

Is a steady state /degrowth economy possible within capitalism?

Drawing from
Blauwhof (2012)

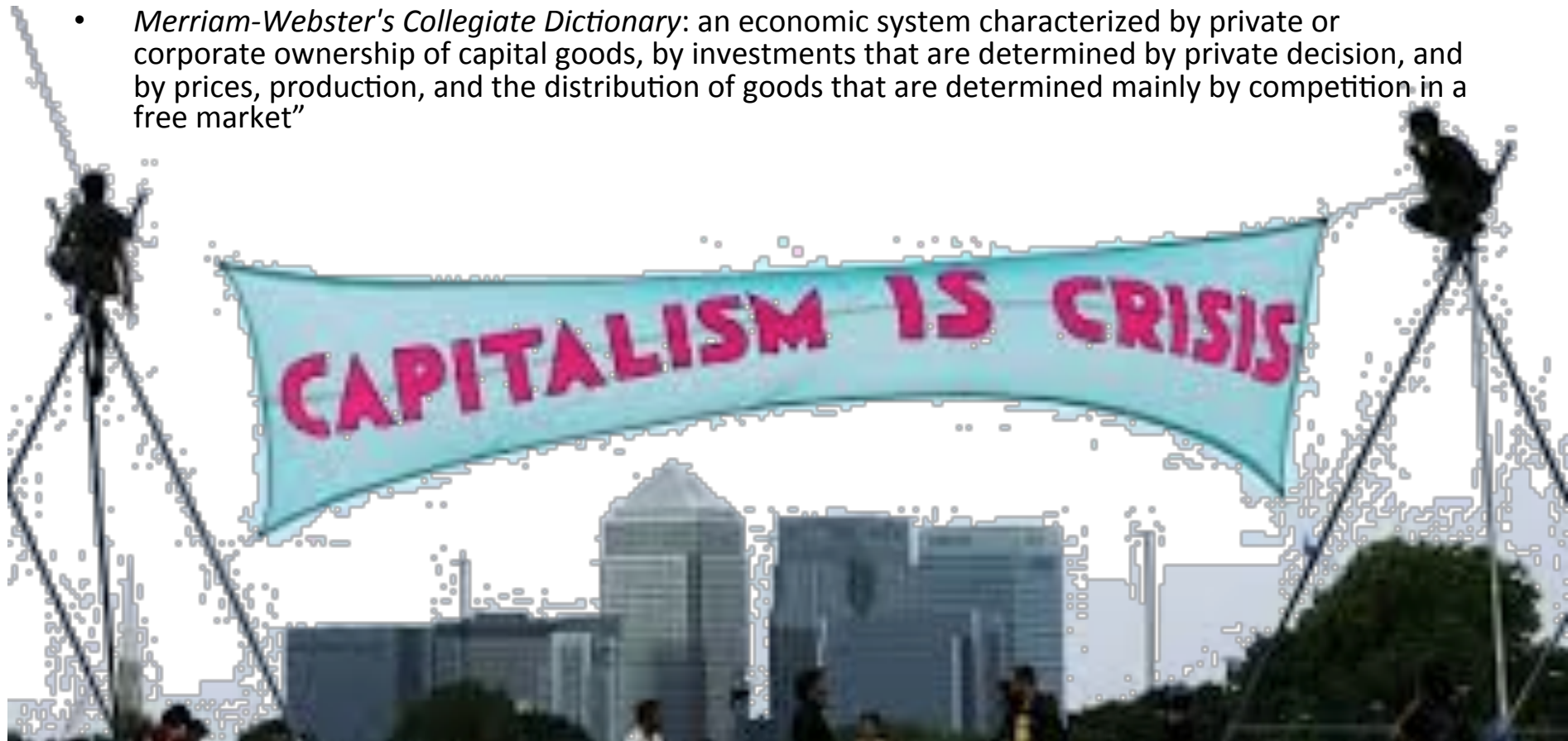
Overcoming accumulation: Is a capitalist steady-state
economy possible?

Ecological Economics 84 (2012) 254–261

What do we mean by capitalism?

Definitions vary hugely!

- A society in which the production of goods and services is mostly carried out by workers, wage-earners, for the profit of employers, the owners of capital. This profit is realised through the sale of goods and services in a (more or less) competitive market (Kovel, 2007: 51ff; Smith, 2010: 31).
- *Oxford English Dictionary*: “a system which favours the existence of capitalists.”
- An economic system in which the dominant part of production of goods and services is based on private property of capital and market exchange? (Lawn, 2011)
- *Merriam-Webster's Collegiate Dictionary*: an economic system characterized by private or corporate ownership of capital goods, by investments that are determined by private decision, and by prices, production, and the distribution of goods that are determined mainly by competition in a free market”

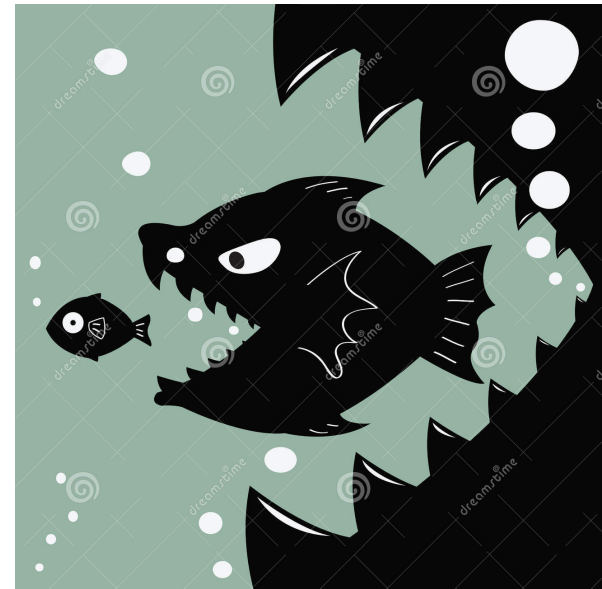


Richard Smith (2010): 'Grow or die' is the law of survival

[C]apitalism cannot exist without constant revolutionising of productive forces, without constantly expanding markets, without ever-growing consumption of resources. (...) [I]t was precisely this market-propelled “motor” of economic development that for Karl Marx so sharply distinguished the capitalist mode of production from all previous historical modes of production (Smith, 2010: 29).

1. division of labour raises productivity and output, which drives producers to find new markets for new products.
2. competition pushes producers to conquer market share to benefit from economies of scale and be able to re-invest more in technological improvements.
3. modern corporations are under sustained pressure by shareholders to grow in order to maximise profits.

Similar arguments made by Marxist economists and ecologists like John Bellamy Foster, James O'Connor and Joel Kovel



Philip Lawn (2011)

‘profit or die’, not ‘grow or die’, is the law of survival in capitalist economies!

Profit-making does not necessarily mean growth:

“[T]he ways that a business manager can maintain or increase the profitability of a firm (...) can be sorted into three basic categories. They are

- (1) increase output and sell more;
- (2) produce better quality goods and sell the same quantity of output at a higher price (**revenue rises and costs remain unchanged**); and
- (3) produce the same quantity of output more efficiently” (Lawn, 2011: 10).

Lawn argues that only the first leads to growth.

How can a firm boost profits?



How can a firm boost profits?

1. Expand production



How can a firm boost profits?

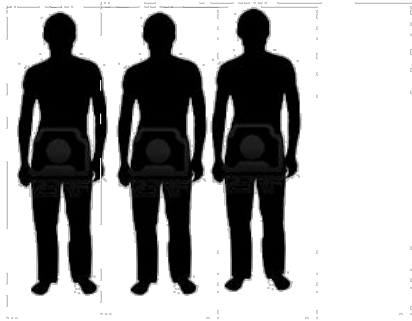


How can a firm boost profits?

2. Increase quality & raise price



How can a firm boost profits?



How can a firm boost profits?

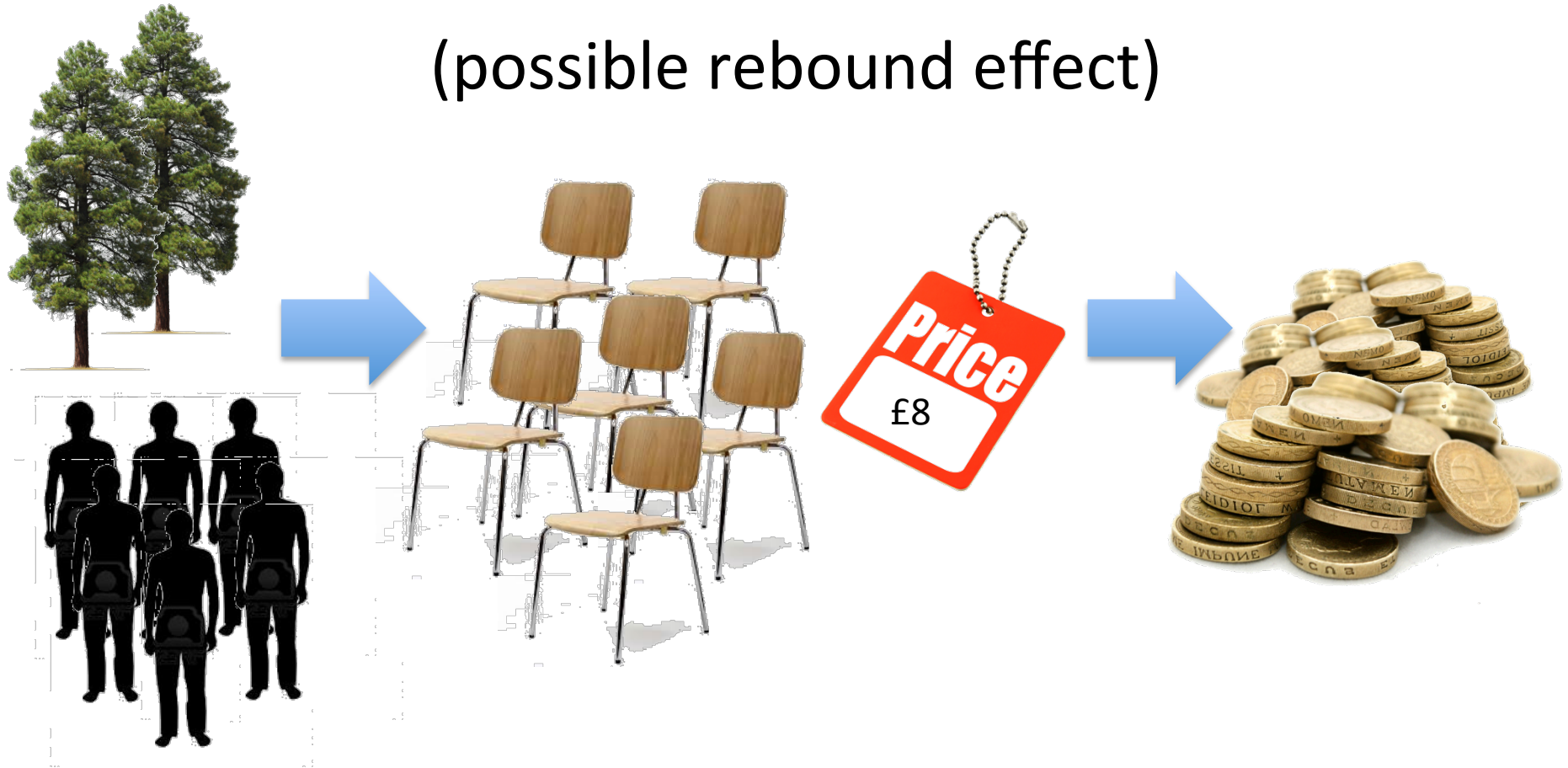
3a. Improve resource efficiency



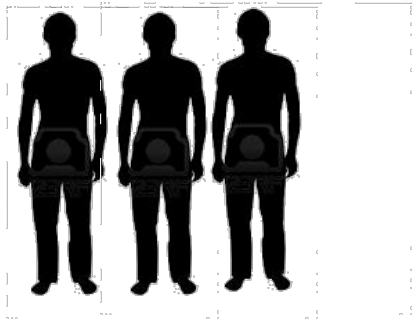
How can a firm boost profits?

3a. Improve resource efficiency

(possible rebound effect)



How can a firm boost profits?



How can a firm boost profits?

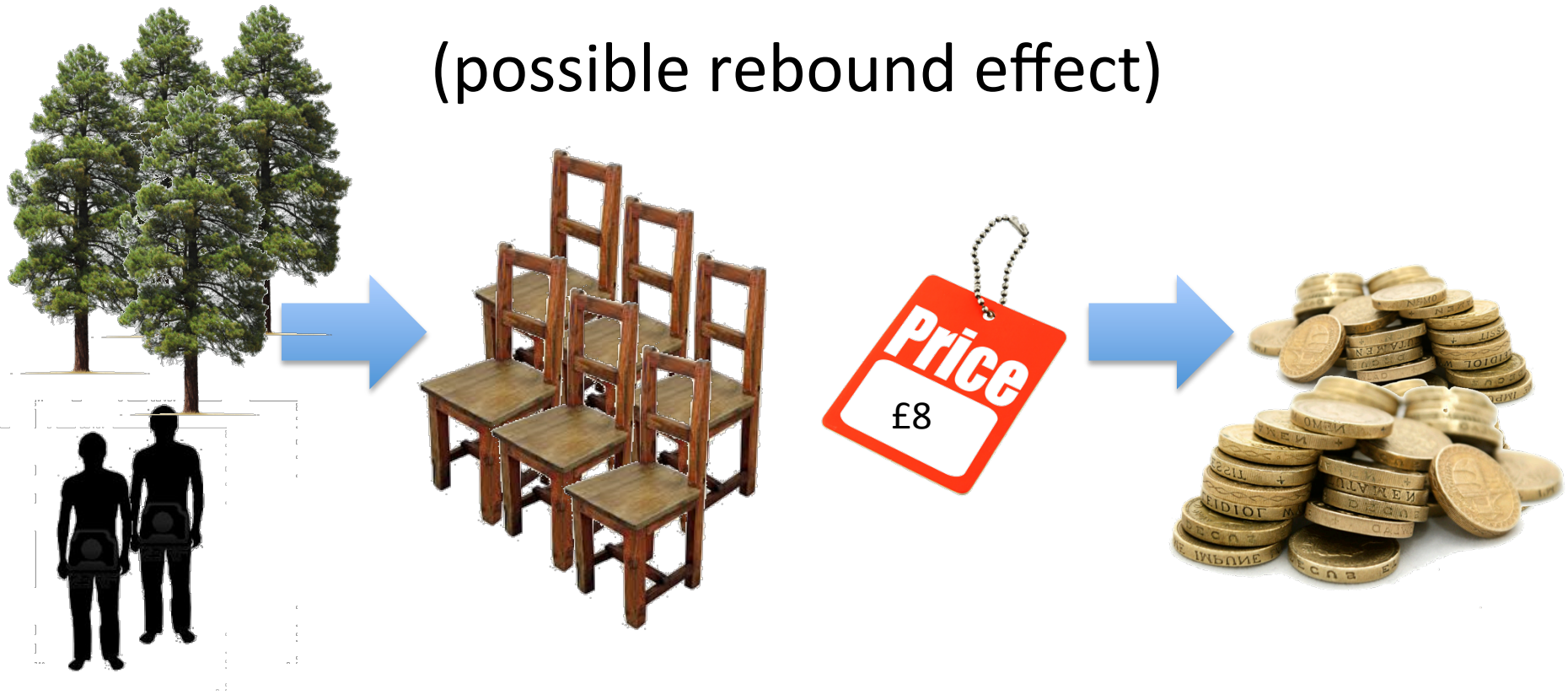
3b. Improve labour 'efficiency'



How can a firm boost profits?

3b. Improve labour 'efficiency'

(possible rebound effect)



What will be the results if each of these strategies are pursued over the long term?

THE BASELINE



2. Increase quality & raise price



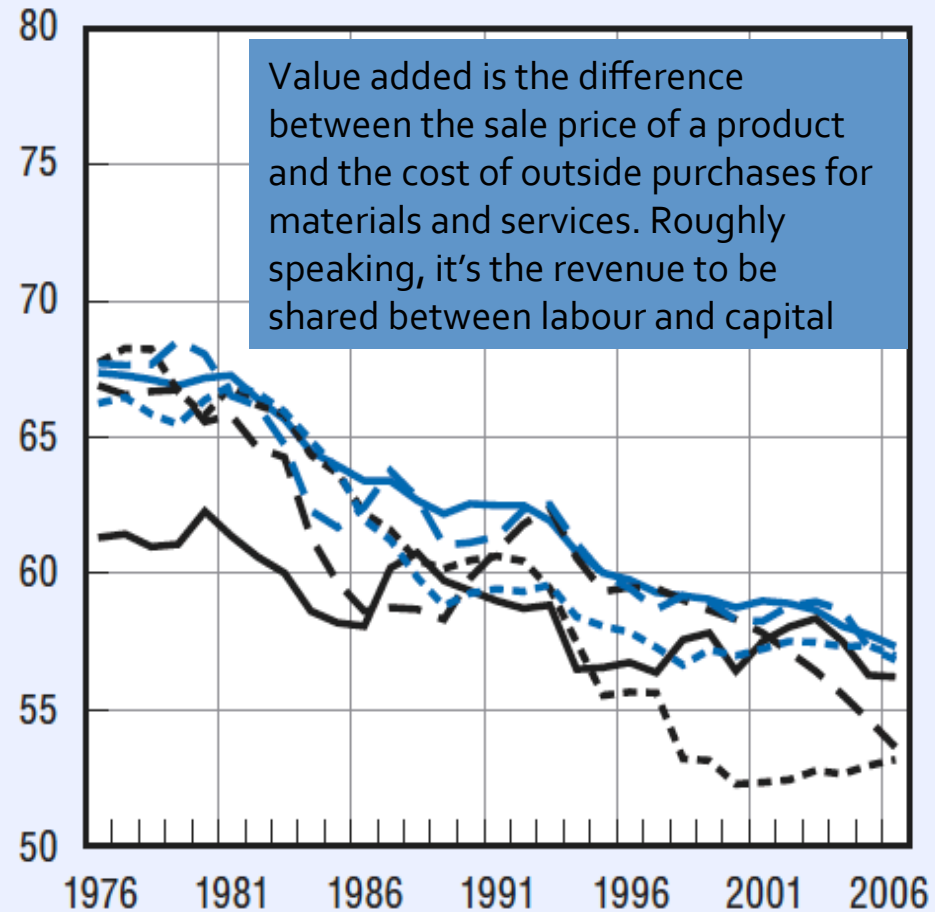
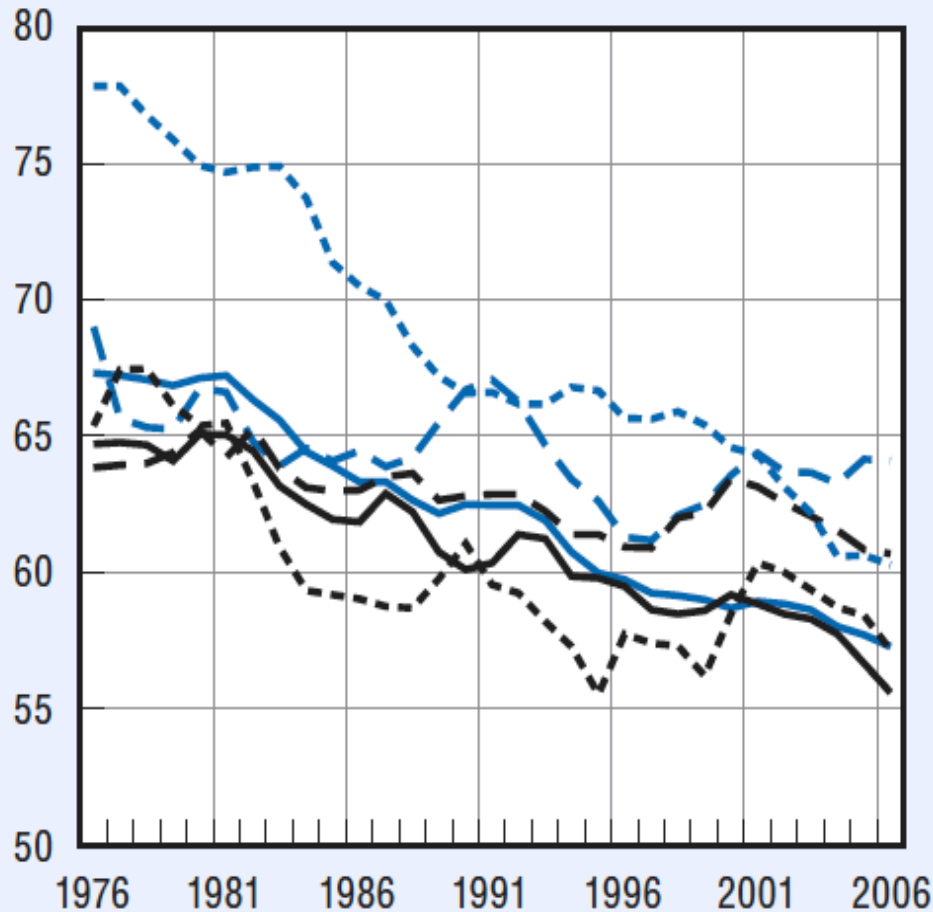
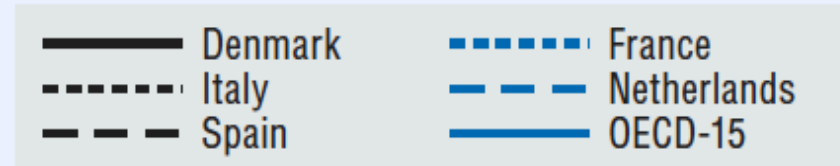
3a. Improve resource efficiency



3b. Improve labour 'efficiency'

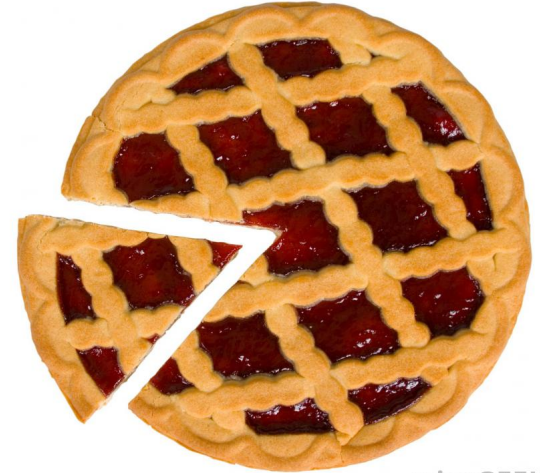


NB. Declining share of 'value added' going to wages (OECD, 2008)



Distribution issues

- “[W]hen growth is impossible, further accumulation of profits by capital can only have the effect of continuous transfers of income from wages to income from property. [...] In other words, **if profits cannot be made by growing the pie, it is to be done by cutting the rest in smaller slices.**” (Blauwhof, 2012, 259)



wiseGEEK

- Quite apart from economic justice, this growing inequality presents a problem for economic stability, because the richer you are the lower your propensity to spend (Kalecki, 1943). Aggregate demand can only remain stable under conditions of increasing inequality if there is an increase in borrowing – which is unsustainable.
- So therefore we need to prevent accumulation! As Herman Daly writes in ‘Towards a steady-state Economy’, **Accumulation in excess of depreciation, and the privileges attached thereto, would not exist**” (Daly, 1972: 27). Similar conclusion reached by Schumpeter and Keynes (Kerschner, 2010:545)!

Can we expect capitalists to spend profits on consumption instead of reinvesting?

Gordon and Rosenthal (2003) argue that since the actual profit rate is variable and uncertain, an enterprise which doesn't invest in the expectation of growing the value of outputs 'faces a future in which bankruptcy is practically certain in the long run, and has an intolerably high probability in the short run, while providing little or no compensating benefits by way of growth in income or wealth until bankruptcy takes place.' (2003:25)



The only ways to avoid such miserable prospects are for firms to

- engage in a high rate of net investment;
- reduce expenditure rate below the profit rate; or
- reduce the uncertainty around profits by establishing monopoly power.

Some conclude that we need therefore to get rid of the market

See E.g. See Robin Hahnel's advocacy of "Participatory Economy", which would include a "participatory planning procedure in which councils and federations of workers and consumers propose and revise their own interrelated activities without central planners or markets, under rules designed to generate outcomes that are efficient, equitable, and environmentally sustainable."



See also Erin Olan Wright's critique, and advocacy instead of "Market Socialism"

Key challenges if we want to maintain markets and private ownership of capital

- 1. how to prevent overall growth in environmental impact?**
 - Caps on fossil fuel use / rising taxes on resources / ban very harmful production processes?
- 2. how to prevent owners of capital taking an ever greater ‘share of the pie’ in their search for profit?**
 - shift to worker-owned cooperatives?
 - See Erik Olan Wright’s description of Market Socialism in “Alternatives to Capitalism” (2014)
 - See also D. Schweickart, *After Capitalism*, Rowman & Littlefield, Oxford, 2002.
 - Strengthen trades unions?
 - Minimum and maximum income and wealth limits (Daly, 2008)?
 - Anti-monopoly laws/taxes?
- 3. how to prevent capital flight?**
 - capital controls?

Is this still capitalism?

Further reading

MAIN TEXTS REFERENCED IN THIS LECTURE

Smith, R. (2010). Beyond growth or beyond capitalism? *real-world economics review*, issue no. 53

(NB you can find a blog from Daly in response here:

<http://steadystate.org/cold-war-left-overs/>)

Lawn, P., 2011. Is steady-state capitalism viable? A review of the issues and an answer in the affirmative. In: Costanza, R., et al. (Ed.), *Ecological Economics Reviews*, 1219. Annals of the New York Academy of Sciences, New York, pp. 1–25.

Blauwhof, F. (2012), Overcoming accumulation: Is a capitalist steady-state economy possible? *Ecological Economics*, Volume 84, December 2012, Pages 254–261

Gordon, M., and Rosenthal, J. (2003). Capitalism's Growth Imperative. *Cambridge Journal of Economics*. 27: 25-48

Foster, JB. (2011). Capitalism and degrowth: An impossibility theorem. *Monthly Review*, January 2011, Volume 62, Number 8. Available here: <http://monthlyreview.org/2011/01/01/capitalism-and-degrowth-an-impossibility-theorem/>

What might a post-capitalist economy look like?

Boillat, S., Gerber, J-F., Funes-Monzote, F. R. (2012) What economic democracy for degrowth? Some comments on the contribution of socialist models and Cuban agroecology. *Futures*. Volume 44, Issue 6, Pages 600–607.

NB pp601-2 of this article very briefly introduces a few different 'socialist' models that might be more compatible with degrowth than capitalism. You can follow the references for more details.

Johanisova, N. and Wolf, S. (2012). Economic democracy: A path for the future? *Futures* 44 (2012) 562–570

For a detailed comparison of Participatory Economics and Market Socialism see

Hahnel, R, and Wright, E. (2014). *Alternatives to Capitalism: Proposals for a Democratic Economy*. New Left Project. E-book.

http://www.newleftproject.org/index.php/site/article_comments/alternatives_to_capitalism_proposals_for_a_democratic_economy

((NB On pp 64-65 Erik Olin Wright offers one possible way of distinguishing 'capitalist' system from 'socialist' or 'statist'. This book is free to download for kindles but I've uploaded a PDF draft of this book to the website in case you don't have a kindle!)

Some high profile books which explicitly or implicitly make a judgment about the compatibility of sustainability and capitalism.

You may not have time to read the whole books, so I've provided some links to summaries/extracts below:

Naomi Klein (2014). *This Changes Everything*. See extract in The Guardian <http://www.theguardian.com/environment/2015/mar/08/how-will-everything-change-under-climate-change>

Jonathan Porritt (2005). *Capitalism as if the world matters*

And here is an article where he summarises his position: https://www.opendemocracy.net/globalization-climate_change_debate/capitalism_3074.jsp

Paul Hawken, Amory Lovins, and L. Hunter Lovins (1999). *Natural Capitalism: Creating the Next Industrial Revolution*

["A Roadmap for Natural Capitalism"](#) (Downloadable PDF-745k) readable summary of the book's basic business case reprinted from the *Harvard Business Review*, May-June 1999. (www.hbsp.harvard.edu/hbr/index.html)