# Forget the gloom. It’s not all bad

***Kevin Gardiner** looks on the bright side and believes that, despite what many economists say, there are grounds for optimism about economic growth*

The idea of decline comes easily to economists: it’s called ‘the dismal science’ for a reason. Malthus warned of looming starvation in 1798; Marx saw capitalism as doomed in 1867; Ehrlich returned to the spectre of starvation in 1968; the Club of Rome and the Brandt Committee in 1972 and 1980 respectively foresaw an end to growth. More recently, many have proclaimed a ‘demographic timebomb’, while US economists Carmen Reinhart and Kenneth Rogoff (and others) see prosperity being constrained by debt. Some even argue that technology – automation and artificial intelligence – is a threat.

The financial PR machine – for which most City economists work, whether they realise it or not – adds to the reasons for not being cheerful. World-weary cynicism and gloom is marketable. Who cares if the pundit who called the crash of 2008 also called the crashes of 2005, 2006, 2007, 2009, 2010, 2011, 2012, 2013, 2014 and 2015?

Today’s received economic wisdom says that future output and productivity growth is questionable, and perhaps undesirable anyway in the face of the climate emergency. But that is arguably par for the course. What passes for economic knowledge seems often to owe less to reason than to repeated assertion.

Amid today’s falling real incomes, it is easy to forget that for a century or three, material living standards have trended higher. There is no reason why this process should not resume. Even now, the average human has never been significantly better fed, clothed and housed.

This may have little to do with government budgets or interest rates. Public policy can help, as I noted in 1994 when labelling Ireland’s economy a Celtic Tiger (it remains the fastest-growing in the West), and as we are hoping to demonstrate at Cardiff Capital Region’s Economic Growth Partnership. But what may be more important, longer-term, is the day-to-day tendency for workers across the economy to move slowly up the learning curve and innovate, getting better at what they do and producing more with less.

Some occupations and industries do decline but new ones arrive to take their place. At least, they have done so far and there is no reason for this process to stop, even after Brexit.

The fact that we spend more on intangible products – services and digital content – makes our collective output even more difficult to measure (see, for example, Sir Charles Bean’s 2015 review of economic statistics). This helps explain some of the slowdown in trend GDP, together with the overlooked point that measured growth before the Global Financial Crisis was unsustainably high. But it doesn’t alter prosaic, productive reality. US economist Robert Solow’s oft-quoted quip that “you can see the computer age everywhere except in the productivity statistics” may tell us more about mis-measurement than about any supposed paradox.

Environmental concerns do not preclude resumed growth in living standards. The COP 27 climate change conference acknowledged the essential role to be played by adaptation alongside mitigation. Climate change does not just require us to stop doing things, it also asks us to start doing other things, to modify, to innovate.

Progress is frustrating but in an otherwise grim 2022 we learned to use less fossil fuel, while nuclear fusion – a positive tail risk if ever there was one – became a little more feasible. There will be many new opportunities and incentives for useful economic activity. And to the extent that services and digital output continue to gain share across the wider economy, incremental growth will require fewer tangible inputs.

But climate change does offer a further reminder that when it comes to economic development, what matters is not always measured – and vice versa. Environmental costs have traditionally gone unrecorded but as damaging externalities are internalised, statisticians will be better able to construct more ‘inclusive’ estimates of economic welfare. When such estimates appear, reported living standards will be lower than we’re used to seeing, but this will tell us less about where we’re going than about where we’ve been.

Should statisticians go further, as some suggest, and try to include the elusive notion of general well-being in their measures of living standards? The problem is that happiness can only ever be quantified with reference to subjective surveys – and as the philosopher John Stuart Mill said: “Ask yourself whether you are happy, and you cease to be so.” Perhaps that’s where those economists go wrong. ■

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