



Analysis

Capitalist diversity and de-growth trajectories to steady-state economies



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ABSTRACT

Growth-critical scholarship has done much to both expose the environmentally unsustainable nature of the capitalist growth-economies of the overdeveloped part of the world and to develop an alternative vision of a de-growth transition leading to a steady-state economy. However, this scholarship fails to adequately take into consideration that if planned de-growth actually materialised it would do so in societies that differ considerably from one another and that this would have implications both for the transition processes and the nature of their outcomes. In other words, not enough importance is ascribed to capitalist diversity and the nature of institutional change in the growth-critical literature. Against this background, the purpose of the present article is to make the “concrete utopia” of de-growth scholars and steady-state economists more specific by utilising insights from scholarship on capitalist diversity and institutional change. On the basis of a typology of different models of capitalism, the article suggests that if de-growth transitions took place they would take different forms and lead to a variety of types of steady-state economies (SSEs). To illustrate this point, three ideal-typical SSEs are delineated.

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1. Introduction

Against the backdrop of resource depletion, ecosystem degradation and a worsening climate crisis, a mushrooming literature is questioning the feasibility of continued economic growth in the overdeveloped part of the world. It is positive that an increasing number of scholars reflect critically on the growth paradigm, which still enjoys a hegemonic status both within academia and in society more generally. However, as noted by Herman E. Daly (1991: xv), ‘[i]t is not enough to attack the progrowth orthodoxy; we must have an alternative vision’. It is thus very encouraging that growth-critical scholars are not contenting themselves with demonstrating the environmental downsides of capitalist growth economies: several works go further and outline what an economic order with little or no growth could look like and how it could come about. Visions of the steady-state economy (SSE), post-growth and de-growth abound (e.g., Dietz and O’Neill, 2013; Jackson, 2009; Lewis and Conaty, 2012; Speth, 2008) and in recent volumes of journals such as *Ecological Economics*, *Journal of Cleaner Production* and *Capitalism Nature Socialism*, lively debates over these “concrete utopias” are taking place (Kallis et al., 2012; Kerschner, 2010; Klitgaard and Krall, 2012; Martínez-Alier et al., 2010; O’Neill, 2012; Saed, 2012; Victor, 2012).¹

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¹ According to Latouche (2009: 32), de-growth is a “concrete utopia” in the sense that while it is ‘a source of hope and dreams ... the objective possibility of its implementation’ is explored.

Whilst the growth-critics deserve much credit for creating blueprints for an alternative economic order, these blueprints are not without limitations. One major limitation is the failure to consider the implications of capitalist diversity – i.e. that capitalist societies are characterised by very different institutional structures – for the nature of transition trajectories and their outcomes. That is, just as all capitalist societies took shape on the basis of what came before them, whether that was feudalism (e.g., Wood, 2002) or communism (e.g., Kovacs, 1994), so would environmentally sustainable societies to some extent be shaped by the diverse institutional structures of contemporary capitalism. This would be the case regardless of whether such societies were to emerge as the outcome of an incremental (and democratically inclusive) transformation process, as growth-critics generally envisage (e.g., Demaria et al., 2013), or after a collapse of the current system. In other words, if a “sustainabilisation” of the societies of the overdeveloped world was in fact to take place, which is by no means a foregone conclusion, both the transition processes and their results would almost certainly differ from one country to the next in numerous respects. France and the United States would be as unlikely to follow the same transition path as Spain and the UK would be unlikely to end up with (near) identical socio-economic systems. It is occasionally acknowledged in the growth-critical literature that sustainable alternatives to current societies may differ from one place to another (e.g., Schneider et al., 2010) and moreover there are some examples of empirical studies of specific countries that relate transitions to existing institutional configurations (see Seidl and Zahrnt, 2010). Overall these themes have however received little attention and in this context it is telling that growth-critics consistently speak of their vision in terms of

one alternative model: a or the steady-state economy; a post-growth economy, a post-growth society.²

The question guiding this article is what the likely consequences of capitalist diversity are for the nature of transitions and their outcomes. The article takes as its premise a scenario in which the pro-growth discourse is no longer hegemonic and in which a majority of the public and political decision-makers throughout the developed world consider it desirable to initiate incremental de-growth processes, the intended outcomes of which are the appearance of SSEs. As such it does not address the question of *whether*, and if so *when*, planned de-growth transitions aiming to “right-size” the economies of the overdeveloped part of the world are likely to take place. While local and global initiatives will undoubtedly be decisive elements in such transitions (Kallis, 2011), the focus here will mainly be on national-level institutions and policies, assuming that these will also be crucial (DegrowthDeclaration, 2010; Demaria et al., 2013).

The article first reflects on the general nature of capitalism as an economic system and relates this account to the notions of the SSE and de-growth (Section 2). It then introduces some key insights from research on capitalist diversity and institutional change (Section 3). Some growth-critical scholars have successfully engaged with parts of this literature (Jackson, 2009; Koch, 2012; see also Klitgaard and Krall, 2012 and Røpke, 2005), but the implications of capitalist diversity for de-growth transitions to sustainable societies have yet to be considered. Utilising a typology of different models of capitalism, this article suggests that de-growth transitions are likely to differ considerably and lead to a variety of SSEs. To illustrate this point, three ideal-typical SSEs, each fusing elements from an existing model of capitalism and its underlying ideology with de-growth/SSE thinking are delineated (Section 4). A concluding section recapitulates the main argument and reflects on its political implications.

2. Capitalism, de-Growth and the SSE

Capitalism is diverse, yet all capitalist economies also have some defining core features in common, namely that privately owned companies produce goods and services with the intention of making a profit and that most work is done by people who have to sell their labour power to make a living (Hunt, 1975; Stanford, 2008). The pursuit of profits at the micro-economic level is the engine of capitalism and sparks a process of capital accumulation. This process has given rise to an overall tendency of macro-economic growth (see e.g., Maddison, 2001) and the geographical expansion of market boundaries, culminating in today's global capitalist system. It is widely agreed among growth-critics that the dramatic growth of the economic system is the main cause of the environmental crisis and that continued growth is incompatible with overcoming this crisis. The question remains, however, whether the transition to non-growing economies necessarily involves moving beyond capitalism.

² To illustrate, the following list provides the (sub-)titles of some important growth-critical books and book chapters:

- Towards a Steady-State Economy (Daly, 1973);
- 'The Steady-State Economy: Alternative to Growthmania' (Daly, 1991: chapter 9);
- 'The post-growth society' (Hamilton, 2003: chapter 8);
- 'Economic Growth: Moving to a Post-Growth Society' (Speth, 2008: chapter 5);
- 'The Transition to a Sustainable Economy' (Jackson, 2009: chapter 11);
- Cooperative transitions to a Steady-State Economy (subtitle of Lewis and Conaty, 2012);
- The Road to a Post-Growth Economy (subtitle of Paech, 2012);
- Building a Sustainable Economy in a World of Finite Resources (subtitle of Dietz and O'Neill, 2013).

The most developed and widely discussed blueprint of a non-growing economy is the SSE, a notion introduced by Herman Daly in the 1970s.³ Articulating it as an alternative to both socialism and capitalism, Daly defines the SSE as ‘an economy with constant stocks of people and artefacts, maintained at some desired, sufficient levels by low rates of maintenance “throughput”’ (Daly, 1991: 17, italics removed). The idea is that the stocks of physical wealth and the number of people must be kept constant but not static (1991: 180). Daly suggests that three institutions are particularly important for maintaining the SSE: government-auctioned physical depletion quotas, which serve to keep the stock of physical artefacts constant and the matter–energy throughput at sustainable levels; a population control institution, which serves to keep the “stock of people” within ecological limits; and a distributist institution, which reduces inequality by defining minimum and maximum limits on income and maximum limits on wealth (1991: 50–75).⁴

Daly notes that the SSE will have to be built from existing institutions: ‘A realistic discussion of a transition cannot assume a blank slate, but must start with the historically given initial conditions currently prevailing’ (1991: 190). Ignoring capitalist diversity altogether, the historically given initial conditions considered by Daly are limited to private property and the price system. That the price system is singled out is no coincidence. Competitive markets that operate within boundaries play a central role in Daly's SSE blueprint as the mechanism for allocating limited resources and distributing income. This faith in competitive markets has led some scholars, most notably Lawn (2011), to suggest that Daly is in effect envisioning a “Steady-State Capitalism” (a notion not used by Daly). The implication is that the transition to an environmentally sustainable economic order does not necessitate a break with capitalism. More specifically, Lawn argues that capitalism is growing because it is institutionally designed to do so, not because capitalism cannot function well without growing. On this view Steady-State Capitalism is a possibility inasmuch as there is no necessary connection between the individual capitalists' pursuit of profits and macro-economic growth.

A number of growth-critics have questioned this view (Blauwhof, 2012; Klitgaard, 2013; Magdoff and Foster, 2011). They generally argue that accumulation and economic growth are essential to the functioning of capitalism as a result of which an environmentally sustainable economic order cannot materialise as long as capitalism is the prevailing economic system. For instance, Magdoff and Foster (2011: 125) – two historical materialists associated with the *Monthly Review* school – suggest that capitalism is ‘an economic system that causes environmental and social damage in the very way it functions’ and consequently call for a transition towards an eco-socialist system. Some historical materialists, especially scholars associated with the *Capitalism Nature Socialism* journal, believe that the destructive appropriation of nature caused by the capitalist accumulation process will increasingly undermine profits and thus contribute to push capitalism into a deep crisis that may facilitate a major social transformation towards such an alternative system (e.g., O'Connor, 1988). Yet not only Marxist growth-critics question capitalism. For instance, Serge Latouche – a leading intellectual in the de-growth movement – observes that ‘[a] generalized capitalism cannot but destroy the planet in the same way that it is destroying society and anything else that is collective’ (2009: 91) and adds that de-growth is ‘fundamentally anti-capitalist’. This brings us to the notion of de-growth which in the following will be understood as involving ‘an equitable downscaling of production that increases human well-being and enhances ecological conditions at the local and global level, in the

³ The belief that a non-growing economy is desirable can be traced back to the works of John Stuart Mill. Most of the major classical political economists predating Mill, including Adam Smith and David Ricardo, also envisioned that eventually the economy would stop growing. However, they did not consider this to be a desirable development.

⁴ As noted by Dietz and O'Neill (2013: 93), greater equality potentially has positive environmental effects by ‘lessening status competition’, hereby ‘suppressing unnecessary and conspicuous consumption’.

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