

# Reply to Troy Vettese's 'Against steady-state economics'

**Editor-in-Chief's note:** This is a response to an article by Troy Vettese, titled 'Against steady-state economics', that was published in our special issue on ecological economics (Vol 3 Suppl B 2020). It is modified very slightly from the original response, which was posted at the *Steady State Herald* on 18 March 2020: <https://steadystate.org/category/steady-state-herald/>.

Steady-staters are used to being attacked by right-wing neo-liberals. Attacks from left-wing neo-Marxists are new, and require a reply. To put the matter simply: Marxists hate capitalism; they mistakenly think that a steady-state economy is inherently capitalist; Vettese is a Marxist; ergo, Vettese hates a steady-state economy.

To spell this out let's begin by giving Marx due credit for emphasizing the reality of class exploitation under all heretofore existing economic systems, including especially capitalism, although excluding future idealized communism. Communism arrives after the Revolution in which the dictatorship of the proletariat will seize control of the enormous powers of production that it was the historical role of capitalist growth to produce. With overwhelming abundance bourgeois man will be objectively freed from scarcity-induced greed and acquisitiveness, giving birth to 'the new socialist man', and the Marxist eschatology of heaven on Earth.

History has not been kind to this Marxist fairy tale, except for the enduring fact of inequality under capitalist growthism. Socialist growthism also had serious problems, but leave that aside. There is, however, a new problem with growthist economies that Marxists did not foresee in their eagerness to appropriate the abundance that it was capitalism's historically determined role to create. Growth in a finite and entropic world now produces 'illth' (depletion and pollution) faster than wealth, thus becoming

uneconomic growth, threatening the overwhelming abundance required for the advent of the 'new socialist man'.

This unexpected emergence of uneconomic growth, plus the economic failures and enormous political repressions of twentieth century communist states, plus the temporary success of growthist capitalism, plus the intellectual discrediting of dialectical materialism and historical determinism – all this has left the poor orphaned Marxists without an ideological home. As their red house collapsed, the green house down the street began to look attractive. After all, the greens do recognize major problems with capitalism, the big enemy, even if they are problems that Marxists have failed to recognize. So they paint themselves green and hyphenate their name, calling themselves, not eco-Marxists, but less specifically 'eco-socialists', hoping to appeal to reasonable leftists in addition to fellow neo-Marxists. They aim to revive moribund Marxism by usurping the place of ecological economics. Many greens, eager for allies, welcome the eco-Marxists and accept the cuckoo eggs that they deposit in the green nest in the hope that the hatchlings will be more green than red. Steady-state economists certainly need friends and allies, but reading Vettese has reminded me of an aphorism my mother taught me – 'better alone than in bad company'.

Specifically, Vettese has deposited three Marxist cuckoo eggs in the steady-state nest: (1) 'markets are all bad'; (2) 'central planning is all good'. On these two Vettese

## Herman Daly

### About the author

Herman is an emeritus professor at the School of Public Policy of University of Maryland in the US.

### Citation

Daly H (2020) Reply to Troy Vettese's 'Against steady-state economics'. *The Ecological Citizen* 4: 79–82.

### Keywords

Ecological economics

“A specific policy for achieving both physical limits to growth, and for raising public revenue to help pay for a minimum income, is the cap-auction-trade system for basic resources.”

is clear and emphatic: “the only way to stop the drive for endless economic growth is to undo the necessity to participate in markets. That is, the conscious political control over production and distribution through central planning is the only way to stop and reverse capitalism’s ceaseless incorporation of the natural world” (pp 37–8). (3) ‘Malthusianism is an evil fiction’, as demonstrated by Julian Simon. Here Vettese gets confused – if one accepts Julian Simon’s view that there is no need to stop the drive for endless economic growth, then whence the necessity to abolish nature-incorporating markets and establish central planning? Vettese’s defence of 3 undercuts his arguments for 1 and 2.

A few more words on each cuckoo egg are in order.

(1) *Markets are All Bad*. The Market with a capital ‘M’ is indeed a poor master, and should be demoted to ‘markets’ with a small ‘m’, which can be good servants. Marxists tried to completely abolish all markets, along with money, in the early days following the Russian revolution, and substitute direct physical requisitioning of resources and goods by central planners. This was the period of War Communism. It was a failure, soon replaced by Lenin’s New Economic Policy, which restored significant reliance on markets, although not The Market. Today all countries, including the remaining communist ones, rely on markets to a significant degree, usually constrained by elements of collective action. Indeed, socialist economic theorists, such as Oskar Lange in his *On the Economic Theory of Socialism*, have long shown how markets can serve collective goals as well as individualistic ones.

So much for ignored twentieth century economic history. What about twenty-first century economic policy? Ecological economists recognize that we live in a capitalist market economy, like it or not. It is our historically given starting point. Trying to wipe the slate clean with the bloody shirt of Revolution is a very bad idea. Better to constrain the individualistic capitalist market by two collective limits.

First, since the market does not count the cost of the physical growth into, and displacement of, the very ecosphere on which the economy and life itself depend, we must impose macro-constraints on the physical scale of the economy relative to the ecosphere. This is a new problem. Second, a problem long recognized but not solved, is that a capitalist market economy generates extreme inequality in the distribution of income and wealth. A direct solution is to constrain the inequality between a minimum and a maximum income, supplemented by a wealth and inheritance tax. Do eco-Marxists advocate limiting the range of income inequality by a maximum as well as a minimum income?

A specific policy for achieving both physical limits to growth, and for raising public revenue to help pay for a minimum income, is the cap-auction-trade system for basic resources. Vettese totally opposes cap-auction-trade because it makes use of markets. How unfair of the auctioneer to sell to the highest bidder instead of my more deserving nephew! Also putting a price on the free gifts of nature (like carbon?) is crude and immoral! But free gifts can also be scarce and require rationing. These preciously purist sensitivities lead Vettese to oppose any use of markets. No markets means no exchange, no prices, no need for money, no specialization, no division of labour. Well, who is going to abolish markets, and centrally plan the production, allocation, and distribution of everything? Not Troy Vettese and his fellow pretenders who don’t have a clue, but ‘the new socialist man’ who is still being materialized in the Marxist dialectical womb of history!

Markets are necessary, but not sufficient. In addition to offering macro-policies to correct the market’s scale and distribution failures, steady-state economics also emphasizes that goods can be physically non-rival as well as rival, and legally non-excludable as well as excludable. Market allocation works only for rival and excludable goods. Non-rival and non-excludable goods cannot be efficiently or fairly allocated by markets and require planning and collective action at a more micro-level.

(2) *Central Planning is All Good.* Given that macro-limits on scale and distribution, plus micro-intervention in the allocation of non-market goods require considerable planning, why bother to defend any role at all for markets? Why not centrally plan production and distribution of everything 'for the good of society', as advocated by Vettese? First, remember the failed Soviet experiment with War Communism and Collectivization of agriculture. Second, consider a thought experiment.

Imagine the consequences of rival market goods (food, clothing and shelter, plus a whole lot more) being freely distributed, according to the will of the citizens, as eco-Marxists imagine. The democratic will of the citizens is to be expressed by voting. How much steel shall we produce? Citizens vote (or does a bureaucrat decide?). How much of that steel will go to the production of, say, wood screws, for example, as opposed a million other uses? The citizens vote again. Of the wood screws, how many will be round head, how many flat head countersunk, slot head, or Phillips head? How many cadmium-plated; how many chrome-plated? And some screws are made of brass or aluminium, not steel. And for each type of screw, how many of each length and diameter? And who shall receive how many of each type? The citizens robustly and democratically vote again and again as conditions change, although most have no idea of the myriad special uses of different types of screw, and may not even know which end of a screwdriver to hold.

Meanwhile those people who actually use screws and know their uses are not able to 'vote' with their money in markets and thereby convey reliable information to producers about what mix of the infinitely many types of screw is most needed, and would be most profitable to produce. Instead we have all citizens spending absurd amounts of their time 'democratically' voting, mostly about things they don't understand, while those with the most information about actual use-values of screws are 'disenfranchised' by the absence of markets. Yet eco-Marxists claim that in a planned economy, use-value, not

exchange value, would be the only criterion for the production of goods and services. Use-value as judged mostly by non-users – what could possibly go wrong?

With so much effort wasted on attempting to plan the allocation of market goods, there will be little capacity left to plan the use of true public goods, to avoid the tragedy of the commons resulting from open access exploitation of rival goods, and the larcenous market enclosure of non-rival goods such as knowledge and information. Eco-Marxists expect that as the transition moves forward, more products and services critical for meeting fundamental human needs would be freely distributed, according to the democratic will of the citizens effected by the central planners.

Without markets (supply and demand, prices, and, yes, profit), there could be no self-employment. No one could identify a needed good or service and make a living by taking the initiative to provide it. Everyone would be a salaried employee of the state, giving the state monopsony power in the labour market and stifling initiative.

Most objections to market allocation would disappear if the underlying inequality of wealth and income distribution were limited by cap-auction-trade or ecological tax reform, and if the aggregate scale of throughput of energy and materials were restricted to some level approximating ecological sustainability. Instead of directly correcting excessive throughput scale, and excessive distributional inequality, which of course get reflected in market prices and allocation, eco-Marxists just attack market allocation itself, as if underlying scale and distribution problems could be solved by breaking the mirror that reflects them. What are eco-Marxist policies for directly limiting throughput scale and distributional inequality? If they don't like cap-auction-trade and distribution limits, or ecological tax reform, then let them suggest something better, but preferably not the Revolution, the Singularity, the Second Coming or the advent of the New Socialist Man.

(3) *Malthusianism is an Evil Fiction.* Marx's hatred for Malthus is well known

---

“Most objections to market allocation would disappear if the underlying inequality of wealth and income distribution were limited by cap-auction-trade or ecological tax reform, and if the aggregate scale of throughput of energy and materials were restricted to some level approximating ecological sustainability.”

---

and continues today. For all his faults it is hard to find a historically more influential figure than Thomas Robert Malthus. In addition to his enormous influence on Marx, as someone to be opposed, he was the key influence recognized by both Alfred Russell Wallace and Charles Darwin in their independently developed theory of natural selection. Malthus's theory of under-consumption also greatly influenced John Maynard Keynes' theory of unemployment. Needless to mention the whole neo-Malthusian birth control and planned parenthood movement. For Vettese, however, Malthusianism is merely the 'false' idea that resource scarcity and overpopulation are real. For Marx poverty was caused only by social relations of class exploitation, and he rejected any cause stemming from nature as undermining the call for Revolution. Marx's anti-Malthusian denial of natural resource limits and demographic pressure continue in Vettese and the faithful band of eco-neo-Marxists.

Curiously Vettese's modern anti-Malthusian champion is the late Julian Simon, a staunch neoclassical economist of the most cornucopian variety, who vigorously opposed environmentalism. This third cuckoo egg (which is contradictory to the first two, as noted earlier) seems to have hatched prematurely

and will likely get kicked out of the green nest, exposing Vettese as more red than green. Vettese accuses steady-state economists, specifically me, of having ignored Julian Simon's critique. "Moreover, the neo-liberal Julian Simon developed a powerful critique of environmentalism in the 1980s, which Daly has not responded to" (p 35). Actually I published critical reviews of two of Simon's books, and do not have space here to repeat my response, so refer Vettese back to what he overlooked (Daly, 1982; 1984).

In conclusion, Vettese has taken me as representative of all ecological or steady-state economists, and that is not fair to many in that group whose thinking is quite independent of mine, or goes beyond it, some of whom may call themselves 'eco-socialists'. Likewise, I am afraid that I have taken Vettese as a representative figure, which is not fair to other Marxists or eco-socialist of various stripes, some of whom (e.g., John Bellamy Foster and Paul Burkett) I have benefitted from reading, regardless of differences. ■

#### References

- Daly H (1982) Review of *The Ultimate Resource*. *Bulletin of the Atomic Scientists* January: 39–42.
- Daly H (1984) Review of Julian Simon and Herman Kahn's *The Resourceful Earth*. *Environment* September 25–8.

Show your support for ecocentrism by signing the Statement of Commitment to Ecocentrism

Read and sign it here: <http://is.gd/ecocentrism>