

REASONS TO BE CHEERFUL

By: Matt Ridley, author of **The Rational Optimist**

<http://www.rationaloptimist.com/blog/reasons-be-cheerful>

January 1, 2011

Happy New Year.

I mean it. 2011 will see horrible things, no doubt, but it will also see a continuing incremental reduction in poverty, hunger, illness and suffering, plus a continuing incremental rise in most measures of human and planetary wellbeing.

Here's a fine blast of optimism from John Tierney in the New York Times. He took a bet with a peak-oiler and won hands down.

It's true that the real price of oil is slightly higher now than it was in 2005, and it's always possible that oil prices will spike again in the future. But the overall energy situation today looks a lot like a Cornucopian feast, as my colleagues Matt Wald and Cliff Krauss have recently reported. Giant new oil fields have been discovered off the coasts of Africa and Brazil. The new oil sands projects in Canada now supply more oil to the United States than Saudi Arabia does. Oil production in the United States increased last year, and the Department of Energy projects further increases over the next two decades.

The really good news is the discovery of vast quantities of natural gas. It's now selling for less than half of what it was five years ago. There's so much available that the Energy Department is predicting low prices for gas and electricity for the next quarter-century. Lobbyists for wind farms, once again, have been telling Washington that the "sustainable energy" industry can't sustain itself without further subsidies.

As gas replaces dirtier fossil fuels, the rise in greenhouse gas emissions will be tempered, according to the Department of Energy. It projects that no new coal power plants will be built, and that the level of carbon dioxide emissions in the United States will remain below the rate of 2005 for the next 15 years even if no new restrictions are imposed.

Maybe something unexpected will change these happy trends, but for now I'd say that Julian Simon's advice remains as good as ever. You can always make news with doomsday predictions, but you can usually make money betting against them.

I give some reasons for optimism in a Times article last week. Here is a slightly expanded version of it.

With one tenth – well, 11% -- of the twenty-first century now consigned to history, what is the verdict so far? A terrorist mass murder, two long wars, a financial crisis and a deep recession: not great. So perhaps it would surprise you to learn that, according to respectively Steven Pinker of Harvard University and Xavier Sala-i-Martin of Columbia University, the last decade saw the lowest number of global deaths in war since records began in 1945 and the fastest ever reduction in global income inequality.

Britons, who have spent most of this century at war, and the last two years getting poorer, may find these global numbers cold comfort. But they are actually good news for us too. The fact that the world economy grew by more than 5% in 2010 (nearly ten times as fast as it shrank in 2009) means more customers for our exports and more investment elsewhere in things that can improve our lives too – like cancer cures or self-clearing runways.

According to the IMF, away from Europe and North America, the world was booming this year. Asia has grown by 7.9%, South America by 6.3%, Africa by 5% and the Middle-east and North Africa by 4.1%. China and India, with 40% of the world's population, achieved roughly 10% growth between them. Moreover, this boom, because it is happening in poor countries, is rapidly reducing both poverty and inequality.

Despite the Great Recession, the per capita GDP of the average human being – that is to say, the value of goods and services that she consumes in a year – is now just over \$11,000, up from about \$8,500 (in today's dollars) at the start of the century. If it continues to increase at this rate of just under 3% a year – as it has more than done for 60 years – then by the year 2050 the average citizen of Earth will be earning and spending over \$30,000 a year in today's money, roughly the same as the average American spends today. By 2100 she will be spending nearly \$150,000 a year, or five times what an American now consumes.

This is almost unimaginable. Try to get your heads round the prospect of Africans and Afghans having the disposable income of today's Americans within the lifetime of your own children, let alone grandchildren. If it seems fanciful, consider this. If my great grandfather had made a similar forecast in 1910, based on the then growth rate of the world economy, then even assuming he would not have predicted two world wars and a Great Depression, he would still have hugely underestimated the average income of today.

What is growth? It means fulfilling more needs and more wants with a smaller amount of work. A kilowatt-hour of electricity cost an hour of work in 1900 for somebody on the average wage; it costs five minutes of work today.

The economic growth of the past decade took a century to achieve in 1810 and took a millennium to achieve in 810. That acceleration shows no signs of stopping, indeed it may be about to redouble. The root cause of economic growth is the mixing of ideas:

ideas on how to recombine the atoms and electrons of the world in such a way as to supply people's needs and wants more efficiently. Bring down barriers to the mixing of ideas (barriers in trade, energy, communication and education) and you will cause faster growth whether you want to or not. Nothing has brought down barriers to the mixing of ideas faster than the internet. Today a man in Shanghai and a woman in San Francisco can spark each other's thoughts in seconds, where two decades ago they needed books or aeroplanes to have such mental sex.

Economic growth has a strange and telling feature. While it jumps up and down in individual countries, in the world as a whole it shows an inexorable steadiness. Suppress it in one place and it surges elsewhere. Just as the mandarins who served the Ming emperors once sent prosperity into European exile, by erecting barriers to enterprise, so the Eurocrats who serve Emperor Herman van Rompuy are now returning the favour.

*Another symptom of this inexorability is simultaneous discovery. As Kevin Kelly reveals in his remarkable book *What Technology Wants*, every invention is plagued with disputes between people who perfected rival versions of it at the same moment: from telephones to lightbulbs, from natural selection to Neptune, from vaccines to transistors – synchronous discovery is the rule rather than the exception. That is because each innovation makes the next one 'ripe'. And since it is these inventions that raise living standards, the inevitability of discovery means inevitable economic growth.*

*What is more, this process generates virtue. The essence of virtue is co-operation: pro-social rather than anti-social behaviour. Study after study confirms that immersing people in commerce makes them nicer: *le doux commerce*, Montesquieu called it. Growth comes about through people working for each other. Self sufficiency is poverty; prosperity is mutual exchange and specialisation. The more you specialise in doing one thing for strangers and they each specialise in doing one thing for you, the better your productivity and the greater your standard of living. Millions of people you will never meet contributed to making for you each of the objects you use in your everyday life. Far from being a selfish creed, economic growth spreads collaboration.*

Moreover, with growth come other non-material benefits. As people get richer so they demand that more money and attention be paid to what were once luxuries like clean water, clean air, clean energy and biodiversity. So it is not just child mortality and family size that fall rapidly with wealth; pollution and habitat destruction come tumbling down once incomes pass a level of about \$8,000 a head. More and more countries are passing that threshold right now. Watch as India and China get interested in saving tigers and pandas – hopefully just in time. Watch as genetic engineers eventually revive the dodo and the thylacine: that is the kind of luxury great wealth can buy.

Not everything will go right. Because we are human, there will be wars, bubbles, recessions, disasters and superstitions, but just as the recent crisis failed to derail world growth, so it is unlikely that the great existential threats that each generation so warmly

clutches to its pessimistic bosom will blow away this inexorable boom. Doom after doom, from eugenic deterioration of the race to the collapse of computers at the millennium, has turned out to be a mirage. Population growth is slowing, and will halt altogether around 2070. Both theoretically and empirically, climate change looks set to continue to happen too slowly to reach a dangerous pace, absent some implausible feedback or tipping point mechanism. Fossil fuels, especially gas, far from running out, will prove sufficiently abundant to fuel even the super-prosperity of this century, before giving way to cheaper forms of energy as scarcity eventually drives up their price. Great plagues, mega-volcanoes, asteroids and vengeful superintelligent computers are all possible, but improbable.

At this dark, cold, austere moment, take a little cheer from the question: what could go right?