

# What is the meaning of stationary state of an economy?

[Economics](#)



## **Introduction**

Over the last decades the scholars postulated that the countries should aspire to achieve a continued economic growth. They underlined wide socio-economic benefits of economic growth, in particular higher production; higher tax revenues and national incomes; greater job opportunities; poverty reduction and better quality of life across the countries. Nonetheless rising concerns over the costs of economic growth have appeared in the recent years. Critics emphasized that economic growth leads to greater social inequalities; exploitation of natural resources and general ecological devastation. In result, a number of scholars started to promote a concept of the steady state economy (the economic stationary state) as an alternative to the idea of continued economic growth. The steady state economy is defined as “ an economy where energy and resource use are kept within ecological limits and where the goal of maximising GDP is replaced by the goal of maximising quality of life” (O’Neil, et. al., 2010, p. 34). As key characteristics of such economy are economic sustainability; fair distribution of income and wealth; efficient allocation of resources and high quality of life of all citizens, scholars believe that this model can meet current global problems more effectively than the model of continued economic growth (CASSE, 2012). In order to analyse whether the economic stationary state should be desired by the countries it is crucial to examine advantages of this model compared to the concept of growing economies at the economic, social and environmental levels.

Key advantages of economic stationary state

The 21st century is characterized by various economic, social and environmental problems. Endless economic growth seems to deepen these problems and lead to unsustainable developments while the state stationary economy seem to tackle these problems effectively and promote global economic system characterized by efficiency, equality and stability (Besch, 2012). Major global issues need to be considered in order to understand these postulates.

In the economic context, one of the major problems of current economy is consumerism which stimulates higher production of goods and services and enlarges national economies. Economic growth encourages consumerism as it presses the society to develop new tastes and demands. It creates artificial needs and promotes wasteful spending. The supporters of economic growth perceive consumerism as a positive development, as it assumes that human needs are unlimited. However, a number of scholars (i. e. Siegel) warn that there is a limit of human needs. According to the neoclassical law of diminishing marginal utility, the global economy might come to the point where consumption of successive units of a good (or service) is less preferred by consumers than consumption of a former unit. In the following situation marginal costs might exceed marginal benefits what leads to the counterproductive (uneconomic) growth (Siegel, 2006). Further, another economic concern is global unemployment. There is a common view that economic growth stimulates jobs. Indeed, economic growth creates a number of new jobs, particularly in developing countries. However, technological progress associated with automation and offshoring often have adverse effects in developed countries as labour force is replaced by the

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machines (Sayre, 2010). The steady state economy per se is characterized by the limits on production and consumption what suggests that this model might be associated with rising unemployment. However, the supporters postulate that adequate policies might prevent such developments. In particular, they argue predict working time regulations. These regulations will help to keep more people in employment and limit the pressure on the national governments to ensure high benefits for unemployed people. Additionally, these regulations will guarantee more leisure time for employed people, which is highly desired after people reach their basic needs. The concept also assumes that the state might become “ the employer of last resort” (O’Neil, et. al., 2010, p. 83) if its citizens want to work but they cannot find employment. Hence, the following evidences indicate that the stationary state economy can better resolve unemployment problem than continued economic growth both in developed and developing regions by implementing work-life balance policies.

In the social context, a significant issue are inequalities in income and wealth distribution. Many scholars argue that economic growth results in higher national incomes and hence helps to combat poverty and social inequalities. While economic growth might have a positive impact on gains distribution in the countries with relatively low income inequalities; it cannot guarantee a fair distribution in the developing regions lacking stable governments and suffering from corruption. In these countries economic growth leads to greater social disparities and spreading poverty (Lopez, 2004).

In contrast, the state stationary economy assumes that production and consumption stabilize at a particular level and focuses on distribution of existing resources from the rich to the poor in order to guarantee lower social disparities. Main mechanisms to achieve such goals are progressive taxation and social redistribution programmes (Barnhart and Macpherson, 2010). Another global issue is a fast population growth, as the population is expected to grow by 2 billion people before 2030. As the state stationary economy leads to lower social inequalities, it also improves women's access to education and labour market. As a growing number of women enter the labour force, they often decide to delay childbirth and prefer having fewer children. Hence, the state stationary economy seems to be an effective tool of population stabilisation (Kerschner, 2009).

In the environmental context, major concerns are exploitation of natural resources as these resources have become scarce as well as pollutions. Economic growth often supports unreasonable usage of resources what might lead to a stronger competition over the resources between the nations in the future, including drastic actions such as wars and military activities. In turn, the economic stationary state is aware of these threads in the current global economy. It promotes mass behaviours of enoughness, non-materialistic lifestyle as well as diffusion of sustainable values in order to stabilise a level of global consumption, though the mechanisms such as publicising the benefits of non-material lifestyle or developing community activities that challenge consumerism (O'Neil, et. al., 2010; Czech, 2010). Further, it stimulates development of harmful practices such as production offshoring to the countries with low environmental standards or CO2

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emission trading. In result, economic growth deepens environmental degradation (Panayotou, 2003). On the other hand, the state stationary economy postulates quotas on natural resources such as oil and coal what results in lower energy waste and growing energy efficiency of the systems (i. e. manufacturing processes, constructions). Additionally, it recognises the importance and limitations of natural ecosystems and encourages the development of new renewable energy technologies that will help to tackle the pollution issues (Besch, 2011).

It is crucial to add that the concept of the economic stationary state is criticised by some scholars. Technological optimists (i. e. Ayers, Georgescu-Roegen) refer to thermodynamics, the science of energy and argue that “ the energy dissipated by sun due to nuclear combustion of its mass, could serve to withstand the entropic arrow until the end of the lifetime of the sun” (Kerschner, 2009, p. 547). Hence technological innovations and efficiency gains contribute to overcoming the limits of economic growth. Moreover, others scholars underline that the countries are able to reach higher level of economic outputs while the level of resource inputs decreases due to the dematerialization of the economy, what is known as decoupling. These scholars challenge the concept of negative correlation between economic growth and environment protection (Wurzbacher, 2004).

In conclusion, the model of the economic stationary state has been demonstrated as an alternative to the concept of continued economic growth. The global economy has been characterized by numerous economic, social and environmental threads. Continued economic growth seems to

deepen these problems rather than solve them. In particular, it leads to significant social inequalities, spreading poverty and environmental degradation. The argument that the countries might experience economic growth with lower usage of resources is also fragile. In contrast, the state stationary economy seems to tackle these issues effectively. It is based on the assumptions of sustainability, efficiency and equal redistribution. It focuses on development and well-being rather than consumption and growth. It prioritises long-term health rather than short-term economic gains. It also aspires to environmental protection. Hence, the model of the state stationary economy seems to be more convincing than continued economic growth and should be desired by the countries.

Although the concept of the stationary state economy is very appealing, a questionable issue is whether the countries can easily transform into such a model. This model is time-consuming and requires various drastic changes. In particular, these changes should include new measures of progress; more efficient capital stock; durable and repairable products; informative advertising; better screening of technology; education for life; more leisure as well as more local trade. Moreover, some scholars argue that the transition into this model might require rethinking key economic elements such as investments; productivity and ownership. Investments should be concerned as a way to stimulate social and environmental returns rather than just the way to create financial returns. The economic system should replace maximising productivity by optimising productivity (what will include elements such as minimising unpleasant work). The ownership should

include various ownership structures, not only state socialism and public capitalism (O'Neil, et. al., 2010).

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