

a view is almost purely speculative. There is at least an equal probability that major innovations will occur in a number of areas — solar and other forms of energy, the seabed, space, agriculture — that will have an important impact on economic activity.

Government participation in economies

In many countries, the economic prosperity of the last 20 years allowed expansion of the public sector to a considerable degree, notably in important social areas. This expansion was broadly supported and, it is argued, contributed to economic growth. Even very conservative elements of society were willing to see some spending of the benefits of growth for the common good.

An economic downturn, however, has led to a surprisingly large consensus that governments have gone too far and that government spending needs to be cut back. Governments are under widespread pressure to reduce their role in society. California's Proposition 13 is a dramatic example. Although this might remove an element that has contributed to growth, governments are perceived by some as getting in the way of progress through the very size of the public sector, and through over-regulation. It is argued that less government would free the private sector for stronger expansion of economic activity.

Situations in developing countries

Whatever one's view as to whether certain resource, population, consumer, technological and public-sector plateaus may have been reached in the industrialized countries, these clearly have not been reached in the Third World. There is an enormous amount of dormant consumer demand throughout the Third World. The need for improved infrastructure is obvious. The scope for applying present technology is considerable. The problem is a shortage of investment and expertise. The savings and capital, along with the technology, remain in the industrialized countries, while there is ample need for its application in the Third World. Middle-income developing countries are at present growing more quickly than any other countries.

Meanwhile, in areas in which the Third World has become industrialized, its exports are having very disruptive effects in less efficient sectors in the industrialized world. The Third World clearly has a comparative advantage in these areas (footwear, textiles). This has led to excess capacity and the need for structural change in industrialized countries.

Social factors

At least for more affluent societies, additional economic indicators are an adequate measure of human satisfaction. The quality of life becomes more important once basic economic needs are met or exceeded. Concern for the environment grows as societies grow richer. The government has acted to check some forms of industrial activity that have led to traditional economic growth.

There is another related social phenomenon that sets limits on the desire of societies for quantitative growth. As individuals grow richer, the satisfaction they derive from goods and services depends not only on their own consumption of them but on consumption by others. The satisfaction derived from country house depends in part on how many other people have access to the surrounding area. Economic growth can lead to congestion, while the affluent may seek some exclusiveness in his life. The use of a private automobile is a good illustration of a phenomenon to which certain social limits will inevitably have to apply.

At a certain stage of individual wealth, a consumer's behaviour begins to shift in a way that may lead to his making a lesser contribution to the gross national product in favour of a better quality of life. After the Second World War, consumer behaviour provided a positive stimulus to growth in industrialized societies. Enormous demand for material goods was released. A stage has been reached in some wealthier countries in which a growing percentage of the population is turning its attention away from material goods (another car or television set) to better services and more leisure. It is argued, however, that further steps in income distribution within industrialized countries (and between developed and developing countries) would have a stabilizing effect on consumer spending.

Conclusion

No definitive conclusion of a trend towards greater or less dynamism over the long term can be drawn from the evidence. Neither the optimistic nor the pessimistic argument is overwhelming. It is certainly conceivable that industrialized countries are in the early stages of a longer-term downward swing in economic performance. Because of the clear need for difficult structural adjustments in industrialized countries over the next generation, the possibility should be borne in mind that economic growth will not be adequate to meet the expectations of wide sectors

Consensus that governments are costing too much