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Steady-State Economics  
An Interview with Herman E. Daly  
By Richard Evanoff

Herman E. Daly is one of the originators of the concept of steady-state economics. He is a former member of the World Bank and presently teaches in the School of Public Affairs at the University of Maryland.

*Evanoff:* Could you define the basic concept of steady-state economics?

*Daly:* It really comes from seeing the economy as a physical subsystem of an overall larger ecosystem. The subsystem is open: matter and energy come in; matter and energy go out. The total containing system is materially closed, but open to solar energy. The total system is finite and non-growing. Over some time period the subsystem may grow physically, but at some point it has to adapt itself to the behavior mode of the overall system of which it's a part. Again, the overall system is non-growing and finite, and the flow-through of solar energy is not growing either. Those, then, are the elements of a steady-state world, and the economy eventually has to adapt to that. There is a slight difficulty in that the world evolves qualitatively even though it does not expand quantitatively. And that same caveat should apply to the economy. Development is quite possible and you can have continuing qualitative change but not quantitative expansion. It's just simplicity itself, really, but it has not been a part of the vision of standard economics. The standard vision has not been that the economy is a subsystem, but rather that the economy is a total system. And the natural world, instead of being a containing envelope, is just a little sector over in the economy called the extractive sector, or something. It's rather neglected and downplayed because it doesn't account for a very large percentage of GNP. The idea is that everything is substitutable—we can always substitute something else for natural capital and resources. If, as I've argued, we think of economics as having three major problems—efficient allocation, just distribution, and sustainable scale—neoclassical economics deals mainly with efficient allocation. It deals secondarily, though not adequately, with just distribution. It doesn't even think about sustainable scale—that's off the screen. So the challenge is to bring these three components together into a coherent way of looking at economic policy.

*Evanoff:* Given the fact that economics is narrowly limited to the concerns you've just mentioned, how do we get from our present situation to a steady-state economy?

*Daly:* Basically I think we have to control population and per capita consumption. What needs to be controlled is the throughflow—the flow of resources from the larger natural system through the economy and then back to the larger system as waste. That has to be within the regenerative capacity of the input side and within the absorptive capacities of the waste/output side. Somehow we have to control that flow. The flow is really the product of population times per capita resources. As a first approximation we can think of those two things, which is very useful, because they relate to the division of the world into North and South: the South where population increase is the major problem and the North where per capita consumption is the major problem. Along those

lines, I would even like to see the possibility of a North-South bargain discussed more. It's too easy now in the North to say, "Why should we limit our consumption if the resources thereby saved are just going to be used to support more and more hungry, equally poor people in the South? We're increasing the sum total of human misery. Forget it! It won't come to anything." In the South it's easy to say, "Why should we worry about controlling population? Any resources thereby saved are just going to be gobbled up by Northern overconsumption." So I think each party has to come to the table with a willingness to do something. But I don't mean to say that population is not a problem in the North. Both are problems in both places. Even the South has an elite class which consumes lavishly and we in the North also have population growth. But as a matter of emphasis, there might be a possibility for mutual cooperation. I think the North, however, has been very backward in recognizing this. We've just been preaching to the South, "Sustainable development is your problem, guys, come on!" But it's really our problem because we're setting the standard, and we're not sustainable. That was a major frustration at the World Bank, which felt that the North was not the problem, but the solution to the problem.

*Evanoff:* It seems many countries in the South are following the model of development proposed by the North. How good a model is that?

*Daly:* I think it's a very poor model. The North has gotten away with it for a while, but it's beginning to catch up with us. The idea that we're going to turn the whole world into high consumer societies, a la Europe, Japan, and the United States, is unrealistic. We will overwhelm natural capacities if we try to do that. I think that insight—although it's not something that's easy to prove to skeptics, who always come back with something—is being responded to more and more by people on a common sense level. Even in the World Bank, over coffee, people would tend to accept that proposition. But the institution itself couldn't even ask itself the question, because institutionally it was solely committed to growth as the answer and to the idea that the North represents the solution. At the World Bank we borrow money from the North as our creditors, and we don't talk back to our creditors. The South, they're our debtors, they don't talk back to us. So there's that kind of a feeling, although there are many individuals within the World Bank who I think are very bright people with a lot of experience—they understand things. So there's an internal conflict, although the institution itself is still totally committed to growth.

*Evanoff:* In objective terms you use the word "unrealistic" to describe the idea of everyone attaining the kind of lifestyles that first-world countries have. But subjectively people would say that economic growth is "realistic" and that your ideas are utopian and unachievable. How do you respond to that?

*Daly:* I see it as facing a dilemma. One horn of the dilemma is political impossibility—that is, stopping growth is politically impossible. The other horn of the dilemma is biophysical impossibility—continuing growth is impossible. So it's a matter of deciding which impossibility is more fundamentally impossible! My judgment is that the biophysical impossibility is a real impossibility, whereas the political impossibility is more or less a temporary impossibility which is not quite so impossible. We thought for a long time that it was impossible for the Berlin Wall to fall or for communism to collapse under its own weight. Well, you know, those things did happen. So politically "impossible" things are much more likely to happen. But I don't mean to minimize the

political difficulties. On the positive side, many of the teachings regarding the source of welfare—religious teachings about the dangers of excessive wealth, egoism, and so on—while these have in the past been considered utopian teachings, now they seem to be realistic solutions to problems that have been created by so-called “realistic” behavior.

*Evanoff:* There are quite a few ambiguities surrounding the concept of sustainable development. How do you sort through them?

*Daly:* It’s curious. I think the ambiguities were there from the beginning in order to obtain a political consensus through the Brundtland Commission and get the issue on the agenda. Just tons of contradictions were papered over. If you unpapered them you wouldn’t have consensus. O.K., it got everyone talking about sustainable development. But now the time has really come to deal with those issues and I think the major one is the confusion of sustainable development with so-called sustainable growth. If you take a process which is fundamentally unsustainable in a finite non-growing world, nothing changes just by tacking the label “sustainable” on to it. That’s why I’ve really tried to distinguish growth from development, and argue that growth, following the dictionary, is quantitative increase due to the assimilation or accretion of materials—when something grows it gets bigger physically—whereas development is the realization of the potential for qualitative improvement. We ought to shift our notion of progress away from growth towards development. Sustainable development in this view becomes development without growth. That’s exactly in keeping with the model of the total system of which we are a part: it doesn’t grow but it does evolve qualitatively. I think that’s the way we’ll have to move.

*Evanoff:* Do you see a change coming about in our institutions? On the one hand, there’s a growing tendency towards interdependence and global institutions; on the other, as you’ve written, a tendency towards community and local action. How do you see these two tendencies interacting with each other—a monolithic world order as opposed to the local community?

*Daly:* I very much favor local community control. I think that’s where community really exists, at the local levels—maximally at the national level. Internationally it’s pretty good to speak of an international community and maybe we’ll evolve in that direction, when problems really are irreducibly global and we need cooperation. But I think that has to be a community of communities, a federated community of nations. Many people see the world community as a negation of national boundaries. They talk grandly of a world without borders, how wonderful it would be if we were all one on this little space ship, the fact that the ecosystem doesn’t recognize national boundaries, and so on and so on. But I think erasing national boundaries would be a disaster from the point of view of community and from the point of view of effecting any policy at all, because it’s at the national and sub-national levels where people take some responsibility for each other, where we can enact policies for the common good, where we can put restraints on our own appetite and greed, at least to some degree, and where we can enact standards which incorporate environmental costs into prices. If we’re going to have free trade, free capital mobility, free migration, then national policies on population control, the internalization of external costs, high wage standards—all of these just get competed down to the lowest common denominator. While there’s something ethically appealing about equality in this sense, I think it’s an equality in which everyone sinks together.

*Evanoff:* You present a really powerful vision in your books of the direction society could be headed towards. What do you think are the real prospects for moving from the ecologically unsustainable society we have now towards a more ecologically sustainable society?

*Daly:* I distinguish between hope and optimism. There's hope and despair on the one hand, and optimism and pessimism on the other. Optimism and pessimism are a betting man's expectations about short-run probabilities. Hope and despair is more of an existential attitude of faith—faith that novelty, something new, an inbreaking, a transcendence, something outside of the well-defined set of known alternatives can come in and result in creative change. In the first sense—the sense of the betting man—I'm pessimistic. But I'm hopeful. The attitude of hope I think has a different set of origins. It's something you bring to a problem rather than take out of it. I think one remains hopeful and operates on hope because it's a sin to despair. But don't be a moron and lapse into this foolish optimism of "see no evil," everything's going to be great. The greatest enemy of hope is this facile, silly optimism that abounds when people just say, "I'm an optimist. Things are going to get better. Come on, let's give three cheers for good old humankind!"

*Evanoff:* Your book, *For the Common Good*, was co-authored with a theologian [John B. Cobb]. That's an interesting combination—an economist teaming up with a theologian.

*Daly:* Yes, that was an interesting thing, and I learned a lot from John Cobb.

*Evanoff:* How does religion inform your perspective on economics?

*Daly:* Both economics and religion are supposedly about value, economics about the more mundane dimensions of value, religion about ultimate values. It seems there ought to be some relationship between what's absolutely valuable and what we value relatively or in mundane terms. I think there's logically a very important connection. Nowadays, when there's such a close connection between the human subsystem and the larger creation, as we call it in religious terms, then I think these issues become so much more important. If you conceive of the world as a creation of which you are a part, that already tells you to be careful in what you do. Maybe we are co-creators with God, maybe we can really improve things and do better, but be careful and don't assume too much. The opposite attitude emphasizes that the world is just a pile of stuff out there. Over billions and billions of years of random chance and natural selection we just happened to appear. The whole thing is just one great big accident and we're little accidents. If that's the attitude—which is what scientific materialists actively teach even though they don't live by it—then it seems to be a real undercutting of environmental ethics. How can you really love something that's an accident? Can an accident love an accident? For me that's hard to accept.

Books by Herman E. Daly:

*Steady-State Economics*. Second edition with new essays. Washington, D.C.: Island Press, 1991. (First edition: 1977)

*Valuing the Earth: Economics, Ecology, Ethics*, co-edited with K. Townsend. Cambridge, Massachusetts: MIT Press, 1993.

*For the Common Good: Redirecting the Economy Toward Community, the Environment, and a Sustainable Future*, co-authored with John B. Cobb, Jr. Second edition. Boston: Beacon Press, 1994.