capitalism must inevitably follow – the need to maximize profits, therefore the need to maximize growth, therefore the need to constantly invent and market new stuff no one needs, therefore the need to strive to render perfectly good already

produced stuff obsolete so as to sell ever more new stuff, therefore the tendencies to exhaust scarce natural resources, to generate ever-growing income inequality, and so on. In short, shareholder demand for profits drives the economy and this dictates the possibilities and limits of “ecological and social constraints” – and not the other way around, as Daly imagines. Time after time, decade after decade, Copenhagen after Nairobi after Rio after Kyoto --all the evidence shows that under capitalism profit maximization trumps all else. Just look at Obama’s record: For all his campaign promises, President Obama has caved to corporate interests on every major issue – not because he lacked the political “will” but because, under capitalism, he had no choice.

He abandoned his own health care “public option” because if the government had actually set up a single payer system, this would have spelled the virtual end of the capitalist health insurance industry because, as polls showed, Americans would have abandoned private health insurance en masse. But Obama was not going to provoke capital destruction and mass unemployment in this so-called industry, so instead we got “health care reform” written by the insurance industry! Or again, Obama abjectly caved to the bankers who held the country to ransom because if he did not bail them out, investors would have gone on strike, production would have completely collapsed, and the economy would have plunged into depression. So capital won again, the rich got even richer and income inequality has widened to Chinese proportions. Or again, for all his campaign promises to “get the country off fossil fuels,” Obama has made no serious effort to do anything of the sort. On the contrary, in the midst of the biggest enviro disaster in the country’s history, when the nation looked to him to “get us off oil,” he caved to the auto and fossil fuel industrial complex, pumping even more money into coal subsidies, pushing ahead with ever-more risky off-shore drilling, and subsidizing bankrupt automakers that ought to be closed down while their workers ought to be reemployed in something useful. Why? Because Obama well understood that at least half the jobs in the country, and most of the best -paying industrial jobs, depend directly on fossil fuels -- and since this is capitalism, not socialism, no one is going to give those unemployed oil drillers, coal miners, or auto workers new jobs. Solar power is not going to replace those jobs, not now and not in the future. Obama understands this (even if green growth tech futurists do not) and so he is not going to provoke economic collapse and mass unemployment in the oil and coal and auto industry by forcing the shutdowns and retrenchment. So long as private property and the markets prevail, then markets are indeed “always masters and never servants.” How many more decades of market failures do we need before pro-market environmentalists finally grasp the obvious -- that the market is the problem and not the solution?

Daly is correct that I did not say anything very specific in my article about how such an eco-socialist economy might work. That’s because the intent of my article was limited to showing why there can be no such thing as a steady-state market economy. Once that’s understood, then we can begin to talk about alternatives, about a post-capitalist steady-state economy. That’s a big topic, one I think about a lot because it’s central to a book I’m working on. I make no claim whatsoever to have all the answers but since Professor Daly raises the question here, I’ll try to respond by stating some basic principles and premises while bearing in mind that these are far from adequate. For a start, I would argue that such an economy would have to be based on the abolition of capitalist private property in at least the major means of production. Why? Because private interests don’t add up to the public interest. So long as the economy is privatized, private/corporate interests will trump the public interest. Scary? The first step on the road to serfdom? I don’t think so. Many West European governments own big chunks of their economies – the utilities, the railroads, airlines and more, and they’re elected democracies not Stalinist dictatorships. Further, even under

capitalism, state-owned state planned industries generally provide better service at lower costs than private industries (at least when they're not starved of funds by right-wing governments determined to prove that government "can't work") because they more closely approximate the needs of society and not just private investors. So for example, French and German state-owned high-speed trains are vastly more efficient, comfortable and faster than any private railroad in the United States. And of course, there's just no doubt anywhere on the planet except in the Washington and Beijing, that single-payer or socialized medicine is far superior to the profit-driven capitalist medical industry we have to deal with. So public property in the major means of production seems to me to be the necessary starting point.

Secondly, an eco-socialist economy would have to be based on national and even international planning which would certainly include, in Daly's words, "rationing of goods and resources." Frankly I don't see any other alternative. And what's wrong with that? Daly, after Hayek, says planning "can't work" and he equates all planning with Stalinism. I don't buy that. Planning by whom for whom? Russian Stalinist central planning was by a totalitarian bureaucracy for the bureaucracy. It completely shut out workers and the rest of society from the planning process. So it didn't "work" very well. But I don't see why those failures disprove the possibility of planning per se, especially democratic planning. And today when, for example, scientists talk about limiting global CO2 output to "350 parts per million," isn't that in effect calling for "planning," indeed, planning on a global scale? When even capitalist governments pump money into research projects like nuclear power or biotech or the internet or clean energy projects, isn't that planning? When scientists say that we need to massively reduce and limit consumption of oil, coal, trees, fish, all kinds of scarce resources – isn't that in effect physical "rationing"? And don't we want that? Indeed, since we all breathe the same air, live in the same biosphere, don't we really want to strive, eventually, for something like a "one-world government" at least on environmental issues? How else can we regulate humanity's collective impact on the biosphere? And given that all those cap & trade "market solutions" fail time and again to solve the emissions problems -- because of course they're designed to fail since the whole point of such "market solutions" is precisely to delay or avoid change, to let the industrialized polluters keep on polluting while buying indulgences from the Third World "underpolluters"—what choice do we as a society have but demand that CO2 and other emissions be physically rationed, limited by planned quotas, even banned where possible – like governments banned DDT and thalidomide and PCPs? And what's wrong with that? Let's put it up for a vote: Solar or coal? But let's do so in a socialist economy where private capitalist interests do not rule and Fox News is history so we can have an honest debate, and where those very capable but misallocated coal workers are guaranteed other decent jobs. Consume it all now or save some for future generations? Why can't society put those decisions up for a vote? Shouldn't everyone who is affected have a say? Isn't that the essential idea of equality and democracy? The problem with capitalism is that the economy isn't "up for a vote." But it needs to be. In our system, huge corporations make critically important life and death decisions that increasingly affect everyone on the planet. But we ordinary mortals have no say in this. The world economy is mostly run by the Masters of the Universe who are accountable only to their investors. But these smart guys, with all their Harvard MBAs, can't help but systematically make wrong decisions, decisions that are destroying our future. Corporations can't help themselves because their interests are always particular interests, never society's collective interests. Even "green" businesses like wind power companies, or synthetic fuels, or organic sugar producers have no choice but to maximize their own corporate interests, which might here and there correspond to what society and the environment need at the moment, but not necessarily in every case and not forever. So who else but we -- all of us -- in a functioning economic democracy, can make such decisions rationally for both the short- and long-term interests of society? There is no

doubt that even the most democratic of socialist societies will sometimes make costly mistakes. But at least they will be honest mistakes and they won't be systematically wrong like under capitalism.

So these are some of what I think are the most basic principles and premises of an eco-socialist economy. But again, this is just a start. This doesn't even begin, for example, to delineate what the concrete institutions of popular local and global democracy might look like or how they could be organized, much less how we could get there. Here and there, all over the world, there are grass roots organizations, community organizations, workers unions, and other forms of self-organization that are instinctively democratic, that could serve as the basis of a working economic democracy. But these are just a start. Constructing a global socialist democracy will be the greatest challenge humanity has ever faced. We may very likely fail. But given that market capitalism can only drive us to collective social suicide, what other choice do we have but to try? If Herman Daly has a better plan, let's hear it.

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