

Growthism: a cold war leftover

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Those of us old enough to remember the Cold War will also remember that it involved a growth race between Capitalism and Communism. Whichever system could grow faster would presumably win the allegiance of the uncommitted world. The idea of a steady-state economy was therefore anathema to both sides. The communist growth god failed first because of stifling political repression and economic inefficiency. But the capitalist growth god is now failing as growth becomes uneconomic due to compounding environmental and social costs, and is propped up only by fraudulent accounting, monopoly, and financial corruption. Neither system can accept the idea of a steady-state economy, but neither can attain the impossible alternative of continuous growth.

Ecological economists and advocates of a steady-state economy are accustomed to attacks from capitalists, which have by no means disappeared. We are less accustomed to attacks from the left, not from communists who have virtually disappeared, but from remaining Marxists and socialists. Although Marxism is largely discredited (along with other manifestations of 19th-century determinism, such as Freudianism and Eugenic Darwinism), one cannot by any means take that as a vindication of capitalism, which has only gotten worse in its quest for unending growth. In spite of my distrust of Marxism, there are some “green Marxists” who are allies in that they, unlike either neoclassicals or traditional Marxist economists, have seen that growthism is the big problem for us all (e.g. John Bellamy Foster, Brett Clark, Richard York, *The Ecological Rift*).

Recently, another socialist (I am not sure to what extent he considers himself a Marxist) [has criticized the steady-state economy for being essentially capitalist](#). This is economic historian Richard Smith. He sees the steady-state economy as a distraction from the true solution to growthism, which he claims is “eco-socialism”.

One should be grateful to one’s critics—it is much better to be criticized than ignored. Richard Smith kindly takes me as exhibit A for a position that he misleadingly labels “steady-state capitalism”. I have never used that term, always speaking of a steady-state *economy*, which is neither capitalism nor socialism, although it draws features from both. Indeed, in the Cold War context it was thought to offer a Third Way, a possibility for uniting the best features of each system. Change is impossible unless you start from where you are. Just abandoning “capitalism” and proclaiming, “let there be eco-socialism” is not a solution to the error of growthism. However, it is at least a refreshing change to be attacked, and on balance rather politely, by a socialist who, unlike many neoclassical-Keynesian growthists, has taken the trouble to learn about the steady-state economy. Disagreements will follow, but my appreciation for Smith’s critical attention needs to be expressed.

Richard Smith characterizes capitalism as a system that must “grow or die”. It then follows immediately that since capitalism must grow, it cannot be a steady state. OK then, if capitalism cannot be a steady state, then neither can a steady state be capitalism. So let’s not speak of “steady-state capitalism”. I, for one, never have – although Mr Smith tendentiously

attributes that term to me. By the same logic, following Marx, one might define socialism as a classless society based on overwhelming material abundance arrived at through rapid economic growth under the centrally planned dictatorship of the proletariat. Socialism also depends on growth. Therefore steady-state socialism is impossible. It was precisely to avoid such sterile definitional disputes that I always said “steady-state *economy*”, and never “steady-state *capitalism*”, or socialism for that matter. Recently I see that Smith has used the term “green capitalism” to identify his target. I think that is much more accurate.

I think it would be more productive to start by defining a steady-state economy, followed by ecological and ethical arguments for its necessity and desirability. We could then avoid ideological classifications based on abstract definitions of what capitalism or socialism “essentially must always be”. We now live in a full world. Capitalism and socialism are both from the empty-world era in which growth was the *desideratum*. Must we insist on pouring new wine into old wineskins, and then watching them burst?

Smith’s unhappiness with me derives most specifically from my preference for the market over centralized planning as a tool for dealing with the single technical problem of allocative efficiency. Steady-state economics deals with three problems: sustainable scale, just distribution, and efficient allocation. It takes the first two issues, scale and distribution, *away from the market*. It calls for quantitative ecological limits on the throughput of resources so that the market can no longer determine the physical scale of the economy relative to the biosphere. It also advocates social limits to the range of income inequality, so that the market can no longer generate large inequalities of wealth. Subject to these two major and prior macro-level constraints, it then relies on the market to efficiently allocate resources. This is not advocacy of the Market with a capital M, the deified master evaluator and controller of life. This is market with a small m, a limited tool for rationing resources, communicating information, and exchanging goods and services. To understand the market in this limited sense as a means of solving the allocative problem, one, especially a socialist, still cannot do better than to read the 1936 classic, *On the Economic Theory of Socialism*, by Polish economist Oskar Lange (with Fred M. Taylor).

Reliance on markets for allocation (now within prior ecological and distributional limits) is further constrained, even within traditional microeconomics, by opposition to monopoly, and restriction of market allocation to rival and excludable goods. Non-rival and non-excludable goods have long been recognized to require non-market allocation. Even so, Mr Smith is still unhappy with any role for markets.

Richard Smith deserves credit for recognizing and opposing the real evils of financial-monopoly-crony capitalism as it currently exists. And, unlike both traditional Marxists and neoclassical economists, he realizes that we cannot grow forever, and that we have in many dimensions already far overshot optimal scale. And he takes the trouble to debate critical issues rather than ignore them. However, he thinks only socialism can somehow cure these evils. The operative word here is “somehow”. Somehow we must wipe the slate clean of any institutions associated with markets, such as property, division of labor, exchange, and profit. How? By violent revolution? By rational persuasion? By moral conversion? That is left vague. It is all very well, for example, to point out the real problems with excess reliance on the profit motive. But if we abolish profit as a source of income then we also abolish self-employment. Everyone must then become an employee earning a wage. Who then is the employer? Do we all then work for Ajax United Amalgamated Corporations? Or for the Universal State Monopoly? Is there something about the mere act of market exchange, and the category of

profit, (not just excessive inequality and monopoly ownership of the means of production) that offends or confuses Marxists?

Nevertheless, if Marxists now advocate limiting growth, that is a *big* and welcome change. Maximizing growth to achieve overwhelming material abundance has been seen as the path to the “new socialist man”, who, according to Marx, can only be freed from his bourgeois greed by objective abundance, by the abolition of scarcity, not by the “utopian” morality of sharing. I have never seen a Marxist proposal to limit the scale of the macro economy to an ecologically sustainable level – nor for a maximum as well as a minimum income to limit the range of distributive inequality to a reasonable and fair degree. Rhetorical calls for absolute equality and abolition of private property abound, but are neither realistic nor fair.

Marxists also go far out of their way not to recognize overpopulation and the need to limit population growth – a critical dimension of both scale and distributive inequality, given class differentials in fertility and in access to contraception. (I am glad to note that Richard Smith is apparently an exception to this leftist tendency). A stationary population is part of the definition of a steady-state economy.

A limited range of income inequality would restrict the ability of the rich to bid necessities away from the poor in the market. Unjust distribution of income does get reflected in markets, but let us attack the unjust reality, rather than break the mirror that reflects it. Furthermore, quotas on basic resource throughput could raise prices enough to eliminate most frivolous and wasteful production, as well as stimulate recycling, and increase efficiency while ruling out the Jevons effect. If we start with depletion quotas on basic resources, then the resulting increase in resource prices and efficiency cannot lead to more use of the resource. Auctioning transferrable quotas rather than giving them away (*markets* rather than direct government allocation, *pace* Mr Smith) will raise enough revenue to greatly reduce taxes on the poor. The auction would capture the increased resource rents for redistribution in good Henry George fashion.

It is not at all clear why Smith thinks markets must always be bad masters rather than good servants. If we forgo markets, should we then perhaps have another go at central planning and collectivization of agriculture? Would Mr Smith have preferred War Communism to Lenin’s New Economic Policy because the latter was really just “state capitalism” that re-established significant reliance on markets? To be fair, we do not know what Smith thinks about any historical experience with the abolition of markets because he does not mention any.

If “eco-socialists” reject the steady-state economy as “inherently capitalistic”, then what specific policies do they recommend? How do their policies differ from those of steady-state economics? Are there some policies we agree on?

Both steady state and eco-socialist critics of growthism should be united in humility before a common dilemma – namely that the bought-and-paid-for government that would have to enact the programs needed for a steady-state economy is the same government that would have to run a socialist economy. A government that cannot conceive of nongrowth, that cannot break up too big to fail monopolies, or provide debt-free money as a public utility, or tax carbon, will certainly not be able to administer a centrally planned economy – nor a steady state, even with the help of markets. We have deeper problems of moral and spiritual renewal (in addition to recognition of finitude and the laws of thermodynamics) that transcend both

capitalism and socialism. Some of these problems were identified better in Pope Francis' *Laudato Si* than in any economics journals that I am aware of. In today's secularist world it is admittedly hard to envision the source for the basic moral renewal required to face growthism's threat to both sustaining and sharing the Earth's capacity to support life. Marxist dialectical materialism and collectivism seem to me already to have historically demonstrated their failure in this regard. Nor does the intelligentsia's current religion of Enlightenment Post-Modernism offer much guidance. We need something more basic and fundamental. Although things look bleak, we never know enough to justify giving up hope. But we should try to avoid repeating past mistakes.

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SUGGESTED CITATION:

Herman Daly, "Growthism: a cold war leftover", *real-world economics review*, issue no. 77, 10 December 2016, pp. 26-29, <http://www.paecon.net/PAEReview/issue77/Daly77.pdf>

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