

# Mill, the Stationary State and Growth Theories: A Synthesis

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If you asked the question “Why the sky is blue?” and someone answers, “It is blue because it is blue,” then you would find this kind of answer worthless. This kind of circular reasoning gets you nowhere. Yet this kind of thinking is exactly what we find at the root of some contemporary growth theories which infer that economic growth improves living standards as measured by income because it improves incomes. The reason for this kind of reasoning is partly because the test of success is sought in how it is measured, i.e., through incomes or GDP. My challenge is that there is no reason to fall into this philosophical trap. Furthermore, in the history of economics, an alternative perspective that echoes in some theories today has already been expounded. John Stuart Mill in his treatise on the *Principles of Political Economy* discusses, in an obscure and tiny chapter, one of his grandest visions of the future: the stationary state. Contrary to opposing views at the time, Mill sees the stationary state as an ideal condition for society. This view is structured upon his version of the utilitarian ethic. It is my conclusion that Mill's philosophy can provide the missing foundation some contemporary growth theories need; when Mill's philosophy is synthesized with this science of economics, and the derivative values extracted from his model of the stationary state, we get a more robust vision of political economy that identifies goals and restrictions that economics may neglect when evaluating on the basis of how it measures things. Therefore, the analysis of this paper will be to explore Mill's utilitarianism and the stationary state, compare and contrast these growth theories with Mill's view of growth in his time and, finally, to synthesize the two and explore some possible conclusions they provide.

The stationary state has fantastic implications for analyzing what goals a society should attain. The reasons for getting to this state, in Mill's view, are that the economy follows a natural progression of economic growth. Mill sees this concept of growth as composed of three

interacting elements: capital, population and the productive arts.<sup>1</sup> In short, classical economics describes the process as follows: production drains the capital stock necessitating replenishment, and population produces more mouths to feed, wages to be earned and jobs to be attained. These two factors will forcefully balance out in the long run; incidentally, the population growth would result in the dismal Malthusian conclusion that everyone would live on subsistence wages. The only curb to this was a temporary postponement by advancing the productive arts, i.e., technological innovation. Mill saw a different view of this stationary state however. Subsistence wages was a result of society allowing itself to end population growth by what could be considered the state's carrying capacity.<sup>2</sup> Instead, Mill viewed that moral restraint and birth control could result in a sustainable population that they saw acceptable. The reasons for this deviation can be understood by the fact incomes only generate a means to some end. We do not necessarily desire money to have more money. Instead, income opens opportunities to attain other things we desire, i.e., what we plan to acquire at some future date. Therefore, incomes constitute opportunities that can be "crowded out" by overpopulation, but the goal is to have a moderate population with ample room for opportunities to result in an equitable condition of wealth for everyone. It is in this light that the stationary state can be viewed as almost a mental heuristic we can appeal to in mapping our future goals. When our individual income flow is no longer growing and we are stationary with our individual lifestyle the question arises as to how we want to live our life under these circumstances. The stationary state, for society, is that same notion.

To conceptualize how society would manage itself under these circumstances it would suffice it to examine a theoretical case. If a family is considering having more children they do so in context to their current incomes and expected future incomes. They would understand that

more children require more expenses. If they simply kept having more children then eventually everyone would have a meager amount of food to sustain them. Any additions to this family would result in someone starving and returning the group to equilibrium. This was, essentially, Malthus' view of the stationary state. Is this how people live their lives? Mill found that cultured societies, just as prudent families, would not let this happen. The reason is based upon his ethical theory. One essential principle of his philosophy is that we ought to have the liberty to act as we choose to so long as it does not do harm to others.<sup>3</sup> It is prudent of a society to limit its population if subsequent additions to it prove evident that they displace the welfare of everyone in it such that it causes them harm as they identify it.<sup>4</sup> In economical terms we are saying that society should have a stable "labor stock" which holds to a replacement rate that society would not go over, given, *ceteris paribus*, the current requirements and needs for a labor force they identified.<sup>5</sup> Society would utilize public opinion in some manner to culture a society with this kind of prudent character so when the family decides on how many children to have it will be a number within their means. The sum of this would result in a prudent society making sensible choices. This brings up three key elements to Mill's view of how to make the stationary state a beneficial end: the culture, the means and distribution. It is the relationship of these three variables that distinguish how a society may culture its prudence.

Mill's utilitarianism is as much about ethics as it is about social philosophy. In his essays *Utilitarianism* and *On Liberty* he outlines, in the most rudimentary analysis, that people develop their moral sentiments through the choices they make.<sup>6</sup> Ethical situations are not independent of the future effects or distant consequences. Therefore, the prudent is not merely a direct calculus, *ex post*, like Bentham might propose. Instead, Mill identifies that those actions which have the tendency to produce the desired results are morally qualified.<sup>7</sup> Part of this organic view of

culturing character is that the liberties of individuals should not be restrained because all truths are only half-truths, i.e., we're fallible in our conclusions.<sup>8</sup> This requires people to be allowed to decide for themselves, for better or worse, what choices they'll make in life and to develop their moral sentiments to appreciate the *quality* of those feelings of approbation or disapprobation about said events. As required in Mill's view of this utopian concept of the stationary state, the people need to develop, through public opinion and discourse, the kind of character and attitudes, the ethos, which will have the tendency to produce the kind of society they feel they desire. Abstracting the family situation to the society, we can see that the state needs to figure out how large it wants its family to be and how it ought to structure itself to be well off in that choice. But Mill could not foresee the future changes that would aid this view of a restricted family size. Therefore, to appreciate how society desires to structure itself it is pertinent to evaluate the elements involved in their livelihood; particularly, we need to evaluate the conditions of population control.

Considering the issue of maintaining a labor stock in the stationary state, we have to consider the truths relative to any society in a given space and time. Since agriculture requires a heavy work force many agrarian families have large families in. This was evident in Mill's time and still holds true for some rural and lower income nations today. Therefore, families would have many children to improve their production to have a higher income. Today, however, we have improved birth control and related education which helps accidental or undesired pregnancies from occurring. Furthermore, unanticipated technological advancements allow us to have more effective workers resulting in needing fewer laborers to get the same level of production. This results in not *requiring* large families for improved economic production or growth. Consequently, at any given time the labor stock will have a real outcome of improved per-capita

production with an increase in the productive arts. This means production can improve without a change in the labor stock through technological innovation or advancements in laborer skill; this allows population to increase, but that increase is neither a necessary condition nor a necessary result of growth. These factors result in dynamic changes to society whether they are stationary or progressive. This illustrates the clear importance that in the stationary state we derive the requisite understanding of how we want to live and how to possibly get there. We can focus on developing the character of the state, or what Mill considered its ethology,<sup>9</sup> in or out of a stationary state. The means of progression, however, need to be understood. It is for this reason the understanding of growth theories needs to be evaluated.

For simplicity, the Solow model provides a general template of this issue where growth theories presume exactly what they are identifying, i.e., increased income and consumption as the goal as well as the measure. The fundamental conclusions of this model are that per-capita savings will determine, through investment, the change in the capital stock. This capital stock must match the two other elements of growth, i.e., the depreciation of current capital and the effects of population growth. Therefore, the condition of non-growth, i.e., of persistence sustainability, becomes the *steady-state* level of capital. It represents the long-run equilibrium of the economy.<sup>10</sup> The conclusion is equal to Mill's a century earlier. To have any growth changes from this steady-state, akin to the stationary state Mill envisioned, will require advancements in technology. The conclusion is stated another way, "only technological progress can explain sustained growth and persistently rising living standards."<sup>11</sup> The problem with this is that "living standards" is represented completely in the increase in income that the Solow model evaluates. Income, however, is not a necessary goal of society, especially in the stationary state since income only provides *possible* opportunities, and it does not cause a person to desire them or be

able to desire them.<sup>12</sup> There is a further presumption that increased consumption, as represented by increase in per-capita income, is a measure of success and living standards. Marginal utility should be considered, but the fact I can purchase more does not necessitate a progress to my livelihood. To illustrate, simply because I can purchase more stuff does not mean I desire to purchase more stuff, just like the fact I can produce more children does not mean I desire to produce more children. Additionally, the fact I can purchase more food does not mean I can consume more food. Economic as well as non-economic factors need to be considered.

Therefore, culturing prudence is involved in all aspects of society. The science of growth theories provides the means for how an economy can improve market opportunities, but it doesn't explain why that increase is even valued, if it should be valued at all. It doesn't provide that the technological advancements need to be involved in this growth process, but can be a result of normal economic activities in a stationary state.<sup>13</sup> Thus, what is really desired, as separate from the produce of growth, needs something else to evaluate it. The stationary state offers a model to appreciate that "something else." The key to how that is put into action, however, is through the distribution issues the prudent society faces.

Mill identifies that increased production is not a need of an advanced economic society. What is needed is better distribution as conditioned on population control.<sup>14</sup> In regard to consumption, the rich and wealthy consume much larger amounts with increased profits at the expense of keeping wages as low as possible in their cost of production. Being alive, however, is not the responsibility of those having been born, and their livelihood should not come at the cost of keeping the wealthy happy in their activities. Therefore, with population at a stationary condition, Mill states, "no pecuniary sacrifice is too great to be made by those who have more than enough, for the purpose of securing enough to all persons already in existence."<sup>15</sup> He goes

on to explain, through the cultural process of ethology alluded to previously, if public opinion does not result in the required distribution change then “it is supposed to be incumbent on the State to lay on taxes for the purpose, either by local rates or votes of public money” to resolve this problem.<sup>16</sup> The institutions of the state act as an arbiter, ideally democratically established and operated, to these prudent choices. It is on the basis of these variables of how a society progresses holistically, e.g., what population it finds requisite to maintain their livelihood and how they distribute the wealth of that nation and culture themselves, that defines growth and how to measure success. It also provides a consideration of the institutions that might establish this state and what policies, or extent of interference, government can be allotted. This interference can be an opposing facet to a just and fair society however.

The interference of liberty by another agent, person or state can be interpreted as a violation of the liberty principle; thus, this interference contradicts the entire basis of a prudent society in Mill’s view. Seemingly in conflict with his principles on liberty, the control of the state is, in effect, correcting a “negative externality” that resulted from the imprudent development of the social structure. Therefore, no disagreement arises in that the rich and wealthy owe it, partly, to society for having become rich and wealthy; consequently, this implies a prudent choice to be levied on the rich so that they are not making themselves wealthy by determining the wage afforded to their workers that could otherwise improve the social welfare, or distribution, in society. Incidentally, the choice the capitalist make in providing only a subsistence wage can be taken, under the utilitarian doctrine, as harm weighed against society, particularly the laborers. If society, *en masse*, identifies, by their free liberal discourse, that such a wage is prohibiting their flourishing, then it is their duty, and it is the duty of society, to make that change in distribution; it becomes the duty of the capitalist to improve wages as well. All this results in a prudent



society that is stationary and flourishing. Additionally, the mere concept of this view of the stationary state provides a basis for progressive states to identify, if they were stationary, what they need to set up, contemporaneously, so the imprudent conditions can be avoided, e.g., the poorly established wages. This opens up an entire system of analysis grounded on a consistent philosophical foundation that identifies and plans what ought to be achieved; plus it coordinates with the relative science of economic growth to identify how to establish a society to meet those ends. Mill's evaluation of the stationary state becomes an invaluable tool for growth theories to consider.

Economic evaluations on growth, such as through the Solow model, often make many presumptions that beg the question as to why society should grow or why that is a desirable outcome. Mill's early deliberation on this topic was revolutionary and unique for its time. It also illuminates a missing element of contemporary growth theories that make the before mentioned mistake by producing a philosophical void in their analysis. Population control and distribution become the central theme as opposed to merely addressing incomes and improved production. The stationary state challenges the very notion of requiring growth at all. The specifics of any society are to be determined by the society, just as any individual is the best source of knowing what the individual wants. Mill's utilitarianism, and its derivative principles, coordinates an elaborate and consistent methodology that establishes the stationary state, and what is derived valuable from it, as the end to be achieved for society. The means, i.e., the science of growth theories, provide how, and to what degree, a society needs to structure itself to arrive at this state, e.g., the level of productivity, required stock of capital and labor to sustain that steady-state, etc. This joint analysis results in a steady-state condition approximating, continuously, toward this ideal situation. It also clarifies the important measures that need to be considered for institutions,

government, policies, etc. Therefore, synthesizing these two models, Mill's philosophy encompasses modern growth theories and provides a broader insight into the science itself.

## References

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## End Notes

<sup>1</sup> John Stuart Mill, *Principles of Political Economy with Some of Their Applications to Social Philosophy*, abridged, ed. Stephen Nathanson (Indiana: Hackett Publishing Company, Inc, 2004) 188.

<sup>2</sup> Mill was adamant about the differentiation between what activities were coordinated on principles of natural interactions, like physics, which can be studied in their own right, to that of malleable natures that intelligent beings, i.e., humans, can affect with their choices and actions. The structure and character of the society was such a malleable condition.

<sup>3</sup> John Stuart Mill, "On Liberty," In *The Classical Utilitarians: Bentham and Mill*, ed. John Troyer (Indiana: Hackett Publishing Company, Inc, 2003), 158.

<sup>4</sup> The reason I clarify the group under jurisdiction identifying the harm is because Mill's "harm principle" is a meta-ethical concept, not unlike a second-order or higher-order ethical principle that discerns the scope of possible choices to be made; i.e., harm is relative to those it affects; therefore it is the duty of those affected to establish what harm actually is.

<sup>5</sup> In discussing constant populations and determining what level of stocks (the factors of production) to choose, we have a wide assortment available. Herman Daly, "The Economics of the Steady State," *American Economic Review* 64 no. 2 (1974): 16, outlines these possible choices, in terms of this kind of steady-state, in context to a global stationary state. Many stock levels can produce a steady-state; therefore the choice is "a difficult problem of ecology and ethics."

<sup>6</sup> Mill, "On Liberty," 196, and John Stuart Mill, "Utilitarianism," In *The Classical Utilitarians: Bentham and Mill*, ed. John Troyer (Indiana: Hackett Publishing Company, Inc, 2003), 102.

<sup>7</sup> John Stuart Mill, "A System of Logic (1843)" (computer printout, California State University Sacramento, 2007). Mill associates this tendency toward improvement, particularly of character, with the notion of progress or progressiveness (book 6, chap 10). This is illuminated in *Utilitarianism* (Mill 2003b, 113) and extensively throughout *On Liberty*. It is this concept that sets the stage whereby liberty is the freedom to progress by our own ethology, and in what respects authority from others can interfere with that liberty when this progress impedes others.

<sup>8</sup> Mill, "On Liberty," 193.

<sup>9</sup> Mill, "System of Logic," book 6, chapter 5.

<sup>10</sup> N. Gregory Mankiw, "Part III Growth Theory: The Economy in the Very Long Run," in *Macroeconomics*, 6<sup>th</sup> ed. (New York: Worth Publishers, 2006), 191.

<sup>11</sup> *Ibid*, 220.

<sup>12</sup> Amartya Sen, *Development as Freedom* (New York: Anchor Books, 1999) illustrates numerous examples, in the first three chapters of his book, that even though two people may have the same income and basket of goods to choose from, a person may have conditions which prohibit them from enjoying or desiring certain goods. A disable person's livelihood is not measured on equal terms as the goods a non-disabled person has to choose from. Therefore, non-economic factors weigh extremely heavily on preferences.

<sup>13</sup> Robert M. Solow, "Perspectives on Growth Theory," *Journal of Economic Perspectives* 8 no. 1 (1994): 48, 54. Solow identifies that "technological progress is at least partially endogenous to the economy," but this technical innovation may or may not have a growth effect with more innovations per year. Instead, it could be a "one-time jump in productivity." Therefore, the technological progress can result naturally from the economy; however, it need not specifically come from growth, nor does it necessitate a growth effect.

<sup>14</sup> Mill, "Principles," 190.

<sup>15</sup> *Ibid*, 142.

<sup>16</sup> *Ibid*.