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BOOK REVIEW

RICHARD DOUTHWAITE. *The Growth Illusion*, Dublin: Lilliput Press, 1992, Price £15.00.

This is a beautifully produced book. The quality of its contents is, unfortunately, less impressive. It is a serious attack on the economics, politics and ideology of economic growth, a polemic against the belief in a future in which we will be materially better off than we are at present. On the basis of a wide range of facts and figures, Douthwaite argues that "there is no such thing as sustainable growth". However, he is often highly selective in his choice of facts, in the theories he attacks and in the evidence he presents.

Among the strengths of the book is that it forces the reader to focus upon big questions, much more similar to those addressed by the classical political economists than those which are the subject of modern economics. Does the world have the (physical and social) capacity to sustain even existing standards of living in the economically developed parts of the world, and at the same time provide for substantial improvements in the standards of living of the people in the poor parts of the world? If economic growth ceased to be an objective of policy, what impact would this have on political systems? Economic growth and the desire among individuals for increases in real disposable incomes are such fundamental aspects of our conception of the motivations of human behaviour, can we conceive of alternatives? How are those alternatives to be brought about?

Albeit not always convincingly, Douthwaite also attempts to answer many of these questions. In the first two chapters, he attacks first the theoretical basis for growth, then the systemic need for growth. The objective of the next two chapters is to show that the results of growth, particularly in Britain, were uneven, increasing inequality: "ordinary people", he argues, have gained "most when growth was checked or slowed" (p. 50).

In fact, all eight chapters from 2 to 9 purportedly examine "the effects economic growth has had on the lives and happiness of ordinary people in Britain over the past two hundred years". (The effects, he finds, are almost exclusively negative.) Chapter 5, however, is something of a deviation, focusing directly on inflation, and showing that high interest rates and other means of keeping inflation low, redistributed wealth and income from the less well off to the wealthy. This chapter could appropriately have appeared in any left-wing, anti-monetarist account of the Thatcher years of rule in Britain, and provides a basis for such an attack on current policies in Ireland.

Many of the chapters are admirably summarised by their titles. "Ned Ludd Was Right" is the title of Chapter 6, for example. No other title could have been a clearer indication of the chapter's content. The same goes for "Growth Must Have a Stop", the title of Chapter 10.

An example of his selectivity occurs near the beginning of the book. Discussing, in Chapter 1, a survey by the British SSRC on "quality of life", he argues that the results indicate that the most important factors in determining quality of life are "those that have little or nothing to do with cash" (p. 5). Among such factors, to draw just two from the table, are "family and home life" and "social relationships". It could reasonably be argued that poverty is a significant cause of problems in both these areas, and that they do, therefore, have something to do with cash. This, presumably, could be argued both ways, but he sets his interpretation up as incontrovertible, and then uses it as the basis of his critique of neo-classical welfare theory. There are many other critiques of welfare theory — indeed, many books have been written on this subject. He does not, and in the space available to him, he cannot review this literature, but at least some reference to it might have deepened the level of argument. The result is that while one might agree with the author that more research should be done on what determines quality of life, one is left with the feeling that his methodology is somewhat *ad hoc* and occasionally superficial. This undermines the effectiveness of his polemic.

Later in Chapter 1, Douthwaite has a much more acceptable discussion of the limitations of GNP as a measure of national welfare. One would happily prescribe this for any beginning student of macro, though again his rhetoric is too transparent. Daly and Cobb (1990), whose critique of Nordhaus and Tobin (1972) he quotes extensively is, in fact, a much more even, considered and therefore convincing presentation of many of the arguments of the book under review.

Similar criticisms can be aimed at Douthwaite's discussion of free trade and comparative advantage. Among his evidence against free trade is reference (p. 93) to an article in *The Economist* , which calls Paul Krugman "the leading academic authority on the new approach to trade theory" and then quotes him as saying that the "case for free trade is currently more in doubt than at any time since the 1817 publication of Ricardo's *Principles of Political Economy*". Douthwaite should have examined Krugman's work directly. He would have found, for example, that Krugman has also written (1987), in a detailed summary of his own scholarly findings, that "free trade is not passé", that to "abandon the free trade principle in pursuit of the gains from sophisticated intervention could ... open the door to adverse political consequences that would outweigh the potential gains".

Douthwaite's argument against free trade, to be fair, is based on more than the reference to Krugman. He is, quite simply, against specialisation. "In the natural world", he writes, "a diversity of species tends to produce and maintain stability. It is the same in national economies" (pp. 94-95). He is, however, confused about the costs of not specialising. Apart from agricultural and other products based on natural resources, he argues, "almost everything produced in one country can be produced just as well in another using the same technology and raw materials" (p. 95). This rather basic error arises from his misunderstanding of the theory of comparative advantage, which he explains as follows: "if every country produces only those goods it makes best, and then trades them for everything else it needs, everyone everywhere will have more of everything, because the resources involved have been used most efficiently, *provided that there is perfect competition*" (p. 93, Douthwaite's emphasis). The comparative advantage argument is, of course, about countries producing goods they can produce *relatively better* than other countries. (The absence of perfect competition, as we have seen, has not made free trade passé.) This type of elementary error would fail the author in a first year, perhaps even a leaving certificate economics examination, though given his rejection of traditional economics, I doubt if this would bother him. In general, most economists would agree that Douthwaite's book is bad economics, though some — if they manage to reserve judgement — would come to think that it is a good read.

Towards the end of the book, there is one chapter each on India and Ireland. In addition, throughout the book, there are references to these countries, and particularly to Ireland. It is appropriate, in the context of a review for this journal, to examine the author's view of Ireland.

The objective of "De Valera's Dream", the chapter on Ireland, is to show that even in a relatively peripheral, less industrialised European country, going for growth has had negative consequences. The chapter opens with a splendid description of Clew Bay, where the author lives, and the surrounding area. Douthwaite then turns to the historical background to Ireland's failure to industrialise, basing his argument entirely on what has come to be known as the "nationalist" perspective on the eighteenth century. This ignores a whole generation of Irish historians, which, since Cullen (1968) and Lee (1968) in the 1960s, has continued to challenge the nineteenth and early twentieth century interpretation of Irish history. This is not to say that the "revisionist" perspective is the correct one, but merely that "Irish history has been, and continues to be, an area of debate and contestation" (Hutton and Stewart, 1991). It is, for example, a gross oversimplification to state that the "period of Grattan's Parliament was a golden age" (p. 254) and to explain this in terms exclusively of Home Rule. Contingent factors like the end of the Napoleonic wars, and dynamic factors like the centrifugal forces in the development of capitalism in England, presumably also had some influence on Irish economic development. Indeed, an exposition of these dynamic forces may have served Douthwaite's purposes better than the emphasis he places on the Act of Union!

Douthwaite's discussion on the nineteenth century is also overly narrow, dependent entirely on Marx, Engels, and Thomas Carlyle. After all, even Marxists have questioned Marx and Engels' views of Ireland (e.g., Hazelkorn, 1983). But Douthwaite's understanding of Ireland since independence is particularly confused. He quotes approvingly de Valera's vision of Ireland, in which industrialisation is to be resisted: "The industrialised countries have got themselves into a rut", de Valera said, "and Ireland is asked to hurry along after them" (p. 264). Douthwaite then describes the results of de Valera's policies, namely "the rapid expansion of the industrial sector" in Ireland in the 1930s, as a "remarkable achievement". This contradiction is compounded when Douthwaite juxtaposes Joseph Johnston's opposition to protectionist policies, with Keynes's support for such a strategy. Keynes, according to Douthwaite, "powerfully yet succinctly anticipat[ed] some of the arguments of this book" (p. 267). Keynes's criticism of economic policy in Ireland was not an attack on growth, however. On the contrary, it was a critique of "accountancy" (or balanced budget) perspectives. It is clear from the famous 1932 lecture on Ireland on which Douthwaite relies for Keynes's views that he was calling for government expenditure to encourage growth and reduce unemployment.

In a sense, so was Whitaker, though while Keynes saw a need for protection, Whitaker, from the perspective of a quarter of a century later, viewed protection as having achieved all it would achieve, and called for an opening up of the Irish economy. In this sense, Douthwaite's criticism of Whitaker, and support for Keynes and de Valera is misplaced. His distinction between de Valera as aiming for a reduction of emigration, even at the cost of average consumption in Ireland, and what he calls "Whitakerism" as "banishing surplus people to improve the lot of those who remain" (p. 277) is also inappropriate. A comparison of the 1950s with the 1960s, for example, would suggest exactly the opposite. Through this confusion one point does emerge, that is the increasing importance of levels of consumption, but to attribute this to "Whitakerism" is a gross oversimplification.

In the end, the author identifies the capitalist system as the culprit: "It is the capitalist system that forces us all to act as we do" (p. 314). He calls for a change in capitalism, and turns for a solution to the Amish, whose anti-technology, pro-people way of life he posits as something of an ideal. There are other intermediate steps to be taken: based on evidence from the ESRI's HERMES model of the Irish economy he calls for the imposition by Ireland of an energy tax (p. 282).

It is this type of selectivity that is most infuriating about the book. One moment the author is writing as an economist, the next as a journalist, the former apparently giving a veneer of respectability to the latter. Similarly, in some places he draws on sophisticated research, and in others on newspaper reports, attributing to all equal veracity. The book's nomination for an important prize will make it widely read, and in that it raises important questions, this is to be welcomed. However, in that these questions are addressed unevenly and at time superficially, it is to be regretted that an opportunity to generate more considered debate on this topic has been missed.

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Dublin City University DAVID JACOBSON
The Economic and Social Research Institute