

## Steady-State Economy

Although it has its origins among classical economists, the concept of the “steady-state economy” was developed and popularized by ecological economist Herman Daly. It may be something of a misnomer to use the word “popularized,” however, because unfortunately, as far as sustainability is concerned, the vast majority of economists, business community and government leaders mainly care about a “growth economy”. Meanwhile the growth economy continually produces more of everything to satisfy human “wants,” which are assumed to be ever-increasing and which are assumed to be the key to “prosperity”.

In contrast, Daly defines a “steady-state economy as an economy with constant stocks of people and artifacts, maintained at some desired efficient levels by low rates of maintenance ‘throughput’; that is maintained by the lowest possible flows of materials and energy from the first stage of production to the last stage of consumption.” The steady-state economy aims for stable or mildly-fluctuating levels in population and consumption of energy and materials. These two conditions can be attained when (1) population stabilization is achieved when birth rates equal death rates and (2) production rate increases only equal depreciation rates (based upon the wearing out of materials). Rather than continuously providing more and more material goods per capita, the steady-state economy is concerned with providing a high quality of life without exceeding environmental limits. Consequently, a much greater emphasis on reuse and recycling of materials and the use of renewable resources are also characteristics of a steady-state economy.

Achieving a steady-state economy presents some significant challenges posed by conventional economic thought and human nature. In practice, a “stable level of production-consumption” (envisioned under a steady-state economy) will have to be large enough to accommodate a variety of human wants and lifestyles, yet small enough not to deplete the stock of nonrenewable resources nor exceed environmental limits. Furthermore, it will be difficult to know when the steady-state economy is achieved because it is difficult to rigorously define some of the conditions (e.g. “maintained at some desired, efficient levels” and “lowest possible flow of energy and materials”). Ironically before a “steadystate” economy could be seriously accepted in the developing world, the growth economy will have to improve the standard of living to acceptable levels for the general population.

Perhaps then at the present time the “steady-state economy” can be best thought of as a future goal which we might wish to work towards in our own lifestyles, which may wish to seriously challenge the assumptions of the growth economy and which may encourage the growth of economic activities which improves the quality of life and reduces material consumption.

### The Steady-State Economy: Up Close and Personal

A steady-state economy rejects a continual accumulation of “stuff”. Rather, it asks us to simplify our lifestyles and to think about what is important and truly provides consumer satisfaction. Implicitly, it asks us to consider means of sharing, and not merely purchasing and owning, products and resources (such as through renting or loaning). Equally important, a steady-state economy suggests that our social and economic goals should be directed towards obtaining a better quality of life.

Many individuals and members of the business community are concerned that such an economic transition from a “growth economy” to a steady-state economy” would reduce economic output, employment and well-being. Certainly, a reduction in the consumption of “stuff” would result in fewer

manufacturing and certain retail jobs in the long-run. However, a consumer emphasis upon the quality of life would, over time, enable a shift in the content of economic output towards more services; for example continuing education, cultural activities, outdoor recreation, tourism, personal enrichment and higher value-added personal services, healthier living and increased leisure time. At the same time such a shift towards such mostly locally-provided services would provide a greater and more sustainable local economic multiplier impact than the continued purchase of manufactured consumer goods.