

Book Review: From Uneconomic Growth to a Steady-State Economy by Herman E. Daly

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Daly, Herman E. *From Uneconomic Growth to a Steady-State Economy*. Northampton: Edward Elgar, 2014. xii + 253 pages. Hardcover, \$120.00.

Herman Daly, Emeritus Professor at the University of Maryland, is one of the founding fathers of the field of ecological economics. The book, *From Uneconomic Growth to a Steady-State Economy*, is a compilation of Daly's writings from 1972 to 2014. The book begins with articles published in standard journals of economics, and ends with short, editorial-style essays written after 2010. Over time, Daly's work progressively moved outside of the paradigm of standard economics, including environmental economics, and the 2016 book, entitled *Beyond Uneconomic Growth: Economics, Equity and the Ecological Predicament*, which is edited by Joshua Farley and Deepak Malghan, is largely a tribute to Daly.

The basic argument of Daly's writings is that growth measured by an increase in the Gross National Product (GNP) should not be considered an indicator of progress in developed countries. This logic will be familiar to those who know the 1972 book *The Limits to Growth* by Meadows, Meadows, Randers and Behrens, and its many subsequent editions. Daly makes a sharp distinction between GNP growth and progress:

Growth means larger jaws and a bigger digestive tract for more rapidly converting more resources into more waste, in the service of frequently destructive individual wants. Development means better digestion of a nongrowing throughput, and more worthy and satisfying goals to which our life energies could be devoted. Development without growth beyond the Earth's carrying capacity is true progress. (p. 71)

As an example, Daly explains that global warming is a primary symptom of uneconomic growth which may lead us all to disaster.

Ecological economists see the economy as a subsystem of the ecosystem. Daly is highly critical of neoclassical—as opposed to classical—economics and argues that capital cannot be substituted for finite natural resources. For Daly, an emphasis on GNP growth is highly ideological: “The elite-owned media, the corporate-funded think tanks, the kept economists of high academia, and the World Bank—all sing hymns to growth in perfect unison, and bamboozle average citizens” (p. 54). Daly contends that we should regulate international commerce and downgrade the World Trade Organization, the World Bank and the International Monetary Fund. He argues that progress should be measured by indices such as the Index of Sustainable Economic Welfare (ISEW), the Genuine Progress Indicator (GPI), or the Ecological Footprint, rather than by Gross National Product.

For Daly, a series of policy positions directly follow from adopting the ideal of a steady-state economy. He is against globalization, against fracking, wants to limit illegal immigration,

wants to reduce military spending, and is against the American space program. Daly argues that we have far too much public and private debt, and too much leverage. In one of his editorial-style pieces, he argues that we should move to a system of 100 percent reserve requirements on demand deposits. We should “abolish the Fed and allow the Treasury to directly control the money supply” (p. 207). We should nationalize money, not banks.

There is nothing inherently wrong with Daly’s political positions; however, his arguments are radically incomplete. Once one moves beyond standard economics, one has to take political, social, legal, and institutional factors into consideration. Daly cannot simply say that the Federal Reserve should be abolished. He is persuasive when he criticizes pro-growth analysts; yet, he fails to describe a politically or institutionally plausible alternative. In his 1974 article “The economics of the steady state,” Daly writes: “We need (1) an institution for stabilizing population, (2) an institution for stabilizing physical wealth and keeping throughput below ecological limits ... and (3) an institution limiting the degree of inequality.” He concludes by saying—impressively—that such institutional change is speculative and “has not had the benefit of widespread professional criticism, and thus may contain terrible mistakes” (p. 16). This is the key point.

Much of my own writing is based on the work of social sciences philosopher Paul Diesing, in particular *Reason in Society: Five Types of Decisions and Their Social Conditions* (1962). Firstly, Diesing describes five fundamental and interdependent types of rationality: technical, economic, social, legal, and political. Diesing informed me that he would have added ecological rationality if he had written the book after 1970, when the ecological perspective was first fully developed (Diesing describes what is essentially ecological rationality in his 2005 book *Science and Ideology in the Policy Sciences*). Secondly, Diesing also distinguishes between substantial and functional aspects of decision-making. Substantial rationality has to do with goal achievement, for example, putting a man on the moon in ten years. Functional rationality is the rationality of organizations, for example, what NASA does after its goal is achieved. Finally, Diesing adds a third meaning of economic growth beyond an increase in production and consumption, and an increase in benefits relative to costs. Diesing describes a pure economy as a system of common scarce means and alternative ends, so an increased alternativeness of ends in a society is equivalent to an increased extension of its economy.

Herman Daly has made a profound contribution to the fields of economics and political science; however, there are two problems with *From Uneconomic Growth to a Steady-State Economy*. The first concern is related to editing. There are serious editing problems in the book, for example, there are identical sentences on pages 59-60 and pages 114-115. Also, over a page of material on pages 131-132 is identical to that found on pages 139-140. The second concern is ideological. Daly has failed to grasp the big picture. Daly does not seem to understand Diesing’s social, legal and ‘political’ rationality. He also fails to take functional rationality, as

well as Diesing's third meaning of economic growth, into consideration. Herman Daly's utopian prescriptions will not appeal to those who consider politics to be the art of the possible.

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