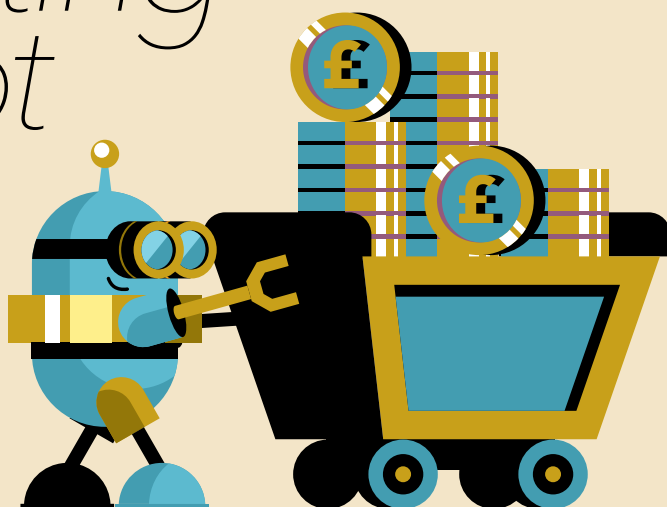


# Parting shot



IT IS WONDERFUL to learn that the Prime Minister believes that Britain will enter a post-Brexit 'golden age' such that by 2050 we will be the most prosperous economy in Europe. After the stagnation of living standards in the past ten years, this is most welcome news. Or at least it will be if it comes to pass.

The term 'golden age' is widely used to describe British economic performance in the years 1950 to 1973. Over that period real GDP per person grew at 3% per year, unemployment averaged 2% per year and inflation was 4% per year. It was a time of 'inclusive growth', when income inequality remained relatively low and the regions shared in the good times. The bad news was that other European economies did even better, especially in terms of economic growth, so that by 1973 real GDP per person in Britain had fallen appreciably behind France and West Germany despite starting out well ahead in 1950.

If we take the economic outcomes of the 1950 to 1973 period as the criteria, is it likely that post-Brexit Britain can match them, and will Brexit have facilitated them? The answers to these questions are 'not likely' and 'no'. Economic growth of 3% per year will require labour productivity to grow at least that fast. This is only

*The key to a new golden age is an era of benign technological progress.*

likely if new technologies such as artificial intelligence and robotics have a substantial economic impact. However, if close to 50% of tasks are computerised over the next two decades, as some experts suggest, the pressure on the labour market to adjust will be intense, and it is difficult to imagine that there would not be a significant rise in unemployment, at least for a while.

The impact of Brexit on economic growth will be to make a golden age harder to achieve. The direct impact on the level of productivity will be negative, especially if the UK leaves without a deal. The indirect impact might be thought to come through better economic policy. There certainly are reforms (for example in innovation, infrastructure, land-use planning, skills and taxation policies) which might help growth performance in the medium term. Improved policies have not, however, been precluded by

EU membership. The obstacles are to be found in Westminster not Brussels, and are deeply rooted in British politics rather than stemming from constraints imposed by the EU.

The key to a new golden age is an era of benign technological progress. It might just happen. Even so, it is not going to result in Britain becoming the most prosperous country in Europe by 2050 as conventionally measured by the national accounts. In 2018, there was a big gap between real GDP per person in Britain and in the European leaders. Luxembourg, Norway and Switzerland were 2.3, 1.6 and 1.4 times the British level, respectively. If we dismiss Luxembourg as somehow not comparable, overtaking the other two countries would be quite difficult. The arithmetic of compound growth says that we would need to grow at an average of about 1.5 percentage points per year faster than Norway and 1.0 percentage point faster than Switzerland throughout the next 30 years or so. But a golden age of technological progress would underpin Norwegian and Swiss as well as British growth. In the context of Brexit, it is more likely that, if technological progress were to deliver a golden age, just as in the post-war years, strong British economic growth would not be enough to prevent relative economic decline.

It is, of course, understandable that politicians present an optimistic view of what the economic future will look like under their leadership. By the same token, it is natural that economists are sceptical of this optimism not least because, of itself, optimism does not deliver the desired outcome. In this case, a reality check shows that Britain is not going to be the most prosperous country in Europe any time soon.

It is perhaps not surprising that politicians have had enough of experts who are unwilling to indulge their fantasies. However, shooting the messenger as an enemy of the people is not going to make the impossible happen. ◀

**Nicholas Crafts**