



What Is a Steady State Economy?

Sound Byte

A steady state economy is a truly green economy. It aims for stable population and stable consumption of energy and materials at sustainable levels.

Definition of a Steady State Economy

A steady state economy features relatively stable size. It is ideally established at a size that leaves room for nature and provides high levels of human wellbeing. The term typically refers to a national economy, but it can also be applied to the economy of a city, region, or the entire planet. The size of an economy is generally determined by multiplying population by the amount that each person consumes. This quantity in a steady state economy neither grows nor contracts from year to year.

Herman Daly, the dean of ecological economics, defines a steady state economy as...

"an economy with constant stocks of people and artifacts, maintained at some desired, sufficient levels by low rates of maintenance throughput, that is, by the lowest feasible flows of matter and energy from the first stage of production to the last stage of consumption."

So a steady state economy aims for stability or mildly fluctuating levels in population and consumption of energy and materials.

To get a feel for how this works, consider a mature forest. It does not grow in size, but it is a living system with a complex web of parts. Remarkably diverse species cooperate and compete within the forest, and new species and ecosystem functions develop over time.

Just like in the forest, stability in a steady state economy is very different from stagnation. Ecological economists actually call this kind of stability a *dynamic equilibrium*. This fancy term means that a steady state economy is dynamic – it changes and develops over time, but it remains balanced with the natural environment. The idea is to right-size the economy, to find the Goldilocks size that's not too small and not too big, but just right.



Maturing Instead of Growing Without End

The modern industrial economy is only a couple of centuries old. Like a child that has been growing for the

first phase of life, the economy has reached adolescence. Adolescence is a time of great change and challenge, often fraught with confusion and crisis. But like all adolescents, the economy must stop growing in physical size, and refocus its life on growth in mental, moral, and spiritual capacity.

When a living system (be it a human being or an economy) grows past its optimal size, bad things happen. Robert Wadlow holds the record for the tallest human being in medical history. He reached a height of 8 feet 11 inches and weighed 490 pounds. He suffered from hypertrophy of the pituitary gland and was still growing at the time of his death.

By the age of 4, he had reached a height of 5 feet 4 inches. At 7 feet 4 inches, he gained acclaim as the world's tallest Boy Scout. His phenomenal growth proved to be unsustainable. His own circulatory system and various medical interventions couldn't keep pace with his growth, and he died young at the age of 22.

Rules for a Steady State Economy

Good economic policies strive to achieve societal goals like sustainability and fairness with the least amount of impingement on individual freedoms. Following this principle, achieving a steady state economy requires adherence to only four basic rules or system principles that are hard to argue with:

- (1) Maintain the health of ecosystems and the life-support services they provide.
- (2) Extract renewable resources like fish and timber at a rate no faster than they can be regenerated.
- (3) Consume non-renewable resources like fossil fuels and minerals at a rate no faster than they can be replaced by the discovery of renewable substitutes.
- (4) Deposit wastes in the environment at a rate no faster than they can be safely assimilated.

Benefits of a Steady State Economy

A steady state economy is the only type of economy that is sustainable over the long term. It is an economy that meets people's needs without undermining the life-support services of the planet. It represents the ultimate social movement toward a better world for all. Life is downshifted as overconsumption, congestion, sprawl, and unfair trade practices fade away. People instead focus on community, relationships, sufficient consumption, and the things that really matter in life.



Economic History and the Appeal of a Steady State Economy

John Stuart Mill, pioneer of economics and one of the most gifted philosophers and scholars of the 19th century, anticipated the transition from growth to a "stationary state." In his magnum opus, he wrote:

...the increase of wealth is not boundless. The end of growth leads to a stationary state. The stationary state of capital and wealth... would be a very considerable improvement on our present condition.

...a stationary condition of capital and population implies no stationary state of human improvement. There would be as much scope as ever for all kinds of mental culture, and moral and social progress; as much room for improving the art of living, and much more likelihood of it being improved, when minds ceased to be engrossed by the art of getting on.

Myths and Reality

Misconceptions about the steady state economy can be decisively refuted...

Myth	Reality
Technology and progress will grind to a halt.	<i>A strong incentive for technological progress exists in a steady state economy because of the drive for better goods and services. With stabilized material and energy inputs (as would occur in a steady state economy), technological progress becomes the main source of higher quality outputs.</i>
Failure to grow causes economic turmoil and unemployment.	Our current economy is structured for growth. When consumption slows in a growth economy, recession ensues. But a steady state economy is precisely and intentionally structured for stability. It's the stability that provides a <i>good life for citizens and eliminates turbulent boom/bust cycles.</i>
A steady state economy requires a socialist regime.	<i>Market structures are employed to allocate resources efficiently, but some vital decisions (e.g., how big to grow) are kept outside the market. A steady state economy will feature a mix of private and public ownership of economic resources.</i>
We'll be mired in poverty.	Economic growth has not eradicated poverty. The condition of having a stable and sustainable population in a steady state economy allows <i>more resources per person.</i>

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