



Herman Daly's Economics for a Full World: His Life and Ideas

by Peter A. Victor, New York, Routledge, 2022, 300 pp., \$130.40 (hardcover), ISBN: 978-0-367-55695-2

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BOOK REVIEW

Herman Daly's Economics for a Full World: His Life and Ideas, by Peter A. Victor, New York, Routledge, 2022, 300 pp., \$130.40 (hardcover), ISBN: 978-0-367-55695-2

We might want to blame Adam Smith's *Wealth of Nations* (1776) for economists' preoccupation with economic growth. The elements for continued growth and prosperity are all there in capitalism for Smith. You have individuals pursuing their self-interest, specialization of labor, capital accumulation, and markets. The impact of growth on natural resources hardly interested him since nature provided an abundance of resources for production. It's capital that's scarce, not resources. Smith predicted a promising future with per capita income growing alongside market and technology development.

However, such optimism was not shared by all classical economists. Malthus, Ricardo, Mill, and Marx had their doubts. You have Ricardo with his view that the world is one big farm with only so many acres of land. Malthus had his gloomy view about population growth. And then there's Marx with his fear of capitalism exploiting nature as well as labor. The most cheerful one of the lot was Mill, who hoped for some steady-state economy in the future. He wasn't overly optimistic, however. By pointing out that mine deposits are limited, Mill predicted Great Britain would face an energy crisis sooner or later.

With the development of neoclassical economics in the late 19th century, the debate over natural resources and growth shifted from an aggregate supply-side theory to a demand theory of marginal analysis. The work of Marshall and his comparison of marginal benefits to marginal costs laid the foundation for how neoclassical economists would deal with possible limitations of natural resources and the impact on growth. There were economists of a mainstream and heterodox mix who questioned the marginal use and market approach to deal with limited resources, environmental degradation, and its externalities. Keynes, Pigou, and Galbraith were the interventionists. They argued for government taxes or regulations to limit the atrophy and the exploitative use of natural resources.

Starting in the late 1950s and early 1960s, we began to see a small group of economists who questioned the desirability of continuous economic growth and its consequence on wellbeing. They insisted any discussion about growth must embrace the laws of nature and ethical norms. One of the leading economists in this school of thought is Herman Daly. Without him, ecological economics would be very different today, if developed at all. Starting with a transdisciplinary approach using physical, human, and natural systems, Daly created a new model to understand the impact of continuous economic growth on these different systems. Peter Victor's new book, *Herman Daly's Economics for A Full World: His Life and Ideas* (2022), provides us with a deeper understanding of the breadth, originality, and ethical stance of this pioneering thinker.

The book is a mixture of biography, storytelling by Daly's admirers, and Victor's analysis of his writings with an evaluation of his critics. The book's title comes from Daly's metaphor that at one time, what restricted economic growth was an 'empty world' limited by capital. Today we have the opposite, with a 'full world' restricted not by capital but by natural resources. Daly gives the example that what caps our fish catch is not boats (capital) but the number of fish in the sea (natural resources). The shift of scarcity from capital to natural resources, which cannot be substituted with other forms of capital, is the new economic reality we face Daly tells us. Yet, mainstream economics continues to think in an

‘empty’ world where substitution of one form of capital with another is easy to do and allows us to deal with scarce natural resources in the future.

Daly, with his well-constructed arguments, found this farcical. Suppose one believed that all forms of capital could be substituted for one another, as neoclassical economists argued. In that case, natural resources are a substitute for physical capital. If this is correct, why did the classical economists spend so much time creating more physical capital for economic growth when they could substitute capital with natural resources? He also pointed out, with tongue in cheek, that physical capital is made from natural resources, which is a primary reason why capital is scarce. No matter how bright you are or how much technology you have, there is a limit to how much substitution can happen between capital and nature. By bringing out the power of Daly’s arguments, the book shows the devastating impact his thinking had on traditional mainstream economics.

One of the many insights the book gives us is Daly’s relationship with the brilliant but emotionally unpredictable Georgescu-Roegen. Daly grew up in a modest household in Texas. His father was a retail store owner and a traveling salesman. Young Daly received a scholarship to Rice University and then did his graduate work at Vanderbilt University. It was there that he met Georgescu-Roegen. Victor covers the problematic relationship between the two over their careers with insight and balance. Outside the personal difficulties Daly had with his mentor, he greatly respected him and always publicly stated the importance of his contributions to economic science. One of those contributions was his fund-flow theory of production. Daly’s economic ideas seem to me very much dependent on Georgescu-Roegen’s theory, where factors of production are based on two qualitatively different types. The first is resource flows that are physically transformed; the second, capital and labor that are instrumental in the production process but are not physically manifested in products. The distinction, along with Georgescu-Roegen’s work on entropy as the way to look at economic development, can be found in all of Daly’s work. I wish the book had explained more the importance of Georgescu-Roegen’s ideas and their impact on Daly’s work and on ecological economics in general. Maybe because of the tension in their personal relationship, this might have made it difficult for Daly to discuss thoroughly the importance of Georgescu-Roegen’s work with the author.

The book approaches Daly’s work in an easy-to-understand and insightful way by breaking his work into different general intellectual categories. You have a chapter on ‘Philosophy, ethics and religion’ and then ‘Economics as a life science.’ Breaking down his work this way instead of mixing it all together captures the uniqueness of Daly’s approach and the importance of ethics, religion, and life science in his analysis. The book then describes policy issues that Daly was concerned about, like scale, distribution and allocation, and the Steady-State Economy. Victor approaches many of these topics in an interesting way by covering different ‘debates’ that Daly had with mainstream economists. For example, the ‘Solow Stiglitz/Roegen Daly Debate’ over production theory. By approaching the differences between Daly and mainstream thinking in the form of ‘debates,’ the reader can understand both sides of the argument. It makes the discussion richer and the power of Daly’s arguments stronger, and shows his willingness to debate traditional economic thought in a civil and thoughtful way. It’s good to see a chapter in the book on the heterodox critique of Daly’s work that also shows his willingness to take on all points of view and deal with them in a serious intellectual way.

Peter Victor should be congratulated for doing a balanced analysis of Herman Daly’s work. His many contributions to ecological economics and the economic profession, in general, are enormous. The book does a thorough job of bringing out all those contributions and evaluating them for the reader. Traditionally, an impact on the economic profession occurs by one

of two routes. In the first, scholars acknowledge ideas from earlier economists. They extend these ideas or attempt to refute them, citing the influence of the first scholar. This is the primary way economists' contributions are recognized in the profession. The second kind of contribution occurs when original work far ahead of its time goes unacknowledged only to be 'rediscovered' later by others who come to see the world in the same way. Given how much Daly has been ignored by the economic profession, we can't expect the first, but we can hope for the second.

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