

Does Growth Kill or Is There No Growth?

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Two weekend articles, in major US newspapers, left us shaking our heads. The Washington Post wrote that "economic growth actually kills people," while The Wall Street Journal published a piece saying, ironically, we should get used to slow growth - it's normal.

Both are ridiculous.

First, The Washington Post cited statistical studies that blame premature death on economic growth (more pollution, more work and more risk).

The statisticians found that pollution and alcohol were the #1 and #2 causes of death as economic growth accelerated. We couldn't help but think about the Soviet Union, where pollution and alcoholism were rampant in the 1970s and 1980s, but economic growth was non-existent. Economic growth does not cause pollution; to say it does is a red herring. The air in Boston was much worse in the 1800s when wood-burning fireplaces were used to heat homes. Public health was a serious problem before sewage systems and water purification.

Statisticians have also tied faster economic growth to more driving, and more driving to more accidental death. But, more people driving provides massive benefits that are never counted.

Second, The Wall Street Journal published excerpts from a new book by Marc Levinson. The book, "*An Extraordinary Time: The End of the Postwar Boom and the Return of the Ordinary Economy*" says a drop in productivity after the 1973 oil embargo ended a post WWII boom. Since then, the US economy has grown more slowly – at least according to Levinson and his productivity data.

Levinson claims different government policies can't help. He says big government in the 1970s didn't hurt, and that it "is tempting to think that we know how to do better, that there is some secret sauce that governments can ladle out to make economies grow faster than the norm. But despite glib talk about

"pro-growth" economic policies, productivity growth is something over which governments have very little control."

These two pieces, from The Post and The Journal end up in the same place. Those who argue that growth kills people ask for more "equality" a bigger "safety net," and more "regulation." Those who argue government policy doesn't make a difference call for the same thing.

But this clever spin is misleading.

The Great Society started in 1964. Prior to that, non-defense government spending was just 7% of GDP. Today, non-defense government spending is 17% of GDP. Why researchers ignore this is a mystery.

Every dime in government spending is paid for by borrowing, or taxing, the profits and income that come from entrepreneurial growth. And every dime that is "removed" from the entrepreneurial process is a dime that can't be reinvested. When government started to grow in the late 1960s and 1970s and then again starting in 2000, the US economy slowed. Moreover, to say productivity, and the economy, didn't pick up in the 1980s is misleading. It did, even though measuring the benefit of computers is so difficult.

Government, after a point, and especially with redistribution, slows growth and slower growth means less innovation. Less innovation means less progress in medicine and technology and that's a risk for citizens.

The more researchers use statistics to move a policy, the more researchers ignore data that are readily available and correlations which make theoretical sense, the greater the risk to economic growth.

Accepting a point of view that says progress is dangerous or that progress is impossible is a recipe for the same government policies which have caused slower growth in the first place. One can only hope these dour philosophies don't gain traction.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
10-17 / 7:30 am	Empire State Mfg Survey – Oct	1.0	0.5	-6.8	-2.0
8:15 am	Industrial Production – Sep	+0.1%	+0.1%	+0.1%	-0.4%
8:15 am	Capacity Utilization – Sep	75.6%	75.5%	75.4%	75.5%
10-18 / 7:30 am	CPI – Sep	+0.3%	+0.3%		+0.2%
7:30 am	“Core” CPI – Sep	+0.2%	+0.2%		+0.3%
10-19 / 7:30 am	Housing Starts – Sep	1.175 Mil	1.190 Mil		1.142 Mil
10-20 / 7:30 am	Initial Claims – Oct 15	250K	251K		246K
7:30 am	Philly Fed Survey – Oct	6.0	15.7		12.8
9:00 am	Existing Home Sales – Sep	5.350 Mil	5.300 Mil		5.330 Mil