

How Do We Achieve a Steady State Economy?

Daniel W. O'Neill



CENTER for the
ADVANCEMENT of the
STEADY STATE ECONOMY



SUSTAINABILITY
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Complexity Economics for Sustainability, Cambridge

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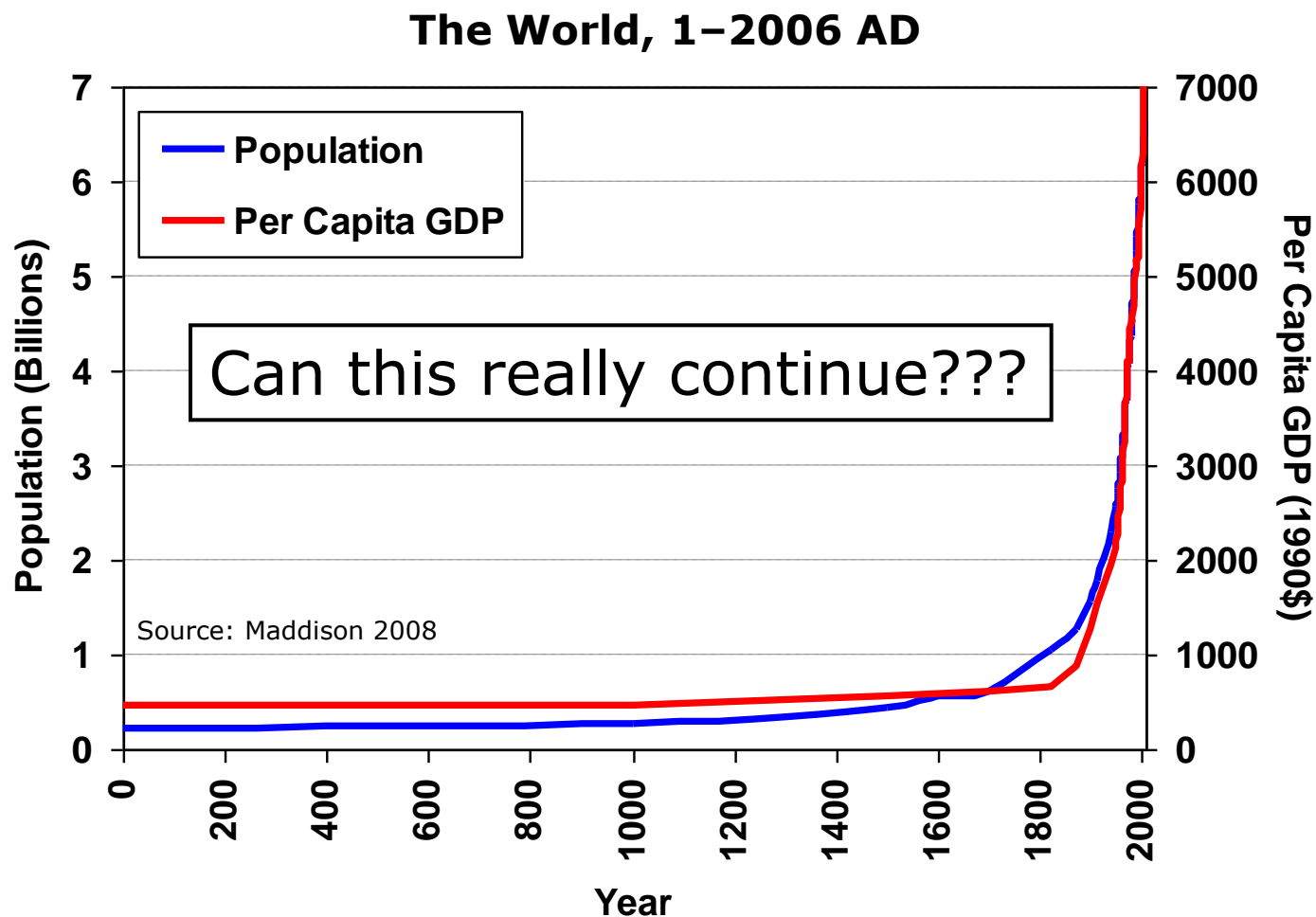
The Problem

- Economic growth is a primary policy goal of most governments
- There is a fundamental conflict between economic growth and environmental protection
- Economic growth is no longer improving people's lives in the developed world

What is Economic Growth?

- Increase in the production and consumption of goods and services
 - Occurs when either **population** or **per capita consumption** increases
- Typically measured using **GDP**
 - Total expenditure on all goods and services produced within a country

The History of Economic Growth

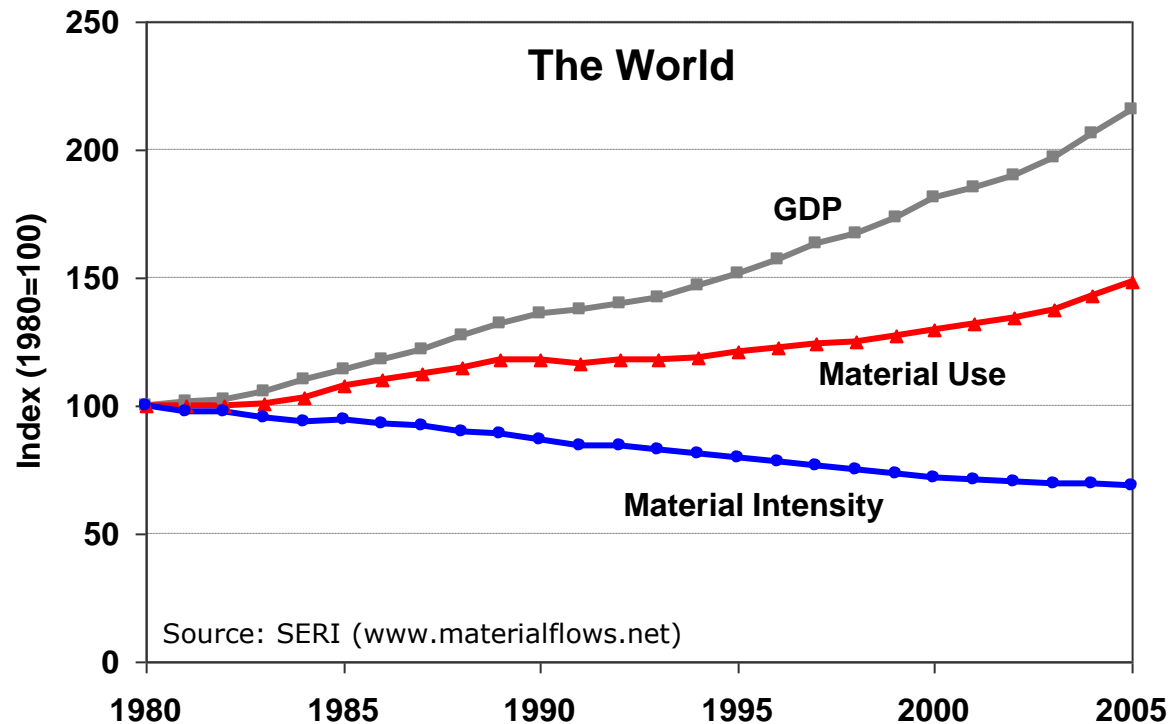


The Economy and the Environment



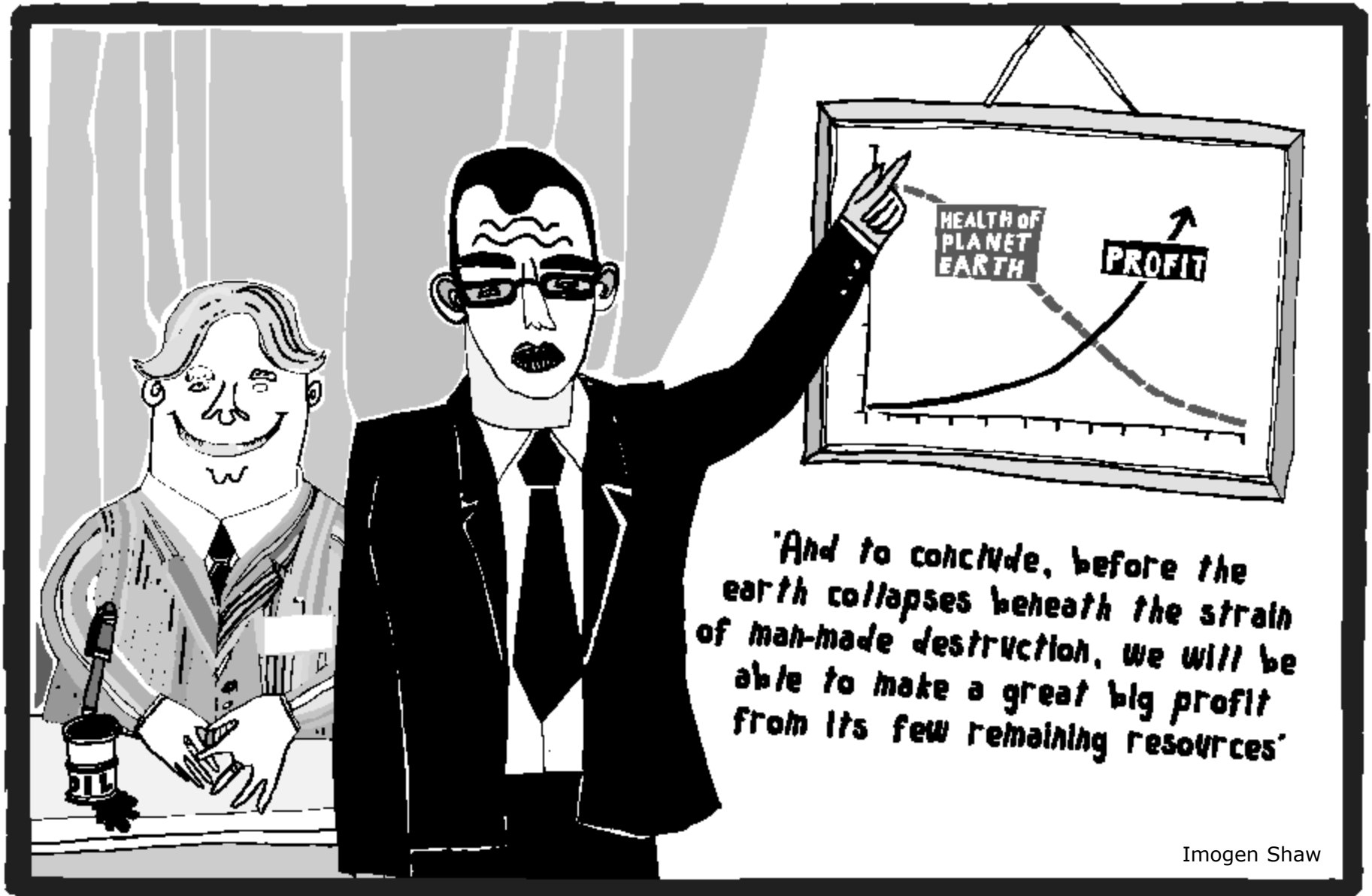
Can Technology Save Us?

- Can we **decouple** economic growth from resource use?
 - Technological progress
 - Switch from goods to services

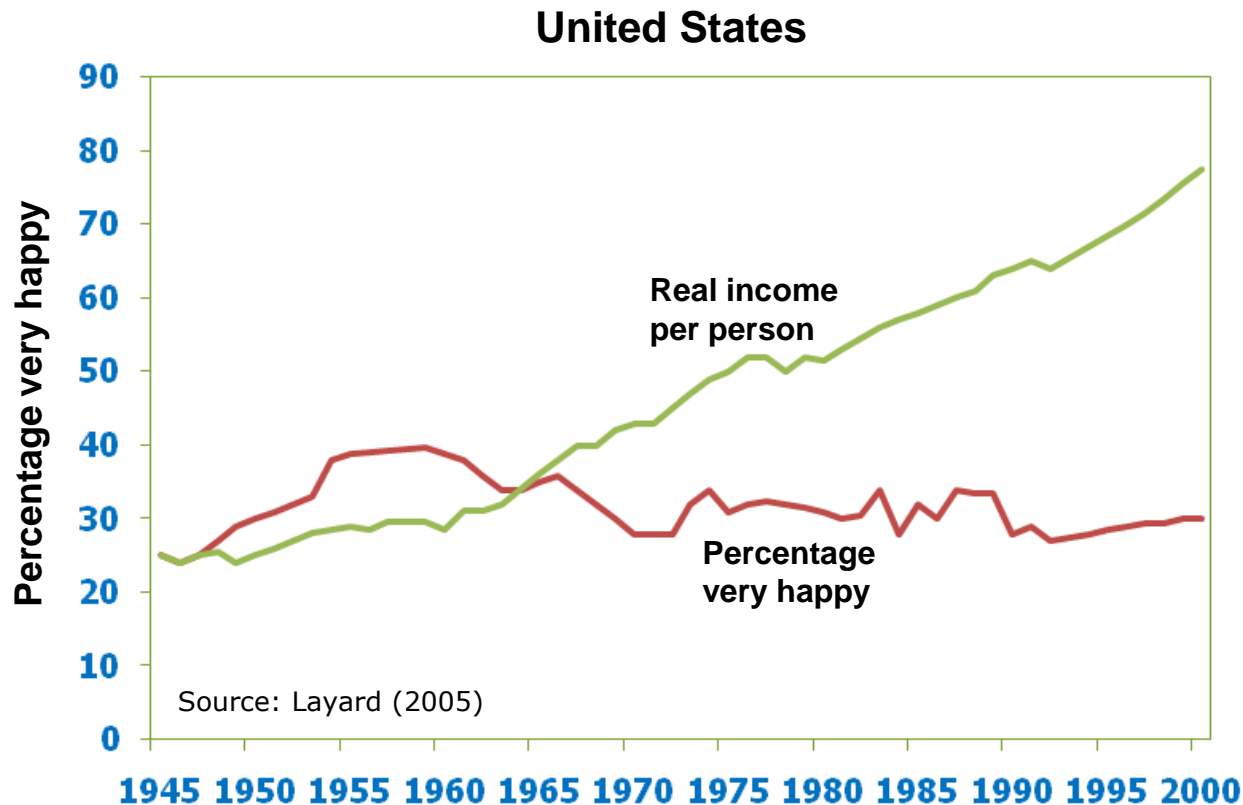


- GDP growth has overwhelmed any decoupling

Has It All Been Worth It?

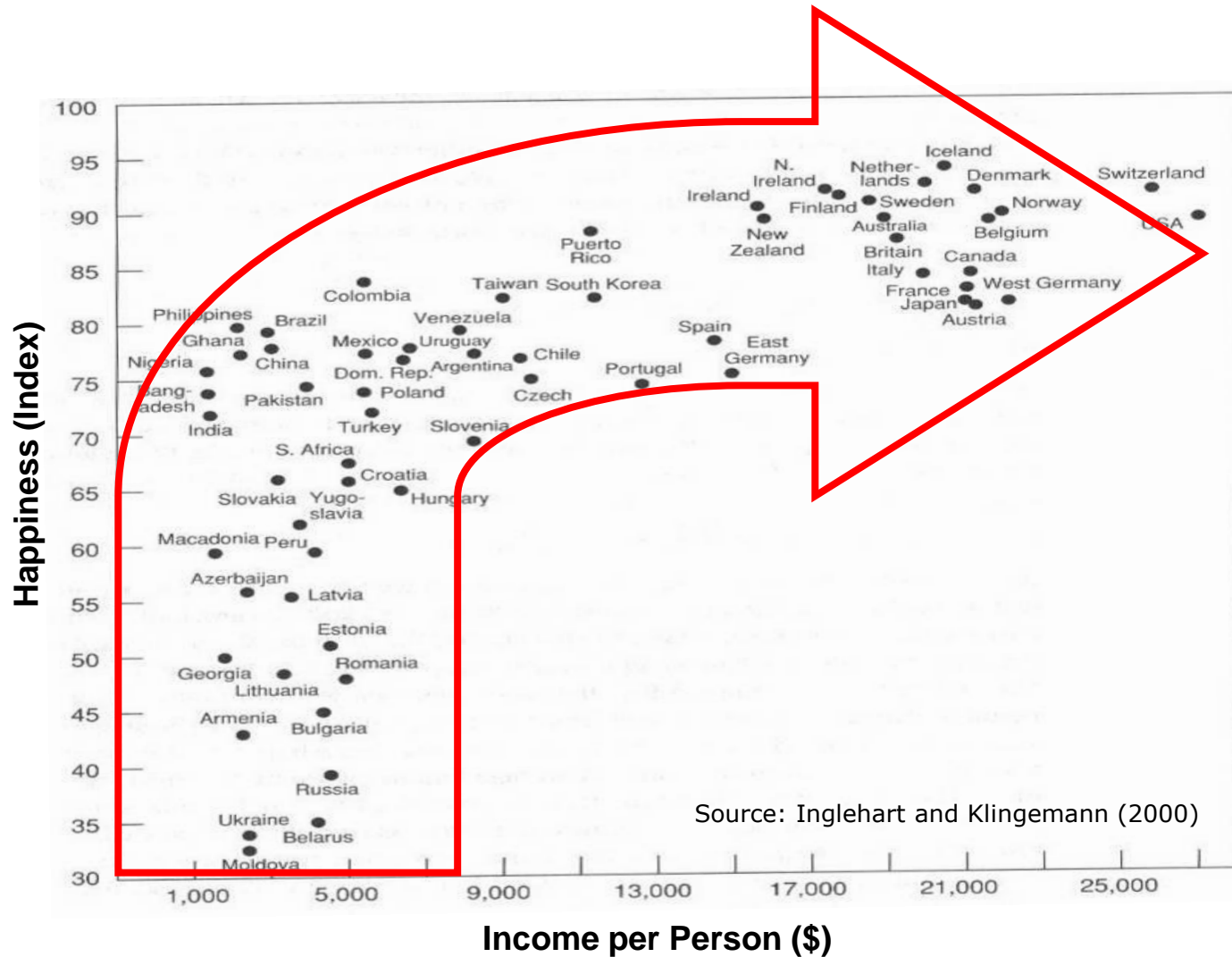


Happiness and GDP



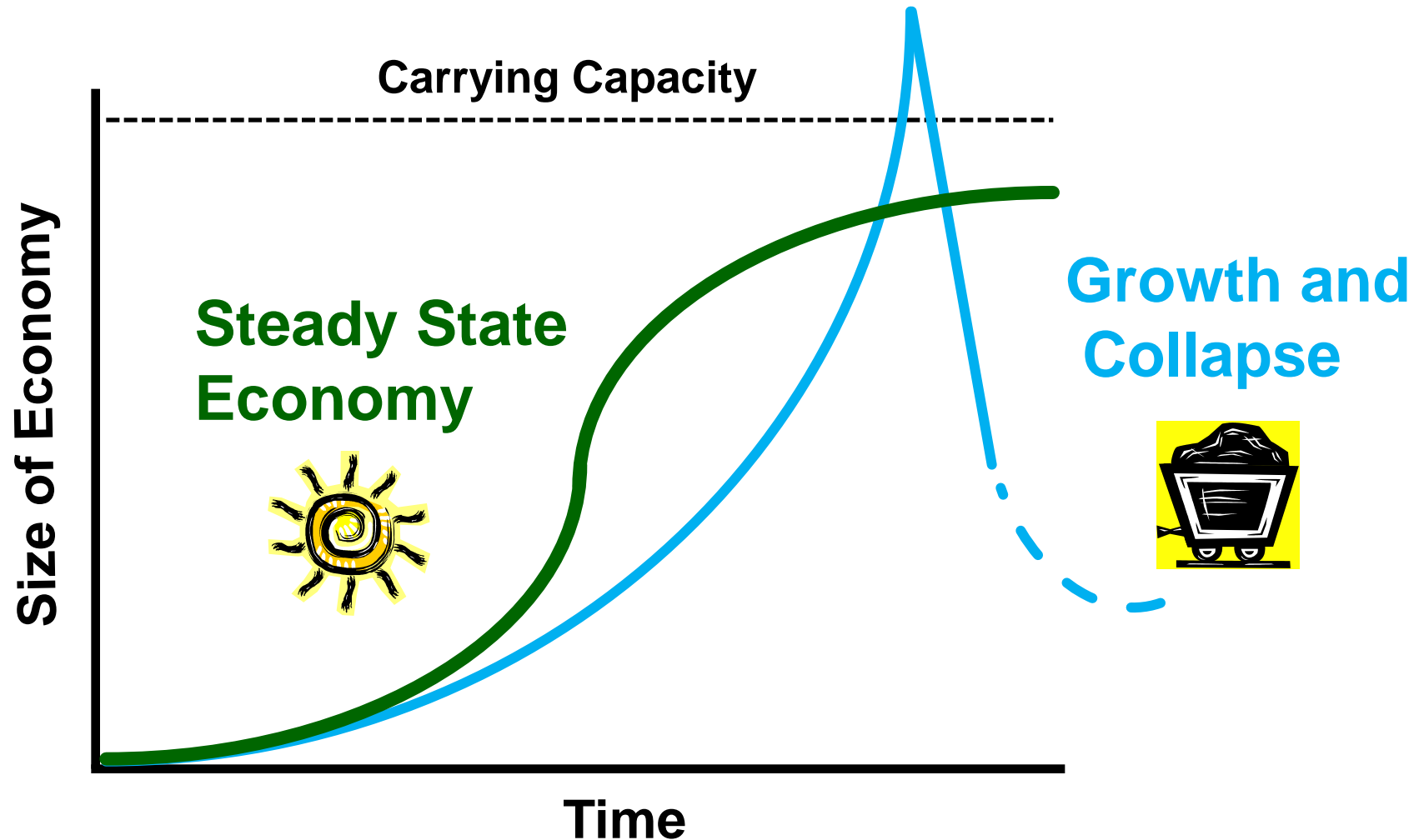
“Americans have been more successful decoupling GDP from happiness than in decoupling it from material and energy” —Peter Victor

Happiness and GDP Across Countries



Source: Inglehart and Klingemann (2000)

The Alternatives



What is a Steady State Economy (SSE) ?

- Stable population
- Stable per capita consumption
- Energy and material flows that are minimised and within ecological limits
- Constant stocks of natural and human-built capital

Characteristics of a SSE

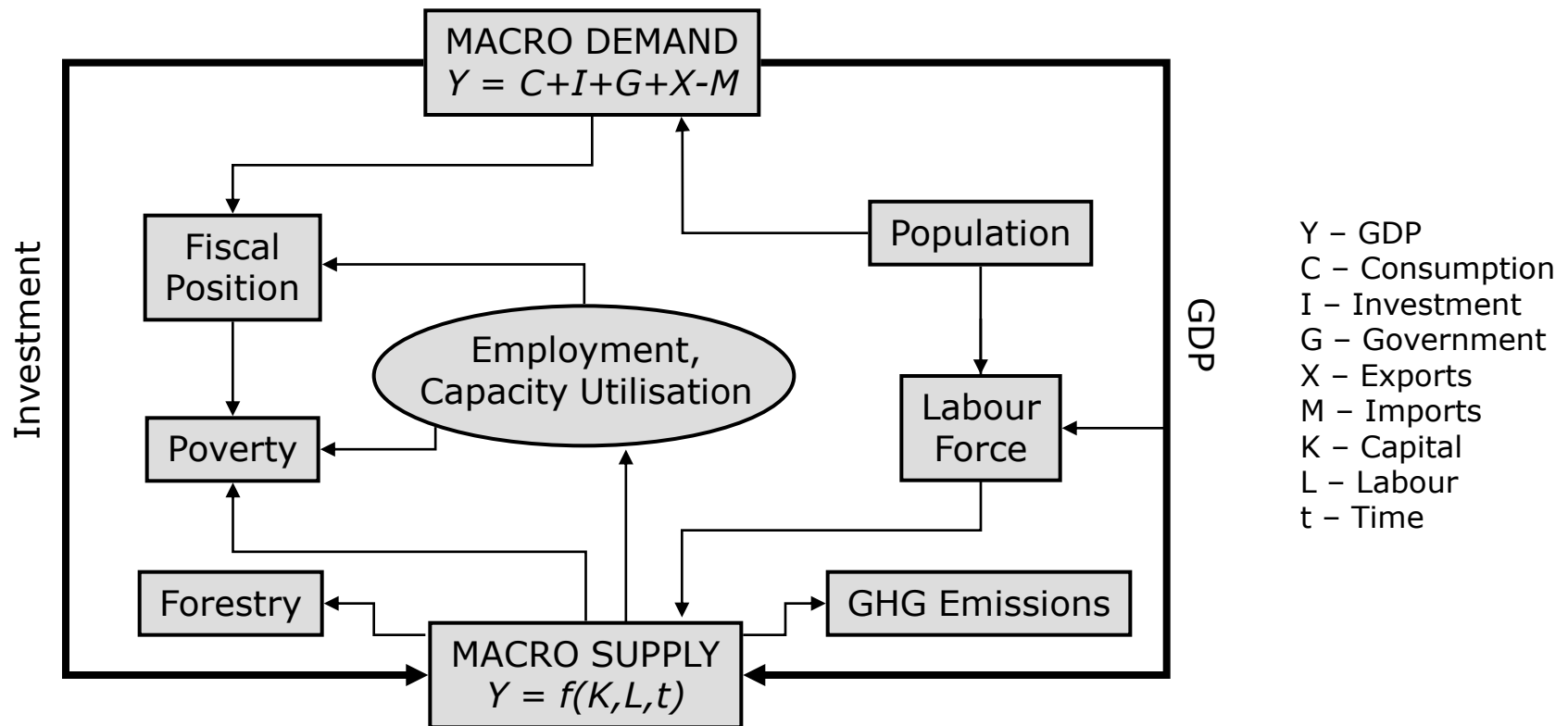
- Sustainable Scale
- Just Distribution
- Efficient Allocation
- High Quality of Life



Health, time,
prosperity,
and community

Can We Really Do This?

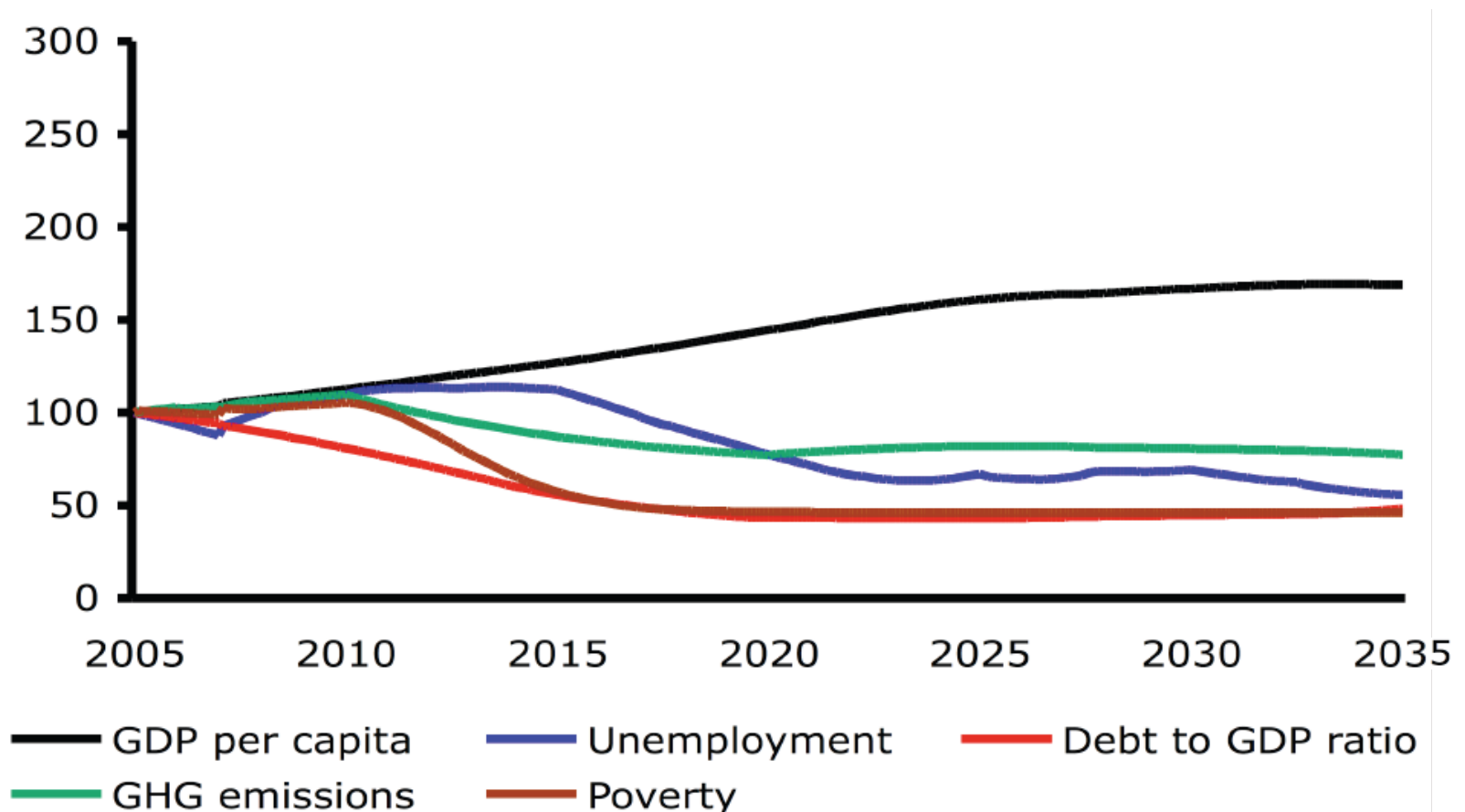
Model for the Canadian Economy (LowGrow)



Source: Peter Victor, York University

Can We Really Do This?

□ Model for the Canadian Economy (LowGrow)



Source: Peter Victor, York University

How Do We Achieve a SSE?

- Adopt the right macro-economic **goal**: the Steady State Economy
- Gradually change existing **policies** from growth towards a steady state

The CASSE Position

- Position statement on economic growth
 - Recognises the conflict between growth and environmental protection
 - Calls for the transition to a SSE
- Purpose
 - Demonstrate the level of support for a SSE
 - Advance the SSE in policy discussions
- Endorsements
 - >4300 people, >110 organisations

www.steadystate.org

How Do We Achieve a SSE?

- Adopt the right macro-economic **goal**: the Steady State Economy
- Gradually change existing **policies** from growth towards a steady state

1. Limit Resource Use

Currently:

- Few controls on use of resources and emission of pollutants
 - Montreal Protocol: limits ozone-depleting substances
 - EU Emissions Trading Scheme: limits CO₂ emissions

In a SSE:

- Impose strict resource and emission caps
- Employ a *cap-auction-trade* system
 - Caps set based on ecological criteria
 - Permits auctioned by government
 - Trade between industries to allow efficient allocation

2. Stabilise Population

Currently:

- Natural increase is low in many developed countries
- Many developed countries encourage population growth via immigration, for “economic reasons”

In a SSE:

- Births plus immigration must equal deaths plus emigration
 - In rich countries:
 - Reduce the number of economic immigrants
 - In poorer countries:
 - Provide education and access to birth control for women

3. Limit Inequality

Currently:

- Economic growth is used as an excuse to avoid dealing with poverty
 - “A rising tide lifts all boats”

In a SSE:

- No growth, so no excuses!
- Finite resource use = Finite amount of wealth
- Must deal with distribution explicitly
 - Need a minimum and maximum income

4. Reduce Working Hours

Currently:

- Technological progress is used to increase production of goods and services
 - A better widget machine = more widgets!

In a SSE:

- We cannot increase production if it results in higher resource use
- Instead, shorten the working day, week, & year
 - Same salaries but more leisure time!

5. Reform the Monetary System

Currently:

- Fractional reserve banking
 - Most money is **created** by private banks in the form of debt
- Increasing debt drives economic growth

In a SSE:

- All money would be created and spent into existence by the government
- Banks would be prohibited from creating money, but would instead have to borrow existing money to lend it

6. Reform National Accounts

Currently:

- Rely on GDP, which doesn't distinguish between:
 - Benefits and costs
 - Quality and quantity

In a SSE:

- What happens to GDP is not important
- Replace GDP with two sets of accounts:
 - Well-being
 - To be maximised
 - Resource use
 - To be minimised and kept within ecological limits

Conclusion

- ❑ There is a conflict between economic growth and environmental protection
- ❑ Economic growth is no longer improving people's lives in the developed world
- ❑ We need to make the transition to a SSE
 - Adopt the right macroeconomic goal
 - Restrict resource use, stabilise population, limit inequality, reduce working hours, eliminate fractional reserve banking, and change the way we measure progress

Thank you!

Dan O'Neill
d.oneill@leeds.ac.uk



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