
Macmillan Reference USA™ Full Text: COPYRIGHT 2008 Gale

Stationary State.
Page 117

**Stationary State**

**BIBLIOGRAPHY**

Classical political economy, from William Petty, the Physiocrats, Adam Smith, and David Ricardo, to John Stuart Mill and Karl Marx, analyzed the dynamics of capitalist economies and investigated the sources of economic growth and development. In this analysis, a *progressive or advancing* state is one in which capital accumulation is proceeding, whether smoothly or erratically—in other Page 118 words, it is a condition of positive economic growth, usually associated with high and rising profits and wages. An economic system experiencing negative growth is said to be in a *declining* state. Thomas Malthus and Ricardo focused much attention on various scenarios associated with decline—leading Thomas Carlyle to dub political economy “the dismal science”—while Marx made prognostications about its inevitability. A *stationary* state is one in which growth is neither positive nor negative. Until John Stuart Mill, the stationary state was, like the declining state, considered unwelcome, and growth was thought to benefit all three great classes of society: capitalists, landlords, and workers.

In his *Principles of Political Economy* (1848), Mill for the first time raised the possibility that the stationary state could be desirable (and economic growth undesirable). In addition, whereas in all the earlier classical authors the system’s movements were seen as governed by internal “laws of motion” that, while they could be identified and interpreted, *could not be altered,* in Mill, for the first time, the possibility that human intervention into the system could affect its outcomes was contemplated. Marx, of course, also put forward the idea that people make their own history (though “not exactly as they please”), but for Marx capitalism must grow (“Accumulate or die!”), and his analysis also viewed capitalism as incapable of being reformed, so change meant a transition to socialism. Strictly speaking, outcomes could be influenced by human interference even in Ricardo, where, for example, repeal of the corn laws could allow cheaper corn to be imported, supporting profits that otherwise would be squeezed by the artificially high price of corn—but this is a case not of affecting the laws themselves, but of clearing the way for the “laws of motion” to operate to their fullest.

In *Principles,* Mill begins by affirming that the laws of production are, like the laws of physics, unalterable (although some might be guided within strict limits), but then suggests that the laws of distribution are capable of being guided by human institutions. For Mill, distribution is governed by the laws and customs of society. The nature of distribution varies from society to society and is subject to historical change. Like his predecessors in Classical political economy, Mill saw a tendency toward a falling rate of profit that would lead to a stationary state. However, whereas the earlier writers associated the stationary state with gloom and poverty, Mill saw it as the blissful final result of economic progress. Mill also considered the idea that a society could *choose* to adopt a stationary state, rather than wait for a stationary state to be imposed on it.

In the ideal stationary state, society would have achieved a sufficiently high level of wealth accumulation. Workers would be educated to realize the negative effects of population growth, and they would control their numbers voluntarily. As population growth reached a stationary stage, there would be no tendency for wages to fall and no reason for further growth in production. Mill was sure to note that a “stationary condition of capital and population implies no stationary state of human improvement” (Mill [1848] 1987, p. 751), thus making the distinction between quantitative growth and qualitative development. He also pointed out that his analysis applied only to the presently industrialized nations, and that what would later be called “developing” countries have not yet reached the level of economic well-being necessary to turn to zero growth.

Recently, ecologically oriented economists have cited Mill and put forward their vision of a *steady-state economy,* which is more or less the same idea conceived by Mill (see, for example, Daly’s notion of “an economy with constant stocks of people and artifacts” [1978, p. 17]). This is somewhat confusing, because in traditional growth theory the term *steady-state* refers not

http://go.galegroup.com-ps/printdoc.do?sgHitCountType=None&sort=&prodId=GVRL&us... 1/9/2008
to zero growth, but to proportional growth. Frank Knight (1921) noted, for example, that John Bates Clark's "static state," which is an abstraction for methodological purposes, is not the same as the classical authors' stationary state. Ludwig von Mises also expressed the sentiment that "[t]he idea of a stationary state is an aid to theoretical speculation. In the world of reality there is no stationary state, for the conditions under which economic activity takes place are subject to perpetual alterations which it is beyond human capacity to limit" ([1922] 1951, p. 196). In neoclassical economics, the term *steady-state* is used to indicate not a state of zero growth, but rather a kind of equilibrium growth, as in the "golden rule," in which the propensity to save is such that per capita consumption is equalized across generations. This is obviously not what the classical economists meant by the stationary state.

**SEE ALSO** Development Economics; Economic Growth; Economics, Classical; Equilibrium in Economics; Malthus, Thomas Robert; Mill, John Stuart; Mises, Ludwig Edler von; Ricardo, David; Stability in Economics; Steady State

**BIBLIOGRAPHY**


**Matthew Forstater**


**Gale Document Number:** GALE/CX3045302599