Greenie good guys are wrong to oppose economic growth
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Only a few sleeps to go before our annual Festival of Growth – otherwise known as the unveiling of this year's federal budget. People will want to know whether Treasurer Josh Frydenberg has done enough to "stimulate" growth. And whether the government's forecasts for growth are credible. But not everyone will be on the growth bandwagon.

A lot of people who worry about the natural environment will be dubious and disapproving. "Don't these fools know that unending growth is physically impossible?" "What kind of wasteland is all this growth in the production of stuff turning the planet into?".

I'll be banging on next week about the need for growth, but I know I'll be getting emails from reproving readers. "I thought you were one of the good guys. I thought you cared about the environment and had doubts about all the growth boosterism."

Most of the growth in GDP now comes from services not from the growth in the production of our use and abuse of natural resources.

Sorry, I do care about the environment and I do have doubts about the popular obsession with eternal growth. But I will still be marking the government down if it hasn't done enough to foster growth over the next year or three.

The anti-growth lobby is half right and half wrong. They know a lot about science and they think this means they know all they need to know about economics. What they don't know is the growth that scientists know about isn't the same animal as the growth economists measure and business people and politicians care so much about.

And I have a challenge for the anti-growth brigade: don't you care about the big jump in unemployment?

Let's start with the immediate crisis. The pandemic and our attempts to suppress it have led to a fall of 7 per cent in the size of the economy in the June quarter – as measured by the quantity of Australia's production of goods and services (real gross domestic product).

This massive contraction in production has involved a fall of more than 400,000 in the number of jobs, almost a million people unemployed and a jump in the rate of underemployment from 9 per cent to 12 per cent. Most of the people affected are young and female.

It's wrong to imagine that growth in GDP simply involves growth in the production of "stuff" – things you can touch.

If you're tempted to think that this fall in our production and consumption of "stuff" is a good thing and there ought to be more of it, what's your plan for helping all those people who've lost their livelihood? Put 'em on the dole and forget 'em?

The standard plan for helping them get their livelihood back (or find their first proper job after leaving education) is to get production back up and keep it growing fast enough to provide jobs for those in our growing population who want to work.

Until we've instituted a better way of securing the livelihoods of our populous, that's the solution I'll be pushing for. And the growth we end up with won't do nearly as much damage to the natural environment as the growth opponents imagine.

That's because what our business people, economists and politicians are seeking is growth in real GDP, and growth in GDP doesn't necessarily involve growth in our use (and abuse) of renewable and non-renewable natural resources. Indeed, as each year passes, GDP grows faster than growth in our use of natural resources.

What many environmentalists don't understand is that increased digging up of minerals and energy, and increased damage to tree cover, soil, rivers and biodiversity as a result of farming and other human activity accounts for only a small part of the growth of GDP.

> ***It's wrong to imagine that growth in GDP simply involves growth in the production of "stuff" – things you can touch. What economists call "goods". No, these days (and for decades past) most – though not all - of the growth in GDP has come from the growth in "services".***

That is, people - from the Prime Minister down to doctors, teachers, journalists, truck drivers and cleaners - who run around doing things for other people. Some of this running around involves the use and abuse of natural resources – including the burning of fossil fuels – but mostly it involves using a resource that's economic but not environmental: the time of humans. And, of itself, human time doesn't damage the environment.

The production of goods – by the agricultural, mining, manufacturing and construction industries – accounts for just 23 per cent of GDP, leaving the production of services accounting for the remaining 77 per cent.

Next, remember that a significant proportion of the growth in GDP over the years has come not from the application of more raw materials, land, capital equipment and labour, but from greater efficiency in the way a given quantity of those resources is combined to produce an increased quantity goods and services.

Economists call this improved "productivity" (output per unit of input). And it's the main source of our higher material standard of living over recent centuries, not our use of ever-more natural resources per person.

In my experience, many people with a scientific background simply can't get their head around the concept of productivity – which helps explain why many economists dismiss the anti-growth brigade as nutters. They can't take seriously people who appear to think increased efficiency must be stopped.

A final point is that growth in the population adds to environmental damage – although this is a moot point when most of the growth in a particular country's population comes merely from immigration.

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Now, let's be clear: none of this is to dismiss concerns about the immense damage we're doing to the natural environment, nor to imply that the global environment could cope with the world's poor becoming as rich as we are.

No, the point is that concern should be directed to the right target: not economic growth in general, but those aspects of economic growth that do the environmental damage: world population growth, use of fossil fuels, indiscriminate land clearing, irrigation, over-fishing, use of damaging fertilisers and insecticides, and so on.

Ross Gittins is the Herald's economics editor.