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## Mill, the Steady State, and modern perspectives

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# CONTENTS

<b>INTRODUCTION</b>	pg. 3
<b>CHAPTER 1- Classical and Socialist view of the steady state, a backward glance</b>	pg. 5
• Section I: Adam Smith	pg. 6
• Section II: David Ricardo	pg. 9
• Section III: Thomas Robert Malthus	pg. 10
• Section IV: Karl Marx	pg. 11
• Section V: John Stuart Mill	pg. 13
<b>CHAPTER 2- Subsequent Developments in Modern Economy</b>	pg. 18
• Section I: Herman Daly, many visions of the steady state	pg. 19
• Section II: Growth Fetish	pg. 21
• Section III: Capitalism: friend or foe?	pg. 22
• Section IV: The road to follow	pg. 23
<b>CONCLUSIONS</b>	pg. 24
<b>BIBLIOGRAPHY</b>	pg. 25

## Introduction

JS Mill is one of the most highly regarded economists and political philosophers of the eighteenth hundreds, set by time and content orientation of his works within the frame of classical economic thought. His many publications of varying length and complexity span over a large realm of topics, both social and more specifically economic, in style with the broad role that economy encompassed during his time and especially with his eclectic personality, cultural and educational background. In spite of the sheer quantity of topics addressed in almost forty published works he managed to leave a mark of originality in most of them and while picking up some threads of previous or contemporary colleagues still combining them in a personal manner that allows for a different picture to emerge with respect to the classical school despite a formal adherence to it, always emphasizing continuity rather than sharp breaks.

We can observe this tendency from the very beginning of his theoretical enquiry whereby he confronted the main problems left open by his predecessors, the wage fund doctrine, historically diminishing returns and Malthusian population theory which were all suffering from severe critiques moved by those who brought empirical evidence that the direct theoretical consequences of those theories were not coming into being in Great Britain at the time. Diminishing marginal returns thus remained a staple for Mill so long as they concerned agricultural goods and not manufactured ones, the wage fund doctrine became more malleable and represented not a fixed wage determined by population and capital but a range of possible wages with a fixed maximum within which unions could play a part in the exhaustion of said sum thus legitimizing unions in deep contrast with the majority of classical authors, and Malthusian population theory was adopted with a twist consisting of the possibility to alleviate the burden of excess population in various ways some being birth control, emigration (as a short term measure) and free trade especially international trade.

The list could go on at length to deal with the principle base doctrines and laws of value, profit and distribution all methodically and punctually dealt with in full synergy with what he believed to be the role of theory intermingled and clarified by the light of empirical observation, but the analysis of the great theoretical modifications attributed to Mill that make him what is considered to be the last great classical author is beyond the scope of this paper which will focus on one economic concept in particular as we will see shortly.

The above mentioned process of re-elaboration and re-interpretation of classical concepts and of an innovative approach in tracing the steps of others and bringing them to a fuller and more mature stage is what brought Mill to consider the stationary state, namely an ultimate no-growth stage of an economy where there is no increase in production/consumption nor in population, not as a remote and negatively tinted point in time but as a positive auspice for the future economy leading to a better society, one that he believed would ensure a better life for its citizens and guarantee more individual happiness.

This essay has at its heart the notion of steady state put forth by John Stuart Mill in his *Principles of Economics* book IV, as opposed to the more widespread view of said concept laid down by other authors both classical and socialist, prior or contemporary to him. As we set out to outline the peculiarity of Mill's understanding of the idea we will analyze the views of several authors that mainly differ in qualitative terms, respectively providing a positive view opposing a pessimistic one.

To do so we will begin our essay, devoting separate sections of chapter 1, by delving deeper into the economic thought of Smith, Ricardo, Malthus and Marx on this topic and comparing them to Mill's seemingly more innovative and differentiated view. Following his train of thought and in the course of the next chapter we will then reach modernity and today's world where Mill's ideas have sown the seeds of further elaboration, have reverberated and acquired a new meaning for many economists, especially those concerned with newer economic branches such as environmental economics, bio-economics, economies of happiness and the concept of happy de-growth of nations. This will be a clear and tangible sign of the power of the "Millian" stationary state to ignite and fuel a multitude of economists up to this day, who debate now more than ever on whether society's constant growth is synonymous of a better life or whether other paths are possible that don't contemplate production growth.

At the end of our journey this should provide us enough evidence as to be able to conclude that Mill's thought in its highly modern conformation is the most befitting modern values of societal improvement and his ideal steady state stands and outlines some possible solutions for today's advanced economies' and societies' problems, breaking with the dogma of increasing production as being the driver of society's improvement on the whole and presenting a substantially less material but nonetheless relevant measure of progress in line with new parameters on human well-being, that are surprisingly taken into account by our examined author back in nineteenth century England.

## Chapter 1 –

### **Classical and Socialist view of the steady state, a backward glance**

We will now evaluate the meaning of steady state for the four authors we have anticipated, to grasp their mutual similarities and to comprehend the substantial difference with Mill's idea. The two main schools of thought we will shortly address through them are the classical and the socialist one, the choice of which was due to both timing reasons and thus novelty of the stationary state concept and to their importance during the nineteenth century making them the fulcrum of economic thought doctrine at the time. Moreover Mill's economic theory was imbibed by both classical thought that was his educational background and socialist ideas picked up during his lifetime and particularly due to his private life events and affections that were, in the later part of his life, intertwined with a prominent socialist activist namely Harriet Taylor. Such a mixture between these two trains of thought results in a different perception of the world around him and furthermore drive him to conclusions that differ from both.

Let us only begin by stating that none of the authors we will see used mathematical models to deal with the topic at hand and hence their differences among themselves are of a dissertational nature not a mathematical one. Indeed the concept of steady state began to outline itself with the classical school and only in modern economics with the Solow model did it obtain its formal mathematical form of a point in time where capital per worker is equal to investment less depreciation rate. This formalization doesn't alter the essence of the concept and thus won't be dealt with, for it was the model that followed the theoretical speculation. An event which in any case shouldn't surprise us for as we have observed through time economics has indeed evolved into the model based science we know today for the very reason that it stems from intuition to explain reality through a representation thereof. It is also due to the debate within the classical school itself regarding the method of economic enquiry that a more technical approach to economics developed, Mill himself was concerned with the development of the exchange equation for example that was later formalized famously by Irving Fisher. In the second chapter we will see how modern economists have used mathematical models extensively on the subject, especially when projecting scenarios, however our approach will be unaltered and will keep on

abstracting from the mathematical formalization to maintain an economic and social perspective

## **Section I: Adam Smith**

Let us start by examining directly excerpts of Smith's *An Inquiry into the Nature and Causes of the Wealth of Nations*

*“labourers, and those who do not labour at all, are all equally maintained by the annual produce of the land and labour of the country. This produce, how great soever, can never be infinite, but must have certain limits”*<sup>1</sup>

*“In a country which had acquired that full complement of riches which the nature of its soil and climate, and its situation with respect to other countries allowed it to acquire; which could, therefore, advance no further, and which was not going backwards, both the wages of labour and the profits of stock would probably be very low”*<sup>2</sup>

Smith's approach, which we think exemplified and synthesized by his own words above, is the first one we will analyze. Chronologically speaking he represents the farthest author in time from Mill that we will consider. His importance in the history of economic thought cannot possibly be overstated, nor his laying down the foundations of the classical school be questioned.

With respect to his description of the steady state we must firstly analyze what constitutes value for society to him. Growth of output is the main goal to be pursued by an economy much in agreement with economists before him and a vast majority of economists today, and the

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<sup>1</sup> *An Inquiry into the Nature and Causes of the Wealth of Nations* by Adam Smith, version used published in by Clarendon Press in 1976 edited by R. H. Campbell and A.S Skinner Oxford.

<sup>2</sup> *An Inquiry into the Nature and Causes of the Wealth of Nations* by Adam Smith, version used published in Oxford by Clarendon Press in 1976 edited by R. H. Campbell and A.S Skinner.

increase in growth is achieved through capital accumulation which Smith deemed to be the driver of society's advancement. Little regard is given in his analysis to the problem of unequal distribution as this is a byproduct of accumulation without which no growth would be possible. Indeed the best possible distribution would be uneven and in more detail exactly the one distributing a conspicuous amount of income to capitalists, those who drive the economy by saving and investing and not to landowners who do not fuel the production mechanism but spend their money on unproductive laborers such as those "who leave nothing behind them in return for their consumption."<sup>3</sup> i.e. those whose only labor consists of attending on their employers and not actively producing goods such as household staff. Moreover this increase in production or output is believed by Smith to be highly positive and benefitting society even if said goods produced aren't socially useful because the value resides in their production and the growth thereby achieved .

The historical moment of Smith's life was also far from expressing the concepts of negative externalities such as pollution and other type of harm to human health as a result of this upwards spiral of growth, and Smith himself never considered them as Mill would begin to and as is now of paramount importance for our society where these externalities have begun not only polluting the environment but people, our health and in the long run our survival. These phenomena are part of our knowledge today but had not been scientifically reflected upon then.

We cannot know if these new happenings that are part of a world deeply changed in little time would in turn alter Smith's thoughts on the matter at hand, we can only state that he did not consider the exhaustion of resources a positive fact but one to avoid, at the cost of a moderated and frugal life. We know this because he, like most other classical school economists, believed resources would be employed and invested by capitalists in a descending order with respect to productivity or fertility of land. Once the bottom is reached no investment occurs and stagnation happens. Beyond this point his analysis stops because he doesn't conceive a use of land for example beyond its maximum capacity. Hence exploitation of land and resources as is the modern situation that for the most part underlies growth in certain parts of the world is something that would be deemed negatively in the very least.

The optimal situation is that of constant growth, but in a world where natural riches are still plentiful and given the time to replenish themselves and start the cycle over. A world which in some sense is still small and full of opportunities, with blank spaces on the map to be filled.

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<sup>3</sup>*An Inquiry into the Nature and Causes of the Wealth of Nations* (Book II, Chapter III, pg 1) , version used edited by R. H. Campbell and A.S Skinner; published by Clarendon Press in Oxford, in 1976.

Returning on our analysis and setting aside such presently rooted considerations we can see that if Smith conceived the goal of a healthy and happy society as to increase its capital and production his ideas regarding the stationary state of an economy can only be, in his own words “dull”<sup>4</sup> and negatively stained with the reduction of wages and profits mentioned in the initial passage. To further delve into this point we must acknowledge the fact that a stationary state would be achieved in his mind by countries that have reached their “full complement of riches”<sup>5</sup> and hence, being riches or in more general terms resourced finite in number living in a steady state would mean a division of a basket of goods of which there’ll be no more and hence a situation of contraction of consumption or in his words life would be “pinched and stinted”<sup>6</sup>. We can return to our comparison with the world and say that such a state of things would mean a big world with no blanks and no further opportunities to grow into.

Of the certainty of the event of a stationary state in the future he had no doubt for the simple finite stock of natural resources concept mentioned earlier, and for such countries in his time as China and the Netherlands he believed it to already be ongoing and for a number of reasons mostly imputable to bad or corrupted government with little flair for investment and sclerotic bureaucracy. As an economist drawn to policy-making objectives he advocated for better politics, more free trade among nations as well as investments by governments that would fuel the process of growth and stated that a combination thereof united with technology and its advancements would, if not prevent a stationary situation, at least help society move out of it and in another spiral of growth.

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<sup>4</sup>*Critiques of Growth in Classical Political Economy: Mill's Stationary State and a Marxian Response* by Gareth Dale, published online on September 10<sup>th</sup> 2012.

<sup>5</sup> *Critiques of Growth in Classical Political Economy: Mill's Stationary State and a Marxian Response* by Gareth Dale, published online on September 10<sup>th</sup> 2012.

<sup>6</sup> *John Stuart Mill on the Stationary State*, Source: *Population and Development Review*, Vol. 12, No. 2 (Jun., 1986), pg. 317-322 published by: Population Council Stable, URL: <http://www.jstor.org/stable/1973114>.



## **Section II : David Ricardo**

Ricardo's economic research rotated around a highly abstract concept of theory and what might be called a "non-contextual"<sup>7</sup> approach far from current data and more model-oriented than his predecessors. This indeed, being a main difference with Smith who used an opposite approach to theory-making, is the seed of modern economic science as is studied and analyzed today around the world. We will go on to examine how and if this new approach led to a different understanding of the steady state.

Like Smith Ricardo too believed that growth was a fundamental objective for nations to pursue and that growth of a nation depended on the capitalist class, the latter concept he further developed by stating the impossibility of growth deriving from the other two classes i.e. landowners and laborers because they had no saving capacity. The first spent all income on frivolities and the second had no income to spend apart from income for subsistence goods which was derived from the wage fund theory. This premise is necessary to ultimately understand the halting process of growth which Ricardo states to occur over a large span of time as, in the long-run, profits (or income to capitalists) decrease and rent (income to landlords) increase.

The reason for this natural phenomenon is that as fertile land is used up, in order of decreasing fertility or productivity, less and less will be obtained from its cultivation eventually leading to a zero-profit situation where capital accumulation would be impossible. This situation would also present different other undesirable characteristics such as high rents with wages still being at subsistence levels and no population growth. For these stylized reasons it is easy to deduce his negative view of the stationary state, in line with the classical approach. This is further highlighted if we look into the debate over the Corn Laws which he fervently opposed because he believed them to quicken the process leading to the steady state, which should instead be put off as much as possible for example with the aid of technology which in the case of land augments its productivity and the quantity of produce that can be extracted.

No fundamental differences with Smith's view appear to emerge, the stationary state is unavoidable but possible to delay and technology together with correct policy can put off this moment indefinitely, a point in common with most modern economists who advocate for the possibility of infinite growth. By taxing lands and avoiding the rise of rents at the expense of

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<sup>7</sup> *History of Economic Thought* by Harry Landreth and David C. Colander, 4<sup>th</sup> Edition, Published by Houghton Mifflin Company, Boston Toronto.

profits an economy will keep on growing and make for the happiness of all classes. There is also an absence of any social description of what happens to the lives of people living in the steady state apart from a looming negative light and the prospect of a “painful life”<sup>8</sup> of which no further details are expressed by our author.

### **Section III: Thomas Robert Malthus**

By now it is quite evident that classical authors share basic views on what a stationary economy means for society, and reaching Malthus we would expect the most negative of all classical approaches which are certainly not positive themselves as we have seen. From the person who theorized positive and preventive checks on population we would expect the steady state to be catastrophic. It is then quite surprising that an author known for such brutal realism in his writings and his pessimistic view of economy on the whole while sharing the common definition of the steady state does not however seem to totally agree on the certainty of the event in the future as Smith and Ricardo do.

Malthus saw problems within the saving-investing cycle that didn't quite fit what his fellow scholars thought about the matter and stated that if in the wrong proportion and size both saving and investment could lead to a halting of growth. If this is on one side a problem never before conceived as such it also gives us the way out of the problem of the steady state looming ahead as we can through correct policy ultimately achieve the right proportions of said elements in our economy and thus “save” the growth cycle so to speak.

To say it with Malthus himself using these tools we could have a society “go on increasing in riches and population for hundreds, nay, almost thousands of years”<sup>9</sup> showing us that his level of concern for this stage wasn't alarmingly high. Though in some other parts of his works he hints at this future, which in the end stems from doctrines he ultimately agrees with such as diminishing returns on factors of production, he does on the whole seem to confide in the human ability to always put off the moment by a small measure each time with the purpose of never reaching the halting moment. Plus the idea that nature could by itself contain the working class' growth also served the purpose of automatically going backwards on one's track would a

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<sup>8</sup>Taken from <http://www.policconomics.com/ricardian-distribution-theory/>.

<sup>9</sup>*An Essay on the Principle of Population* (Vol. 1) by T. Malthus reviewed by P. James published by Cambridge University Press in Cambridge, 1803.

steady state come into being. Population growth would halt until technological conditions allowed for growth to commence again.

With Malthus we reach the end of our digression on classical economics and we move to the socialist critique of Marx which will lead us to be better equipped to tackle Mill's positions and to have an immediate impact with his originality of thought.

## **Section IV: Karl Marx**

Marx's approach to the steady state stems from a new perspective on economic theory with respect to the other authors we have seen and to Mill himself. His view of the steady state was of an event coinciding with the fall of capitalism and the advent of socialism before, then communism. Indeed the sole fact that diminishing returns and scarcity of resources determine a steady state at some point in time is a major signal of fault within the system from Marx's point of view, a seed of its own destruction indicating the significantly negative inner nature of the capitalistic economic systems that can't even perpetrate themselves through time contrarily to socialism.

This destruction and moment of change is the main difference with all other authors and a further bridge towards Mill, in the sense that Marx didn't conceive the stationary state as a moment of stagnation but of very significant change within society, a social revolution that would end capitalism. It is ultimately a traumatic event, something radical leading to the only hope for mankind's liberation which is socialism. His analysis furthermore always revolves around the concept of class and not of the individual, as in Mill, thus not reaching the same conclusions of benefit for single people's lives due to the stationary state. Instead the benefits deriving from said condition are common to a class, namely the working class that is exploited under capitalism, which envisions its freedom through the harsh coming into being of the stationary state.

The biggest part of the literature left by Marx exactly deals with the nature of capitalism and his opinion of it is similar though much more forthright than Mill's. Capitalism is seen by Marx as a system that alienates people from themselves and does not distribute either for merit nor needs, a system to be destroyed. Mill is rather more gentle in his positions towards this

system which he sees as a “transitional”<sup>10</sup> phenomenon, a state of things that will be surpassed but not through fighting and class action but through a mental and spiritual change from within people.

However the concept of steady state is not only the moment in time when falling rate of profits would bring about the end of capitalism in a rather severe fashion but is also present within socialist economies after such fall in that each socialist society produces until they consider it sufficient for their own view of satisfaction and happiness, in his own words “output and real wages would increase up to the point where the society would decide, through some unspecified mechanism, that enough is enough”<sup>11</sup>. This too is a form of steady state that closely resembles that of Mill, it is a positive state because it coincides harmoniously with what the population has set as its goal. Ultimately Marx deals with a stationary state that is positive for the working class and negative for capitalists if by capitalists we mean those who produce not for utility but only for profit and without replenishing the planet of what they take from it.

We can highlight a tendency of both Mill and Marx to pay higher levels of attention to the ecological side of the economy. This trait differentiates them from the classical school and can be easily found within their own writings which in many points seem to reprise each other’s words and contain the same base-line principles, let us for example consider Marx’s reflection on the way man has privatized nature for his own profit instead of being left free and the same concept as found in Mill’s writings:

*“all creatures have been made into property: the fish in the water, the birds in the air, the plants on the earth”*<sup>12</sup>

*“every rood of land brought into cultivation, which is capable of growing food for human beings; every flowery waste or natural pasture ploughed up, all quadrupeds or birds which are not domesticated for man’s use exterminated as his rivals for food, every hedgerow or superfluous tree rooted out, and scarcely a place left where a wild shrub or flower could grow without being eradicated as a weed in the name of improved agriculture”*<sup>13</sup>

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<sup>10</sup>John Stuart Mill’s *Theory of Progress* by Abram L. Harris, Source: *Ethics*, Vol. 66, No. 3 (Apr., 1956), pp. 157-175, Published by: The University of Chicago Press Stable, URL: <http://www.jstor.org/stable/2378792>.

<sup>11</sup>*Capital - A Critique Of Political Economy* by Karl Marx published by Penguin Editions in London in 1990.

<sup>12</sup>*Early Writings* by Karl Marx ,published by Penguin Editions in London, in 2005.

<sup>13</sup>*Principles of Political Economy* (Book IV, chapter 6, section 5) by John Stuart Mill, published by Longmans Green and Co in London, 1909.

Indeed if we compare their views on nature as exemplified above we find very similar if not equal stances, though Mill's view is more poetic because it stems from the inner need man has to contemplate nature and enjoy solitude with it to think and nurture the spirit while Marx considers it as a consequence of the exploitation by capitalists and hence a motive of clash between classes. The very language is almost sector-specific, sometimes botanic almost. Marx uses the concept of metabolism<sup>14</sup> to describe the ideal relationship between men and their natural environment in order to produce, enhancing the idea of a biological interaction similar to what happens to a living organism during metabolism.

It is interesting, to conclude our brief overview of Marx, to address a question that has engaged many economists dealing with the steady state: is socialism a necessary premise to a stationary state? For many authors including Mill, Keynes and Schumpeter it is indeed so. A stationary state is not sustainable indefinitely and is incompatible with capitalism as we know it for a vast majority of authoritative voices. Marx gives us an insight to this since the steady state triggers the collapse of the capitalists system, signaling the total incompatibility of the two. The deeper explanation underlying is that to keep up what Marx calls "simple reproduction"<sup>15</sup> in the productive system which equals the no-growth state we would necessarily need to assume zero net investment, something that isn't compatible with the notion of profit that drives the class who owns productive means.

## **Section V: John Stuart Mill**

Book IV of Mill's Principles of Economics, one of his major works of economic theory, is dedicated entirely to the steady state, its definition, analysis and the significant modifications society would incur were it to bring itself into happening. It fundamentally deals with the question of indefinite growth and whether or not it is an optimal aspiration for societies to upkeep. We have left his position on the subject last for various reasons, primarily to let his view emerge through comparisons with other authors and to prepare us with an overview of his logic before reaching more technical details, and secondly for the aforementioned background Mill demonstrates as a scholar, both classical and socialist at times.

Mill's stationary state is brought about by the Ricardian model of falling rate of profit on one side, and diminishing marginal utility (a view shared with Marx) on the other. He considered history to be oriented in the long run to halt at a point where, to say it with Ricardo, there would

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<sup>14</sup>*The Ecological Challenge to Marxism* by R. Grundmann published by New Left Review in 1991, pg. 103.

<sup>15</sup>*Capital* (Volume I chapter 23) by Karl Marx, published by Penguin Classics in London, 1990.

be no more fertile plots of land and the demand would extinguish itself as no one would find profitable to invest any more. This view is simplified because it considers only physical land but the concept can be amplified to encase all goods in that they are all produced through the use of resources especially since in his time no goods could be reproduced indefinitely (and at cost zero) like today's information systems and technological products (such as software, always replicable virtually by just clicking). At this point in the distant future society would transform.

This is a marked difference from classical thought, he believed society could change and remarkably at that, just like we have seen is in Marx's view, but this change would be first and foremost spiritual and moral. It wouldn't be brought about by conflict but by the emerging of different needs within societies. This point is unique and peculiar to Mill and has a very modern appeal to it the motives of which we will shortly comprehend.

He identifies poor countries as those in need of development, their main human need is to increase their income per capita because it is so low it can't grant them adequate satisfaction of those needs that make up what we would today consider as the base of Maslow's pyramid (food, shelter and other primary needs). Once a society reaches a level of general well-being which he identifies as that of the developed countries like his own England income per capita stops being a problem and the distribution of said income takes its place as the pressing issue. A clear and concise summary of this can be found in book IV as follows "It is only in the backward countries of the world that increased production is still an important object: in those most advanced, what is economically needed is a better distribution."<sup>16</sup>

Basically once the riches are acquired a human community starts desiring a more equal system of enjoyment of such riches. Hence growth isn't necessary anymore nor is it perceived as necessary. Once the government has provided ways to improve and heighten the quality of redistribution of wealth through taxation of sorts and other measures people do not desire to pursue yet more work. What they seek for is personal cultivation, enriching of the spirit, refinement in arts and sciences, social help to those in need and solitude, yes, to meditate and dedicate time to oneself while in contact with our nature.

We can immediately detect the poetic and romantic feel this ideal timeline has. It has a strong reference to Mill's own social class at the time, country gentlemen who took time to increase their accomplishments with little actual work for them to do and hence dedicating the

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<sup>16</sup>*Principles of Political Economy* (Book IV, Chapter 6, section 6) by John Stuart Mill, published by Longmans Green and Co in London, 1909.

conspicuous remaining time primarily to themselves. Indeed if all of society were in that condition contemporaneously we could predict that the new class of needs would be shared by almost all. Quite obviously solitude, which is the state of solitary contemplation is not a priority for underdeveloped countries as it may be in a condition of wealth that has already provided for basic needs. The main idea underlying this is simple: once a person has enough financial resources to support oneself with a modicum of work he should start looking for ways to ameliorate himself and not ways to make yet more profit. He moved from what he called the “art of getting on” to the “art of living”<sup>17</sup>. The main flaw in this scheme is that the view of human nature is intrinsically positive and it is yet to be proved that in the mentioned conditions there wouldn't be individuals striving for more personal profit and not wholly content with their endowment of riches.

Marx solution to this problem was the socialist state that would be a transitory phase between capitalism and communism and would serve to re-educate the population. Mill considered human beings capable of morally heightening themselves without constriction. Whether this is realistic is probably the most problematic point within his theory.

Population is another strongly linked part of the problem connected with growth: as long as growth occurs Mill mainly agrees with the classical ideal that population size too would increase. As can be noticed by Mill's biography he wasn't particularly favorable to this phenomenon and indeed advocated birth control in times where the debate was exponentially more heartfelt than today. In his opinion another important positive quality possessed by the stationary state is the halting of population growth, which in turn would cause an increase of income and would allow for a reduction in density, enabling people to better enjoy nature and space. It is income increase that leads to the augmentation of population and hence its stopping would determine the latter stopping almost synchronically.

Technological limits are treated cautiously by our author, he has reserves as to whether or not improvements in this sector are really beneficial to all social strata and if they are worth the effort. As we know understanding how fast technology can increase as compared to other factors is a major issue when we deal with growth and its sustainability. In some sectors technological improvements offset decreasing marginal utility and provides for increasing returns and not diminishing ones as predicted by most classical economists and Mill himself, in whose view

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<sup>17</sup>Both consecutive quotes taken from *Principles of Political Economy* ( Book IV, chapter 6, section 9) by John Stuart Mill, published by Longmans Green and Co in London, 1909.

growth was something accompanied by nature with diminishing returns like the Hegelian thesis and antithesis solving into a synthesis of stationary nature. However the influence of technology on returns is something that was beginning to be observed empirically at the time but not as extensively as it is today, and wasn't the main focus of Mill's analysis of technology, we will see in the next chapter how this is a problem linked more to our times than his. The fulcrum of the problem for him was to be able to understand whether the advantages brought about by technology didn't just serve the purpose of enriching a few instead of the noble intent to relieve humans of their daily toil.

The benefits to nature too are quite evident in the situation expressed by Mill, as we have touched upon in the previous section. Nature, not obsessively converted into means of production would be a source of enjoyment for mankind in its free and spontaneous form. Resources taken from the land itself would have all the time necessary to re-form since the population it supports is adequate and not ever-increasing, problems connected with pollution and negative externalities as we would call them today would be dealt with from the very root of the problem. There would be no more need for such occurrences because they are the result of overproduction and exploitation for profits and on one side overproduction would be useless in a world in which population size doesn't vary and on the other capitalists that do exploit just wouldn't be part of this new society.

A certain degree of religious and Christian thought is visible through the fine threads Mill wove to present us with the tapestry of the steady state. The life envisioned in the stationary state is in many ways similar to that envisioned by Saint Thomas More in his Utopia with elements of striking resemblance especially when dealing with the articulation of the day in Utopia, divided between six hours of work and the rest for recreation and personal passions, a pursue of refinement and of a society founded on values of sharing and general well-being as opposed to capital accumulation.

Mill wasn't part of any church, his father openly rejected faith but throughout his writings especially those specific on the matter we see a certain propensity to the acceptance of God and certainly a most positive image of Christ and his message, whom he recognized as holy. He seems to blend together aspects of Christianity with Greek and Roman moral and Platonism in personal beliefs and this has reflected deeply in describing the stationary state society, perhaps an optimistic forecast of a present society that seemed everything but oriented to these noble intentions.



His stationary state is almost a religious state not in the theocratic sense but in the moral sense, seeking enjoyment in things that are far from material and more spiritually oriented. It is a state of goodness for good people who are satisfied with their lives and what they have and “while no one is poor no one seeks riches”<sup>18</sup> beyond what they have. Many critics have underlined this religious vision in Mill, that can also be seen in other writings of his like *Nature* where the connection between man and land is a spiritual one, showing yet again his tendency to a quasi-religious approach to many topics he dealt with.

It is no wonder that his alternative view of the “dismal” moment of no growth would attract many economists well after his time, it gives a way out of the society of economic profit without the specter of revolutions, allows for a recovery of nature and avoids Malthusian problematics and ultimately delivers us an image of the ideal lifestyle that is very appealing if not to all but to a vast majority. Many still today would be in unison with him in his famous wording of the concept “I confess I am not charmed with the ideal of life held out by those who think that the normal state of human beings is that of struggling to get on; that the trampling, crushing, elbowing, and treading on each other's heels, which form the existing type of social life, are the most desirable lot of human kind, or anything but the disagreeable symptoms of one of the phases of industrial progress”<sup>19</sup>

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<sup>18</sup>*Principles of Political Economy* (Book IV, chapter 6, section 5) by John Stuart Mill, published by Longmans Green and Co in London, 1909.

<sup>19</sup>*Principles of Political Economy* (Book IV, chapter 6, section 5) by John Stuart Mill, published by Longmans Green and Co in London, 1909.

## Chapter 2 –

# Subsequent Developments of the Steady State concept in Modern Economy

Our analysis now turns to the modern perspectives Mill's theorization of the stationary state opens by means of a brief overview of the most notorious economic branches that have it, among others, as a conceptual beginning point. It is interesting to see how curiosity for Mill's steady state reprised largely after the 1970's after a period of seeming indifference. An interpretation of this would be according to some scholars that Mill's views do not pertain to economically fast growing periods of time as the beginning of the nineteen hundreds where there is a sort of growth frenzy and resources are or seem to be abundant, it pertains instead to mature economies that have undergone this process and have begun a self consciousness and realization path to understanding how simple economic growth may not be the key to a better society tout court. We saw that this was stated by Mill himself and turned out to a truthful prediction. This fact also explains the geography of the diffusion of these ideas which mainly include rich, modern and industrialized nations or areas.

According to some scholars Mill can be considered the “first green economist”<sup>20</sup>, and indeed many of those who currently have Mill's steady state as a “guiding star”<sup>21</sup> are considered part of what is called ecological economics. We will analyze their points of view and focus on how much they owe Mill when theorizing their own perspectives on the stationary state, in addition to that we'll address some of the problems Mill left open and the feasibility of his predictions in a modern world. Indeed Mill himself advocated for a form of “semi-democratic socialism”<sup>22</sup> to handle this new society he predicts to implant and the transition to a new era of humanity when the stationary state comes into being however this seems far-fetched in our world today and modern theorists are much less concerned with utopias than they are with reality. Our aim will be to show that some do believe that a steady state is possible and compatible with the form of life we know today, without undergoing dramatic economic dictatorship, both unrealistic and highly uncomfortable. Our aim will be to show that the outcome of such change would be

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<sup>20</sup>*John Stuart Mill: Victorian Firebrand* by R. Reeves (pg 233), published by Atlantic in London in 2007.

<sup>21</sup>*The Delusions of Economics: The Misguided Certainties of a Hazardous Science* by G. Rist, published by Zed Books in London in 2011.

<sup>22</sup>*John Stuart Mill: Victorian Firebrand* by R. Reeves (pg 466), published by Atlantic in London in 2007.

desirable, in fact so much that perhaps it would be chosen freely by people over the alternative of incessant growth.

## **Section I: Herman Daly, many visions of the steady state**

A contributor of what is modernly called ecological economics, Daly has left us one of the single most specific work on stationary economics called *Steady State Economics* (1977). His work stems from that of his mentor Georgescu-Roegen whose concept of entropy, borrowed linguistically from physics, maintains a strong stand in his pupil's work. This concept if connected to the field of economics yields what we can define as sustainable development's guidelines, i.e. maintaining the flow of energy within our planet constant, not allowing more energy to be taken than given back. Measuring energy is no realm of economic research and a clear definition is not entirely provided so we will consider it as a generic energy that must be employed in production to transform inputs into outputs. Of course it is extremely hard to control for energy flows which occur at such a speed and in such large volumes that cannot be quantified but the fundamental idea remains and hence what flows from this principle is that cultivation will be equal to regeneration rate, non-renewable resources won't be consumed if not procured jointly with renewable ones, and output will be limited to suit population needs. Such are some of the points in his writings pertaining to the principles an economy must follow to thrive in stationary states.

Technology and IT products are also addressed and appropriately fill in a blank that Mill could have never filled. Still keeping in mind the concept of balancing of energies Daly maintains that growth in the IT sector doesn't have to be limited as it is not resource-consuming. As we mentioned in earlier chapters this is something of great importance for our world and it involves multiple industries who in Daly's opinion need not stop growing. What must stop or at least limit itself is the non-renewable fossil energy usage. Daly underwent several changes of definition of how to do this physically, he went from measuring objects produced and keeping them at a fixed number to measuring the amount of energy to ultimately using GDP as a proxy of how much was produced. All of these had flaws especially when we come to counting objects, but we immediately see that all of them had nothing to do with computer replicable items, leaving a "Millian" problem fixed.

Most importantly what Daly gave after his toil with definitions was solved was his future predictions, scenarios, about steady states that could occur in the American economy. The peculiarity of this is that not just one but many stationary states are envisioned stating the possibility of accomplishing multiple results based on your actions and choices. This is by far more consoling that the prospect of a single inevitability looming ahead, and it also provides us with interesting tools with which a choice of path may become easier. He also mathematically dealt with his scenarios and modeled them by using real data and equations graphically. We will not see how this procedure was implemented as the maths transcends what the scope of this paper is and adds technical detail that would require a separate essay on its own. We'll discuss only two though many more were proposed and on a broader level, keeping in mind population growth as well as size of labor force and GDP growth rates are to be considered as equivalent to zero in order to obtain a basic model of stationary state.

Fistly we examine the “Business As Usual”<sup>23</sup> perspective which basically alters nothing from our economy as the title suggests except for the steady rise by 1% a year of the cost of non-renewable energy i.e. taken from fossil sources. This idea though the less invasive doesn't prove to be feasible or applicable to the US's economy, largely because as he was using data from the 1990s he projected rates of growth (of productivity to name one) to be equal to the current which were large as it was a flourishing period for American economy on the whole. Nevertheless it gives us a new idea of what a policy-maker who aspires at a stationary economy could implement as a measure to discourage monetarily the use of fossil fuels.

Secondly we look at a situation which is largely similar and only differs in a decline of price on the renewable-energy source side, meaning that as fossil fuels increase their price other forms of energy become steadily cheaper. Daly also outlines that while unemployment rate will undergo no change because of productivity increases, more time could be spent by people outside work as working hours gradually reduce over time, reminding us clearly of what we have seen in Mill's ideal stationary situation.

What we can largely take from his work is the benefit of practical suggestions that are fitting our world's current situation and that extend on much the same concepts as Mill's only with a more reality-rooted and solution-oriented approach.

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<sup>23</sup>A concept present in *Steady-State Economics* by H. Daly, published by W.H. Freeman in New York in 1977.

## **Section II: Growth Fetish**

Another author we'll touch upon has dealt with Mill's idea of humanity being ineluctably drawn to a steady state by sheer forces of nature that can't be tampered with or at most can only be halted for some time. This idea is also shared by the majority of Mill's followers but hasn't been proven if not through the reasoning of diminishing marginal returns and utility. A voice out of the choir is Hamilton, an economist who analyzed the phenomenon of growth and concluded that it will not naturally succumb to a stationary state as predicted by Mill but instead has to be forced in order to halt. He brings forward argumentations in his book *Growth Fetish* that mainly have to do with psychological conditioning of consumers and producers alike to be drawn to the single imperative of growing as the ultimate goal, openly fueled by the urge to accumulate money as the sole source of pleasure and well-being for a human person. Profit, he argues, can only be extracted if the economy keeps on expanding and the markets become larger and larger, even if artificially larger.

However the motives that construe this desired objective are completely fabricated, completely man-made. There is no proof that human life should revolve around these staples as guidelines for our lives but they have been assumed by society because people have been conditioned to believe it, like a myth<sup>24</sup>, turning growth into an idol of some sort, a fetish.

Another important aspect that brings us back to Mill is that he advocates that the system itself moulds our desires and we are not given a chance to think of what other goals could fill our lives. Ultimately progress should be identified with growth and wealth and this is where we should head for in a civilized society, without other parameters making the difference in the quality of lives we lead, just as Mill had pointed out and Hamilton reprises.

This power over society is exercised by what Hamilton calls "elites of economic power"<sup>25</sup> that maneuver the world and politics of single countries. They also define our behavior. While this can seem a drastic conclusion it is a very contemporary problem that many economists have addressed. The history of economic thought comes to our aid in saying that no amount of political inference can alter market forces and laws. Even in Russia under communism the market wasn't definitely repressed as was the intention of the regime. For most scholars including Mill laissez faire was then the best solution, but it was still early to really witness the power certain economic lobbies have or are thought to have today. If economics determines

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<sup>24</sup>*Growth Fetish* (pg 65) by C. Hamilton published by Allen & Unwin in Sydney in 2003.

<sup>25</sup>*Growth Fetish* (pg 236) by C. Hamilton published by Allen & Unwin in Sydney in 2003.

politics it seems unlikely it will plant the seeds of its own demise through political action and in this we should see a call to a more honest and morally correct political class separate from economic interests on Hamilton's behalf.

### **Section III: Capitalism: friend or foe?**

Two different perspectives have been outlined: the first more policy-oriented with Daly that encouraged the use of politics to mould economics into a state of better life quality for everyone, a life within a stationary state of prosperity and ecologically sustainable production, the second more critic of the capability our society has to converge on a stationary state if the system of economics is imbued with false principles and fetishes. Both cite the current status of economics as an obstacle to be overcome somehow, as if capitalism itself could not possibly contain a stationary state prospect. Though some like Tim Jackson argue that empiric data from certain capitalist countries like Russia during the nineties show that capitalism may exist even in a shrinking economy many still find it incompatible. What perhaps should be distinguished is capitalism in a healthy and correct form from one that is tampered with and polluted like in the case of Hamilton's description.

A healthy capitalism doesn't equate with the impossibility of policy intervening in its working, many issues are and have to be regulated. Mill himself saw that laissez faire was the good way to follow up until it failed to distribute properly and required intervention. In such a situation it would be possible to implement policies that turn us from our incessant race towards never-ending growth to an economy that if not by zero still has a more modest growth rate that coincides with the development of other welfare factors for everyone. This is what Mill most likely had in mind in his conceptualizing of the stationary state. Not a revolution, not a net change but modifications that gradually made people realize how much better life can be outside the system that hails growth and profit. Society would then change of its own accord and take its consequences from what it sees around to pursue the stationary state ever more.

An unhealthy capitalism is one in which who governs is also within economic driving powers and the two intermingle. Unfortunately this weakens what can be done about the situation and it also places consumers or citizens depending on the field of reference, in a subjugated position that is conditioned into thinking growth as equivalent to a positive thriving

ideal. GDP shouldn't be hailed, perhaps after President Kennedy few have had the courage within our political arena to put forward such words. It was perhaps easier for Mill in his time than it is today, a time when elections even are lost or won depending on how well the country is perceived to have done. The main lesson we should obtain from such thoughts is that a country with no-growth cannot be judged as a country who has left all aspirations of development behind but rather that it has give a different meaning to the word itself: development of people, not of production as Mill would put it.

## **Section IV: The road to follow**

What seems to emerge from our reasoning is that a complete stabilization to zero growth is highly unlikely in our world as it would involve political enforcement of regulations that go beyond what they would realistically put in action. However modifying our lives and societies to aim for sustainability and different kinds of developments that escape sheer economic development are measures that can be followed without major repercussions on our lives. A stationary state of inner development should remain our road to follow, and many disciplines should interact with economics to further amplify the spectrum of parameters that really ensure better life quality. Multi-discipline approaches should be attempted while looking at growth phenomena and judging them or judging a specific country. Including real data analysis, social studies, history, geography, technology and economic growth studies. We should integrate our measuring of GDP to new factors and modify what we perceive as wealth of a nation. If it were corrected for life quality conditioning parameters we would probably observe a completely altered situation of GDPs with respect to the one we know today. It is yet more important to ensure that we have a plan for the conversion of our industries into "green" industries that can self-sustain and ameliorate life conditions of people who are regularly subject to pollution externalities.

We are heading for a future in which natural resources we have used in the past centuries are sure to end and Mill's pathway could show us the right way to front this new situation no one has dealt with before. Furthermore it could be a chance for society to return to a more human form of life, who places value in leisure and mental activities beyond work. The solution to future unknowns of our economy and its prospects may lie within Mill's Principles.

## Conclusions

Does growth ultimately result in happiness? What are the measures, the parameters by which we measure the health, quality and happiness of society? Are people ultimately affected by the productivity of their nation and would their lives be worse with lower levels thereof? Would we be happier in the steady state?

This type of questions are scientifically un-answerable because they touch spheres of the human being that aren't subject to measurements and recording. However the acknowledgement of such deep questions can help us correct and fine tune the existent models by which we determine what is desirable for society. In this sense the contribution of classical authors is essential for us in that their analysis comprised philosophical tools economics today has ridden itself of, but that may very well be the answer to our doubts. Adopting a multi-discipline approach is, as we have seen, a way to integrate numeric parameters and correct for different factors that influence human life. But we have little means by which to evaluate the steady state perspective today. Technological progress is pushing productivity to new levels and seems to be in line with the idea that continuous growth is possible and sustainable on one side while at the same time natural resources and their thinning out coupled with the un-sustainability of an ever increasing population seem to indicate a different more "Millian" path.

If it isn't clear whether or not a steady state is achievable in today's economy it is also likewise unclear whether or not we should decide to remain in one if given the chance. In my opinion distinctions should be made between industrialized countries and underdeveloped ones to resolve this question, just as Mill pointed out. It is likely that societies in which the most basic of Maslow's needs aren't met that the debate regarding personal ameliorating is cast aside. The betterment of society to which Mill aspired to is a spiritual and social one where not only basic needs but other fundamental albeit immaterial needs were attended to and this can only be the goal of a society which has already attained a certain life standard. For such an industrialized economy our personal view of the stationary state is ultimately very positive, a sort of Darwinian evolution of economic eras into one where time isn't employed to produce but to use for oneself or sublimed in personal refinement. If we do indeed consider it as an evolution it may be possible that at a certain distant point in time all nations will find themselves living in a stationary state that may be different according to what each society has set for itself as an objective or may converge to an ultimate global steady state.



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