In his excellent short book, BEYOND GROWTH,1 economist Herman Daly says that every economy faces 3 problems: allocation, distribution, and scale.2 What do these terms mean?

Allocation refers to the apportioning of resources among different products -- in other words, deciding whether we should produce more corn, more cars, more bicycles, more jelly beans, or more hospitals. Because resources are limited, we can’t have everything, so we must allocate our resources in some way to provide the goods that people want and can afford to pay for. The way we do this is “the market” which sets relative prices for goods.[3] Prices act as signals that cause people to put more (or fewer) resources into creating particular products that other people are willing and able to buy.

The second problem faced by every economy is distribution -- apportioning goods (and the resources they embody) among different people, not among different products. Nearly everyone agrees that goods should be distributed in a way that is fair (though we may disagree on the precise meaning of “fair”). If you don’t believe this statement is true, think of an extreme case. If one person received 99% of all the benefits provided by the U.S. economy, and all other citizens had to divvy up the remaining 1%, almost everyone would agree that this was an “unfair” or unsatisfactory distribution of benefits. The vast majority of people would say, “There is something wrong with this picture.”

Unfortunately the market cannot solve the problem of unfair distribution. Left alone, a market economy tends to create inequalities that grow larger as time passes. Both the economic successes and failures of individuals tend to be cumulative -- the successful tend to succeed again and again while the unsuccessful tend to remain unsuccessful. Marriages tend to result in further concentration of wealth. Furthermore, as Daly says, dishonesty and exploitation are not necessary to explain inequality but they certainly contribute to it.[4] None of these statements is absolute -- you can point to many individual exceptions to each of them -- but the tendencies that they describe are well-recognized.

No, the market cannot solve the problem of unfair distribution. This problem must be solved by people deciding what is fair, then making public policies intended to achieve a fair distribution. After those decisions have been made, then the market can allocate resources efficiently within the politically-established framework of fairness.

The third economic problem is the problem of scale -- how large can an economy become before it begins to harm the ecosystem that undergirds and sustains it? Here again, the market does not -- cannot -- provide any answer. The market offers no mechanism for deciding what is a desirable scale or for achieving that scale. You can have an efficient allocation of resources and a just distribution of benefits, yet still have an economy that grows too large and consequently damages the ecosystem. (Each of the three problems -- allocation, distribution, and scale -- is separate and each must be solved separately.)

The ecosystem provides us with two major services -- it provides resources that we can use (such as air, trees, copper deposits) and it provides a place to discard our wastes. Within limits, the ecosystem can regenerate certain resources (air and trees, for example), and it can absorb a certain amount of wastes, recycling them via the services of the detritus food chain. (See REHW #624.) Unfortunately, it is quite possible for the economy to grow so large that it exceeds the capacity of the ecosystem to regenerate itself and/or to absorb our wastes. At that point, the economy has grown unsustainably large and further growth will diminish the carrying capacity of the planet -- the capacity to support life, including human life.

As we saw last week (REHW #624), there is abundant evidence that the human economy, worldwide, has already grown so large that it has exceeded some of the ecosystem’s capacity to regenerate itself, and has already grown so large that it has exceeded part of the ecosystem’s capacity to absorb our wastes. These problems first appear on a local scale (the U.S. has nearly exhausted its reserves of tin, nickel, chromium, petroleum, and many other mineral resources,[5] and many U.S. cities are presently unable to provide their inhabitants with healthful air because of waste gases from automobiles). Eventually economic growth reaches a point at which local problems become global. For example, in recent years we discovered that we had inadvertently damaged the Earth’s stratospheric ozone layer with our CFC wastes, and that most of the world’s marine fisheries have been severely degraded by overfishing. We are now making similar unhappy discoveries at a steady (or perhaps accelerating) pace.

Economists, and business and political leaders, acknowledge only two of the three economic problems outlined above -- the problems of allocation and distribution. The problem of scale -- caused by growing quantities of materials and energy flowing through the economy (see REHW #624) -- the problem of scale has still not been acknowledged by most economists, business people, or politicians. To them, continued growth can only be good. The vast majority of them deny that the scale of the economy must be kept comfortably within the regenerative and absorptive limits of the ecosystem (if they have thought about it at all).

There is a deep and abiding reason for their denial. For the past 400 years, growth has been the central organizing principle of all European societies, and especially of American society. Economic growth has substituted for politics, deflecting attention away from the contentious problem of fair distribution: even a small slice of the pie will grow larger each year if the total pie keeps growing larger. Thus growth has allowed us to avoid confronting difficult ethical questions about the fair distribution of income and wealth.[6] So long as the pie kept growing we could accommodate the rising demands of slaves, farmers, immigrants, industrial workers, women, and so forth.

As William Ophuls has said, “We have justified large differences in income and wealth on the grounds that they promote growth and that all would receive future advantage from current inequality as the benefits of development ‘trickled down’ to the poor. (On a more personal level,) Ophuls says, “economic growth also ratifies the ethics of individual self-seeking: you can get on without concern for the fate of others, for they are presumably getting on too, even if not so well as you.) But if growth in production is no longer of overriding importance the rationale for differential rewards gets thinner, and with a cessation of growth it virtually disappears. Since people’s demands for economic betterment are not likely to disappear, once the pie stops growing fast enough to accommodate their demands, they will begin making demands for redistribution,”

Ophuls says.[6]

The end of growth will change American (and European) politics fundamentally, forcing us to confront basic ethical questions of economic fairness. For this reason, the environmental dangers of growth are ignored by those who think they have the most to lose -- our business and political leaders (and their academic support staff, the mainstream economists).

Now stay with me as we probe a little deeper into growth. This may seem obscure, but it is important.

Growth -- the central organizing principle of our society (we could also call it the main ideology of our society) has been grounded in an ethical principle developed by the English philosopher Jeremy Bentham and elaborated by John Stuart Mill in the 1830s. Bentham argued that the goal of public action was “the greatest good for the
greatest number" -- a goal that most people would probably embrace today without thinking about it very carefully.

Now that the end of growth is in sight (because we have begun to hit nature's limits), we can no longer pretend that we can achieve the greatest good for the greatest number.[7] Confronting the limits of the planetary ecosystem, we are forced to ask, how much good can we achieve for how many people for how long? As Daly says, we can have "the greatest good for a sufficient number" or we can have "sufficient good for the greatest number" but the "greatest good for the greatest number" we cannot have.[8] Daly favors seeking "sufficient good for the greatest number" -- meaning the greatest number of humans that can be supported year after year into the indefinite future. If your goal is to maximize human welfare, this is the formula that does it. If we live sustainably, without exceeding the planet's capacity for regeneration and the absorption of waste, billions or trillions of humans will ultimately be able to enjoy the good life on planet Earth, world without end. The alternative (which is the path we are presently on) is to load up the planet with 12 to 20 billion people in the next century until the ecosystem collapses, thus diminishing the carrying capacity of the planet and greatly reducing the total number of humans who can ever enjoy a good life on Earth. If you want to maximize human enjoyment of the good life, the choice is clear.

An essential step toward sustainable development -- offering the greatest number of people a sufficiency of resources for the good life -- will be policies explicitly aimed at reducing huge economic inequalities. Growth will no longer substitute for ethical public policies.

One of the main features of the modern world that creates and sustains inequality is the high human birth rate. An abundance of people provides a pool of cheap labor to do the world's work. A high birth rate creates steady pressure driving wages down. In ancient Rome the word 'proletariat' meant "those with many children" and the main role of the proletariat in Roman society was to procreate to serve the patricians. Failure to help people control their own numbers -- then as now -- is a implicit cheap labor policy. A high birth rate tends to maintain inequality, and a reduced birth rate has the opposite effect, tending to equalize incomes and wealth.

Small wonder, then, that so many of the world's people are denied the knowledge and the means for voluntarily eliminating unwanted fertility. In too many societies (including our own) the knowledge and means for voluntarily controlling fertility are as inequitably distributed as income and wealth. The wealthy have little difficulty controlling their numbers; the technologies are readily available to them. The poor find it not so easy. There is a reason for this.

More next week.

--Peter Montague (National Writers Union, UAW Local 1981/AFL-CIO)


[2] Daly, pg. 159

[3] Relative prices measure marginal opportunity costs; see Daly pg. 222. Efficient allocation is an allocation that corresponds to effective demand, i.e., the relative preferences of citizens as weighted by their relative incomes. An inefficient allocation is one that uses resources to produce items that people will not or cannot buy, and it fails to produce items that people want, can afford to buy, and would buy if they could find them. See Daly pgs. 159-160.


[7] As a matter of logic and mathematics, we never could achieve the greatest good for the greatest number because it is impossible to maximize two variables in a function.

[8] Daly, pg. 220.

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