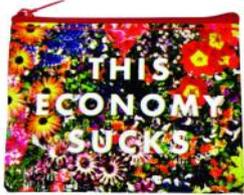


[Ten reasons to be cheerful, part 6: The economy](#) [1]

Written by [Dr Madsen Pirie](#) [2] | Monday 29 October 2012



Popular among the "we are all doomed" series is the notion that the good times are behind us. I disagree. For both the UK and the world I am optimistic that the economy will be better in the future, not worse.

6. The Economy

For over 125 years US growth has averaged about 2% per year. In the UK it has been slightly less than that, over a longer period. The long-term trend has been growth since the first industrial revolution (steam, railways) and through the years of the second (electricity, internal combustion engine, aeroplanes). We are currently in the early years of a third industrial revolution (computers, internet, biotech), with the expectation that these factors will similarly increase productivity.

I have already dealt with the notion that there are insufficient resources to support economic expansion. New extraction technology clicks in before the old sources run dry. Advanced production achieves more from each unit of resources than it did, and inventiveness supplies substitutes.

The current economic difficulties faced by Europe and the US did not arise from any inherent failure in the economy, but from mismanagement and political interference. No features suggest they need permanently impair the ability to invest in increased production, or to produce increased quantities of the goods and services people will wish to buy.

It took a few decades after the invention of previous technologies before their impact began to take effect, and the same will probably be true of recent breakthroughs. It takes time to apply the technology and to develop the infrastructure to take advantage of it.

An added advantage this time is that we are now dealing with a global economy. In recent years we have seen over a billion people brought into the world market and able to interact and trade with their fellow humans across the planet. This gives yet more cause for optimism. The rising middle classes in India and China present a promising future market, and as the lower income people behind them are lifted from subsistence and poverty, they, too, will need goods and services.

Some pessimists point to Europe's aging population, but this will be less problematic if people remain economically productive for a greater proportion of their lives. Others suggest we have reached the limits of the planet's capacity to cope with economic activity, but there are indications already that our creative technology can provide ways of progressing that leave smaller footprints.

My conclusion is that provided we opt for a competitive, largely private, economy, we can look forward to

seeing it achieve far more than it has already.

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