

# The Evolving Attitudes of Institutional Economists: From Growth to Degrowth

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**Abstract:** The growth imperative characteristic of consumer capitalism rests on continuous mass production, fueled by fossil fuels, legitimized by the assumption that wants are infinite. Institutionalists have generally attributed growth to technology, a manifestation of the community's knowledge base applied to increasing throughput to produce goods. That same technology, however, may precipitate degrowth, a decline in the throughput making growth possible. The first section attributes the Great Acceleration to continuous mass production, requiring the corporate form of business enterprise. The second section explains the degrowth movement focusing on the work of Giorgos Kallis. Degrowth arose in response to the adverse effects of growth, providing an ecological critique of mainstream economics. Degrowth advocates minimizing throughput. The third section briefly traces the evolution of institutionalists' attitudes towards growth, attitudes guided by the principles of instrumental valuation and social provisioning. Conflicting views regarding growth and the instrumental process upon which growth and degrowth depend. The fourth section offers a conclusion, focusing on pecuniary emulation pushing people to live at the pecuniary standard, a standard that continues to rise with increases in throughput.

**Keywords:** continuous mass production, degrowth, instrumental valuation, , throughput

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The growth imperative characteristic of consumer capitalism rests on continuous mass production, fueled by fossil fuels, legitimized by the assumption that wants are infinite. Continuous mass production, widely adopted in the late nineteenth, early twentieth centuries, led to a period of rapid innovation and growth, spearheaded by electrification and automobiles. Continuous-mass production laid the foundation for the great acceleration following WWII, marked by increases in population, consumption and production.

Institutionalists have generally attributed growth to technology, a manifestation of the community's knowledge base applied to increasing throughput to produce goods. That same technology, however, may precipitate degrowth, a decline in the throughput making growth possible. The first section attributes the Great Acceleration to continuous mass production, requiring the corporate form of business enterprise to run production continuously. The second section explains the degrowth movement focusing on the work of Giorgos Kallis. Degrowth arose in response to the adverse effects of growth, providing an ecological critique of mainstream economics. Degrowth advocates minimizing throughput, policies advocated by Herman Daly and, to a lesser extent, Georgescu-Roegen and the authors of *Limits to Growth*, Donella Meadows, Jørgen Randers, and Dennis Meadows. The third section briefly traces the evolution of institutionalists' attitudes towards growth, attitudes guided by the principles of instrumental valuation and social provisioning. Institutional economics arose in the late nineteenth, early twentieth centuries under the backdrop of the widespread adoption of continuous mass production. Institutional economics focuses on social provisioning, recognizing that knowledge evolves and, with it, society's response. The fourth section offers a conclusion, focusing on pecuniary emulation pushing people to live at the pecuniary standard, a standard that continues to rise with increases in throughput.

## Continuous Mass Production and the Great Acceleration

Since the late nineteenth, early twentieth centuries, economic growth has rested on continuous mass production, initiating what Alfred Chandler called the second industrial revolution.<sup>1</sup> Unlike the first industrial revolution, the second involved the application of science to production.

Henry Ford's moving assembly line provides the classic example (See Watkins 2023). Until recently, continuous mass production almost exclusively used fossil fuels, the extraction and refining of which again depended on continuous mass production. The increased output prior to the Great Depression reached its apex in the 1920s. In W.W. Rostow's view (1960, 79), "the great post-war boom of 1946-56—can be regarded as a resumption of the boom of the 1920's." J.R. McNeil and Peter Engelke referred to the post-war boom as the Great Acceleration.

The escalation since 1945 has been so fast that it sometimes goes by the name the Great Acceleration. Within the last three human generations, three-quarters of the human-caused loading of the atmosphere with carbon dioxide took place. The number of motor vehicles on earth increased from 40 million to 850 million. The number of people nearly tripled, and the number of city dwellers rose from about 700 million to 3.7 billion. In 1950 the world produced about 1 million tons of plastics but by 2015 that rose to nearly 300 million tons. (McNeil and Engelke 2014, 4)

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<sup>1</sup> "In the 1880s and 1890s new mass-production technologies—those of the Second Industrial Revolution—brought a sharp reduction in costs as plants reached minimum efficient scale. In many industries the throughput of plants of that scale was so high that a small number of them could meet the existing national and even global demand." (Chandler and Hikino 1990, 26).

During the Great Acceleration, the adverse effects of growth became increasingly evident. A survey by the *New York Times* from the 1950s to the 1970s found “the number of articles skeptical of technological developments increase. Articles referring to ecological damages begin to appear. . . . Although a concern for health and safety is evidenced throughout the whole period of analysis, it is given more prominence only since the mid-1960s when people began to notice the impact of technology on the quality of life as a whole” (New York Times survey quoted in Han Yu and Hayden 1986, 801). Daly (1977, 6) concluded “that a U.S.-style high mass consumption, growth dominated economy for a world of 4 billion people is impossible. Even more impossible is the prospect of an ever growing standard of per-capita consumption for an ever growing world population”. In 1974, the Club of Rome warned about depleting resources. In 1976, Georgescu-Roegan argued that scarcity, the foundation of mainstream economics, rests on the entropy law, the proposition that the physical world moves from order to disorder, from accessible energy to inaccessible energy. In a prescient comment, Roegan hypothesized that rising entropy could manifest itself in a warming climate.

### **Institutional Basis of Degrowth Policies**

As noted, degrowth arose in the late twentieth, early twenty first centuries addressing the adverse effects of growth on the natural world. Giorgos Kallis, the most prominent advocate of the degrowth movement, concludes that “economic growth is no longer desirable. The costs of growth exceed its benefits.” He agrees with the conclusion of the Club of Rome that “the growth of industry and the integrity of the natural world do not go together” (Kallis 2018, 2). Kallis suggests that degrowth will occur either by intent or collapse. Intentionally implementing degrowth “refers to a trajectory where the throughput and waste flows of an economy decrease

while well-being improves” (Kallis 2018, 9). Kallis recalls Herman Daly’s concept of the steady-state economy, which forms the institutional basis of degrowth policies. Daly posited the steady state as “a necessary and desirable future state of affairs and that its attainment requires quite major changes in values, as well as radical, but nonrevolutionary, institutional reforms.” (1977, 2).

Kallis claims that the emphasis on growth is relatively recent, first mentioned in the 1930s and universally adopted as policy in the 1950s. The classical economists, in fact, had made growth a central theme, beginning at least with Adam Smith.<sup>2</sup> They believed that growth could best be promoted by a policy of *laissez faire*. David Ricardo, adopting Malthus’s theory of population, believed that the scarcity of land would stifle growth. In the long run, population increases would require cultivating increasingly inferior land, driving up rents and thereby squeezing profits, eventually causing growth to cease.

J.S. Mill adopted Ricardo’s economics, believing that England was on the cusp of the stationary state. Mill distinguished between the laws governing distribution and the laws of production. While the laws of production are immutable, “the laws of distribution are matter of human institutions solely. The things once there, mankind, individually or collectively, can do with these as they like” (Mill 1924, 200). Faithful to his classical liberal heritage, Mill advocated *laissez faire* in production while advocating intervention with regard to distribution. Mill’s concern was helping provide for the poor, advocating universal public education, subsidizing emigration to the United States for the Irish to escape famine, and so on. Daly, however, recast Mill’s views. “In today’s jargon, Mill was arguing for sustainable development—development without growth—that is, qualitative improvement without quantitative increase” (1996, 3)

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<sup>2</sup> *An Inquiry into the Nature and Causes of the Wealth of Nations* poses an implicit questions: what is the source of wealth?

## A Brief Overview of Institutional Attitudes towards Growth

Institutional economists' views towards growth are mitigated by two considerations: the development of knowledge and social provisioning. Climate change casts doubts regarding the desirability of continued growth, reminding us that the economy is part of nature. For years, institutional economists along with mainstream economists assumed growth could continue, albeit unstable.

According to Joseph Spengler, "Veblen did not attach importance to constraints flowing from a shortage of land and natural resources as such" (Spengler 1972, 868). Veblen addressed the technological basis for growth, not its ecological limits. Ayres expressed a similar view. As Rick Tilman pointed out citing Joseph Spengler, "Ayres largely ignored the growing problem of depletable resources and the biospheric constraints on human existence" (Hamilton et al. 1977, 645).

For Veblen, the technological basis of the late nineteenth, early twentieth centuries lies in the machine process, which required quantitative precision seen in the standards of weights and measures. Quantitative precision enables interchangeable parts, providing the foundation for continuous mass production. Continuous mass production under the direction of business for profit meant that output could exceed what the market could profitably absorb.<sup>3</sup> Commons, writing under the backdrop of the Great Depression, expressed a similar view.

Industry has proved that there is universal overproduction and unemployment.

Every industry in every nation complains about it at the same time period the

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<sup>3</sup> The trend toward depression meant that businessman cannot "derive a satisfactory gain from letting the industrial process go forward on the lines and in the volume for which the material equipment of industry is designed" (Veblen 1975, 213).

evidence is a universal fall in prices. There is overproduction of coal, of oil, of transportation, of manufacturers, of merchandising, or agriculture, all at the same time and in all capitalistic nations. (Commons 1961, 892)

Alan Gruchy noted that the tendency towards overproduction gave rise to different stages the economy. The first stage focused on increasing efficiency and output. The corporate revolution characterizes the first stage, stemming from the widespread adoption of continuous mass production.

The second stage involved national planning with a view toward eliminating overproduction. The pre-World War II institutional economists “developed a theory of the modern industrial society in which, because of the presence of large economic power groups, the market system no longer function in such a manner as to provide full employment and high levels of production on a sustained basis” (Gruchy 1972, 6). Governments need to stimulate economic activity.

The post-war period characterizing the third stage is marked by the efforts of the large corporations to create wants. “Neither Marshall nor Keynes—nor any of their followers—ever dealt extensively with such problems as the exercise of power by large economic interest groups, the conversion of the market mechanism into a consumer want-creating rather than a consumer want serving mechanism” (Gruchy 1972, 8). As John Kenneth Galbraith (1958) noted, the creation of wants undermines the ability of growth to resolve the problem of social provisioning. Increases in growth lead, through the dependence effect, to increases in wants, causing a social imbalance. Too many resources are allocated to the private sector, too few to the public sector. Homes require water, sanitation, and parks; cars require public roads; private investment requires

investments in education. Galbraith's advocacy of social balance does not address the prospect of degrowth.

As alluded to earlier, Clarence Ayres identified progress with growth: "As everybody knows, the progress of society depends upon its ability to enlarge the productive apparatus of the community" (1946, 5). But Ayres offers a caveat: "If society is to progress, there must be some means of knowing in what direction progress lies." (Ayres 1961, 29). For Ayres, "human progress" means "finding out how to do things, finding out how to do more things, and finding out how to do all things better" (Ayres 1978, xiii). Ayres, however, did not anticipate the prospect of reducing throughput.

As knowledge of the impact of growth on the environment has increased, institutionalists have become increasingly conflicted regarding the benefits of growth and the technology that makes growth possible. James Swaney, for example, questioned whether the instrumental process is necessarily progressive. "Our current path of cultural evolution increasingly interferes with ecosystem stability; so, although the instrumental process is universal by definition, its alleged automatic progressiveness is, at best, dubious" (Swaney 1989, 575). Thomas DeGregori, however, takes a different view. "I argue that the impact of technology on human life is a primary and continuing cause of human betterment" (1985, xi).

## **Comparing Institutional Economics with Degrowth**

The similarities between degrowth and institutional economics are evident. First, institutionalists attribute technology to the application of knowledge to solve problems. The difference may be one of emphasis, but Kallis downplays the instrumental use of "physical technology," attributing its apparent productiveness to the capacity of machines to tap energy. In contrast, the



productiveness of social technology stems from organizing production (Kallis 2018, 32). Kallis appears silent on the progressive nature of technology. While technology has brought about benefits—increases in longevity, reduced infant mortality, better food, and so on—it has also created problems. Historically, institutionalists have identified technology with progress. Advances in technology involve advances in the knowledge basis, how to produce more things, how to produce new things, and how to produce things more efficiently generally requiring more throughput. Avoiding adversely impacting the environment requires reducing throughput, and therein lies the difficulty. As Daphne Greenwood and Rick Holt (2008) note, technology is not inherently bad—it is how it is applied. In reference to Swaney’s questioning the progressive nature of the instrumental process and, by implication, technology, humanity has little choice.

Second, institutional economics is human centered; ecological economics places the environment at the center. Both institutionalists and Kallis recognize that the empirical economy refers to “an instituted process between man and his environment, which results in a continuous supply of want-satisfying material means” (Polanyi 1957, 145). Humans, of course, are part of nature. But it is impossible for humans to view the world aside from a human perspective. “Even John Dewey sometimes seemed to derive all human values from the biological struggle for existence” (Ayres 1961, 116). Advances in our knowledge of the natural world includes recognizing the importance of the ecological relationships among different organisms and their role in maintaining the conditions for life to exist. Degrowth’s emphasis on the ecological relations is consistent with the instrumental acquisition of knowledge. “Degrowth is, first, a critique of the ecological consequences of economic growth” (Kallis 2018, 1).

Third, both institutional economics and degrowth stress the importance of social provisioning. As Kallis notes, “Sharing and enjoying a limited planet is what degrowth is all

about” (2018, vii). In Kallis’ view, “growth has always been based on exploitation” (2018, 1). The rich, industrialized nations are the primary beneficiaries of growth; the poor nations will suffer the most from degrowth, if only because they lack the resources to mitigate against the adverse effects of growth.

## Conclusion

As noted, two guiding principles affect institutional economists’ view of growth: instrumental valuation and social provisioning. Instrumental valuation involves using the information at hand to adjust institutions to solve problems. As Fagg Foster put it, “an economic problem appears when disrapport arises between two or more patterns of human activities that are supposed to be correlated toward the effective continuation of the productive process.” (Foster 1981, 900)

The problem, of course, is that humanity must reduce its ecological footprint to ensure humanity’s survival. There are two different efforts to reduce the ecological footprint. The first involves reducing greenhouse emissions, dependent on developing technologies using renewable sources of energy. While humanity is making headway, it remains to be seen whether developing such technologies will avert the worst effects of climate change.

The second effort is, perhaps, more intractable. The second effort lies in reducing throughput, an effort that seems contrary to the growth imperative characteristic of capitalism. Degrowth questions whether we proceed based on “the pecuniary control of industry.” Further, the growth imperative is embedded in the capitalist culture. As Veblen noted, pecuniary emulation compels people to live at the pecuniary standard, a standard that rises with innovations and growth, both which hitherto require increased throughput. A rising standard undermines the ability of growth to achieve a more equitable distribution and reduce throughput. “The

hypothesis is that degrowing throughput will in all likelihood come with degrowing output, and that these can only be outcomes of a social transformation in an equalitarian direction” (Kallis 2018, 9)

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