What does the New Economic Model mean for Economic Growth?

What does the New Economic Model mean for Economic Growth?

A sustainable High Road to Growth

The New Economic Model is based on a vision of moderate, steady growth based on the knowledge and creativity and improving productivity of workers, firms and public bodies. This model of 'high road' intensive growth delivers an environmentally and socially sustainable path of development by sidelining 'extensive growth' based on ever increasing use of inputs.

The New Economic Model puts the improvement of productivity at the core of growth. As we know from the largely fictional growth statistics in the Republic, productivity is more than just a number. More importantly it is a measure of our ability as a society and economy to generate genuine improvements in the quality of what we are able to do, and how we do it.

The New Economic Model roots these improvements in the interaction of three key elements:

- direct support for productivity growth through enterprise strategies and supports, sectoral taskforces and fostering 'good companies';
- boosting high quality employment through a mix of regulation and representation to take away the low road and of investments to make it possible for employers to follow the high road;
- and providing broader social protections and investments to underpin this high quality world of work by supporting skills, security and risk taking.

In this model, the kind of growth is far more important than the rate – and high rates of growth are not necessary to generate real economic and social benefits for all in the economy.

Genuine productivity improvements rely more on ingenuity and learning than on using up existing resources like land, water, minerals and other elements of the environment or 'sweating' the work of carers and communities who make it possible for workers to contribute at the workplace. This is helped by regulation to restrict such extensive use of common resources but also by the investments that support growth based on genuine productivity. A just transition to a sustainable economy is a driver of growth, not an obstacle to it.

This model of growth also smooths out the volatile swings and roundabouts of the business cycle – and even more importantly provides a buffer against growth bubbles and crises. This is because the policies that the New Economic Model advocates are based on long term investments that are designed to avoid falling into the temptation of speculative bubbles or chasing windfalls from growth bubbles. The comprehensive social model provides both protections against the effects of booms and busts in growth and investments in future productivity, even in difficult times. Reducing the volatility of growth also saves the cost of the 'scarring' of loss of employment and income as well as the welfare expenditures to recover from it.

Any rounds of growth bring with them social transformation, with new activities, relationships and organisational practices. However, the New Economic Model does not depend on a particular pre-determined mix of growth sectors. Overall, the historical trend is towards more work and activity in services and using the knowledge and human qualities of workers and communities. The model of growth proposed here puts those qualities at the centre of our development, with automation and new technologies as tools for people to use rather than systems that capture those human qualities. But there is no straight line to growth and development. In particular, we can expect – and are already seeing - a new surge of manufacturing and construction activity as we build the infrastructure for a new energy era and devise and diffuse new sustainable technologies.

The New Economic Model offers a strategy for growth and development that is both socially and environmentally sustainable and that links together the new activities that power growth and the well-being of the society. It is based on institutions that reliably support key investments in workers, communities, firms and public capabilities. Through these strategies and institutions it 'crowds out' unsustainable, less genuinely productive 'low road' activities and 'crowds in' and supports a high road model of sustainable growth.