What is a Steady State Economy?
... and how do we achieve it?

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Mind the Long Run, Baby!
8 June 2011 – Copenhagen
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 not improving people’s lives in the developed world.

We need to make the transition to a steady state economy.
What is a Steady State Economy (SSE)?

- Stable population
- Stable per capita consumption
- Energy and material flows are reduced and kept within ecological limits
- Constant stocks of natural and human-built capital
Characteristics of a SSE

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

Health, time, prosperity, and community
Can We Really Do This?

- Model for the Canadian Economy

- Possible to have:
  - Full employment
  - More leisure time
  - Fiscal responsibility
  - Virtually no poverty
  - Reduced GHG emissions

All without the need for economic growth!

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
  - >185 organisations, 7500 individuals

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 CO$_2$ 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 wealthy countries
- But many rich countries are trying to encourage population growth

In a SSE:

- Births plus immigration must equal deaths plus emigration
  - In wealthy countries:
    - Balance immigration with emigration
  - In poorer countries:
    - Provide education, access to birth control, and equal rights for women
3. Reduce 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 a public institution
- Banks would be prohibited from creating money, but would instead have to borrow existing money to lend it
6. Change How We Measure Progress

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 reduced 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!

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For more information, please read:

*Enough is Enough: Ideas for a Sustainable Economy in a World of Finite Resources*

www.steadystate.org/enough-is-enough