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This Pioneering Economist Says Our Obsession With Growth Must End

By David Marchese Photo illustration by Bráulio Amado

Growth is the be-all and end-all of mainstream economic and political thinking. Without a continually rising G.D.P., we're told, we risk social instability, declining standards of living and pretty much any hope of progress. But what about the counterintuitive possibility that our current pursuit of growth, rabid as it is and causing such great ecological harm, might be incurring more costs than gains? That possibility — that prioritizing growth is ultimately a losing game — is one that the lauded economist Herman Daly has been exploring for more than 50 years. In so doing, he has developed arguments in favor of a steady-state economy, one that forgoes the insatiable and environmentally

destructive hunger for growth, recognizes the physical limitations of our planet and instead seeks a sustainable economic and ecological equilibrium. “Growth is an idol of our present system,” says Daly, emeritus professor at the University of Maryland School of Public Policy, a former senior economist for the World Bank and, along with the likes of Greta Thunberg and Edward Snowden, a recipient of the prestigious Right Livelihood Award (often called the “alternative Nobel”). “Every politician is in favor of growth,” Daly, who is 84, continues, “and no one speaks against growth or in favor of steady state or leveling off. But I think it’s an elementary question to ask: Does growth ever become uneconomic?”

There’s an obvious logic to your fundamental argument in favor of a steady-state economy,¹ which is that the economy, like everything else on the planet, is subject to physical limitations and the laws of thermodynamics and as such can’t be expected to grow forever. What’s less obvious is how our society would function in a world where the economic pie stops growing. I’ve seen people like Peter Thiel, for example, say that without growth we would ultimately descend into violence.² To me that suggests a fairly limited and grim view of human possibility. Is your view of human nature and our willingness to peacefully share the pie just more hopeful than his? First, I’m not against growth of wealth. I think it’s better to be richer than to be poorer. The question is, Does growth, as currently practiced and measured, really increase wealth? Is it making us richer in any aggregate sense, or might it be increasing costs faster than benefits and making us poorer? Mainstream economists don’t have any answer to that. The reason they don’t have any answer to that is that they don’t measure costs. They only measure benefits. That’s what G.D.P. is.³ There’s nothing subtracted from G.D.P. But the libertarian notion is logical. If you’re going to be a libertarian, then you can’t accept limits to growth. But limits to growth are there. I recall that Kenneth Boulding⁴ said there are two kinds of ethics. There’s a heroic ethic and then there’s an economic ethic. The economic ethic says: Wait a minute, there’s benefits and costs. Let’s weigh the two. We don’t want to charge right over the cliff. Let’s look at the margin. Are we getting better off or worse? The heroic ethic says: Hang the cost! Full speed ahead! Death or victory right now! Forward into growth! I guess that shows a faith that if we create too many problems in the present, the future will learn how to deal with it.

Do you have that faith? [Laughs.] No, I don’t.

¹ One in which the population of capital no longer grows. Stuart Mill has put it, “the world would continue to improve.”

² Speaking on the Podcast, the billionaire tech investor and libertarian-leaning conservative broker said, “But I think growth is either going to be violent or a much more controlled. Without growth, I think see how you have a good

³ More specifically, it’s the sum of the final goods and services produced by a nation.

⁴ An economist, longtime professor at the University of Colorado and president of the American Economic Association. He died in 1963.

Historically we think that economic growth leads to higher standards of living, lower death rates and so on. So don't we have a moral obligation to pursue it? In ecological economics, we've tried to make a distinction between development and growth. When something grows, it gets bigger physically by accretion or assimilation of material. When something develops, it gets better in a qualitative sense. It doesn't have to get bigger. An example of that is computers. You can do fantastic computations now with a small material base in the computer. That's real development. And the art of living is not synonymous with "more stuff." People occasionally glimpse this, and then we fall back into more, more, more.

But how would a country continue to raise its standard of living without growing its G.D.P.? It's a false assumption to say that growth is increasing the standard of living in the present world because we measure growth as growth in G.D.P.⁵ If it goes up, does that mean we're increasing standard of living? We've said that it does, but we've left out all the costs of increasing G.D.P. We really don't know that the standard is going up. If you subtract for the deaths and injuries caused by automobile accidents, chemical pollution, wildfires and many other costs induced by excessive growth, it's not clear at all. Now what I just said is most true for richer countries. Certainly for some other country that's struggling for subsistence then, by all means, G.D.P. growth increases welfare. They need economic growth. That means that the wealthy part of the world has to make ecological room for the poor to catch up to an acceptable standard of living. That means cutting back on per capita consumption, that we don't hog all the resources for trivial consumption.

⁵ Daly and others have pr
G.D.P. with the Index of
Economic Welfare (I.S.E.
various negative values i
well as positive ones.

Herman Daly teaching at Vanderbilt University in 1969. From Herman Daly

You said “make ecological room,” which brings to mind the arguments you’ve made about how we’ve moved from an empty world to a full one.⁶ But how do we know that our world is full and that we’re operating near the limits of the planet’s ecological capacity? What I call the empty world was full of natural resources that had not been exploited. What I call the full world is now full of people that exploit those resources, and it is empty of the resources that have been depleted and the spaces that have been polluted. So it’s a question of empty of what and full of what. Is it empty of benefits and full of cost? Or full of benefits and empty of cost? That gets to that point of paying attention to the costs of growth.

Aren’t the serious difficulties that we’ve seen during past recessions or periods of stagnant growth indicative of what would happen in a steady-state economy? The failure of a growth economy to grow is a disaster. The success of a steady-state economy not to grow is not a disaster. It’s like the difference between an airplane and a helicopter. An airplane is designed for forward motion. If an airplane has to stand still, it’ll crash. A helicopter is designed to stand still, like a hummingbird. So it’s a comparison between two different designs, and the failure of one

⁶ Which is to say a world i capacity to regenerate is depletion of its resource

does not imply the failure or success of the other. But in order to move from our present growth economy to a steady-state economy, that's going to imply some important design principles — some changes in the fundamental design.

Let's say that tomorrow the United States government says it recognizes the need for ecological balance and is going to de-emphasize growth.⁷ Wouldn't every other country have to make the same decision for it to have the desired ecological effect? That's a very difficult question. If you try to enact laws for counting the ecological costs of your production in the United States and then you enter into trading relations with another country that does not count the costs, they have a competitive advantage. They may ruin themselves in the long run, but in the short run they're going to undersell you. This creates huge problems for the free traders because the answer to the problem is to have a tariff to protect the U.S. industry. At one time I would have tended to favor moving toward a global government. I don't know what changed my mind. Perhaps spending six years at the World Bank made me think that global governance looks like a chimera. I think you're stuck with nation-states. But this is globalism versus internationalism. Globalism says to erase national boundaries. Let's have one global system that we manage globally. Internationalism says national boundaries are important, but they're not the ultimate thing. This was the philosophy behind the Bretton Woods agreements.⁸ We said we have a world of interdependent nations, which are fundamentally separate but try to be cooperative. That's the model that we're stuck with. So the best road forward is for nations to try to move toward a steady state and accept the fact that you're going to need to have some tariffs and hope that the resulting benefits are sufficient to convince other nations to follow suit.

A lot of what you're talking about has to do with getting humanity — from individuals to corporations to governments — to accept the idea of having “enough” and that constraining the ability to pursue “more” is a good thing. Those ideas are basically anathema to modern Western society and, especially, certain notions of liberty. So what would the inflection point or mechanism be that might move people away from that mind-set of “more”? So, how do you envision a successful steady-state economy? First, back up and say, How do you envision a successful steady-state Earth? That question is easier because we live in one. Earth is not expanding. We don't get new materials, and we don't export stuff to space. So you have a steady-state Earth, and if you don't recognize that, well,

⁷ Daly's policy prescription would happen include, a establishing minimum ai income limits, setting ca resource use and, contrc stabilizing the populatio ensure that births plus ir deaths plus emigration.

⁸ The International Monet World Bank have their b meetings held by officia States, Britain and other Bretton Woods, N.H., in

there's an education problem. But again, there's this heroic ethic and economic ethic. Maybe the heroic ethic is the right one, but religion's counsel is to pay attention to the cost. Don't make people worse off.

Daly (third from left) with fellow recipients of the Right Livelihood Award in Stockholm in 1996. Eric Roxfelt/Associated Press

Do your religious beliefs influence your economic ideas? I'll start with the second part of that question. When you study economics, you're looking at the relationship between ends and means. You want to allocate your means so as to maximally satisfy your ends. But traditionally economics has begun with what I would call intermediate means and intermediate ends. Our intermediate ends might be a good diet, education, a certain amount of leisure, health — the benefits of wealth. We dedicate our means toward these intermediate ends. Our intermediate means are commodities that we're able to produce: food and industrial goods, education. Economics is going from intermediate means, which are limited, to intermediate ends, which economics says are unlimited. I say, let's

not just talk about intermediate means. Let's ask what our ultimate means are. What is necessary to satisfy our ends and which we ourselves cannot make but must take as given? Is there an answer to such a big question? I think there is. I learned from my old professor Georgescu-Roegen⁹ that it's matter and low-entropy energy. You need matter and energy to accomplish your physical ends. But the first law of thermodynamics says that matter and energy can never be destroyed or created. You can change its form, and all processes change that form from low-entropy, useful energy to high-entropy, useless energy. Our ultimate means are constrained by the entropy law. But is there an ultimate end? That's harder to answer.

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The Romanian economist Georgescu-Roegen, who Vanderbilt University is known for his work "The Economic Process,"

Can you give it a shot for me? I think we're all in the position where we have to try to answer it for ourselves. But I can rule out the current answer, which is that growth is the ultimate end. Now, instead of that you could say spiritual improvement is the ultimate end. That gets you into fundamental religious questions: What is the meaning of life? Where did I come from? What's going to happen when I die? These are questions people used to think of as fundamental. Now they're marginal, unscientific. My critique of economics as it exists today would be that it is too materialistic because it does not consider the relationship between the ultimate ends and the intermediate ends. At the same time, economics is not materialistic *enough* because it also refuses to deal with the ultimate means. It doesn't ask questions about the fundamental limits of the entropic nature of the world, of matter and energy and adapting to these physical limits.

Let me stick with ultimate ends for a second. What do you think the meaning of life is? Everyone has an answer to that, even if it's just to punt, but I'm a Christian. I do think there's a creator. I don't think that you can say life is an accident, which is really what scientific materialism says. Neo-Darwinism has gotten a free ride philosophically for a long time. When you calculate the compound probability of all these infinitesimally probable events happening at once to generate life, it becomes quite absurd. The Neo-Darwinist types say, "Yes, we accept that, that's mathematics." It's totally improbable that life should have originated by chance in our universe. "But we have infinitely many unobserved universes!" Infinitely many universes, unobserved? "Mathematically it could have happened!" And our universe is the lucky one? They look

down their noses at religious people who say there's a creator: That's unscientific. What's the scientific view? We won the cosmic lottery. Come on.

You've spent a lifetime arguing rationally and diligently for your ideas, and there is real discussion happening about alternatives to an economy predicated solely on growth.¹⁰ But growth is still king. Is that at all disappointing? My duty is to do the best I can and put out some ideas. Whether the seed that I plant is going to grow is not up to me. It's just up to me to plant it and water it. Of course, I don't think burning the world is ethically mandated by the ultimate end, so I like to see the ideas of ecological and steady-state economics move forward. But you're asking about disappointment. I get a lot of criticism in the sense of "I don't like that; that's unrealistic." I don't get criticism in the more rational sense of "Your presuppositions are wrong" or "The logic which you reason from is wrong." That is a disappointment. Georgescu-Roegen made many of the same arguments, and he was also completely ignored. In his case he had made other contributions to mathematical economics, which should have given credibility to his more radical ideas but didn't. I lacked that independent thing, so it's even more unlikely I would be taken seriously. But unlikely things do happen.

¹⁰
By economists like Tim J Raworth, Giorgos Kallis, and the Nobel laureates and Esther Duflo.

This interview has been edited and condensed from two conversations.

Opening illustration: Source photograph from University of Maryland

David Marchese is a staff writer for the magazine and the columnist for Talk. Recently he interviewed Neal Stephenson about portraying a utopian future, Laurie Santos about happiness and Christopher Walken about acting.