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Cluster: SEMRU.

Theme: Sustainable and Inclusive Societies.

Further Reading:

McGrath, L., Hynes, S., & McHale J. (2022). Reassessing Ireland's economic development through the lens of sustainable development. *European Review of Economic History*, 26, 399–422.

See also:

McGrath, L., (2022). Natural capital accounting: Using economic theory to "Green" the national accounts and measure sustainable development. *PhD Thesis*. https://aran.library.nuigalway.ie/handle/10379/17044.

McGrath, L., Hynes, S., & McHale J. (2019). Augmenting the World Bank's estimates; Ireland's Genuine Savings through boom and bust. *Ecological Economics*, 165.

McGrath, L., Hynes, S., & McHale J. (2020). Linking Sustainable Development Assessment in Ireland and the European Union with Economic Theory. *The Economic and Social Review*, Vol. 52, No. 2, Summer 2020.

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Read More About: Read more about the Socio-Economic Marine Research Unit here.

A century of Irish Economic History Through the Lens of Sustainable Development.

Economic historians have examined economic development in terms of output growth for decades. However, only limited research has examined economic history through the lens of sustainable development. After a century of Irish independence, our study, published in the European Review of Economic History, compares a sustainability perspective of Ireland's economic development with the conventional growth-oriented view. The analysis is based on long-run Genuine Savings (GS) measurement. GS is a leading economic indicator of sustainable development based on the concept of Comprehensive Wealth. GS is rooted in neoclassical growth theory and measures the annual change in the total aggregate stock of natural, social, physical, and human capital assets and technological progress. Together these assets are referred to as comprehensive national wealth. Economic theory shows that a reduction in comprehensive wealth (negative GS) implies future well-being must fall and thus offers a signal that an economy is on an unsustainable development path.

Research Findings

The main difference uncovered surrounds the post-1950 period when Ireland failed to achieve economic convergence and was thus considered an economic failure in growth terms. A comparative GS analysis using a sample of OECD countries combined with the economic theory suggests that Ireland's failure to achieve economic convergence should have been unsurprising in hindsight given the comparatively low rates of Irish GS recorded from independence to the 1950s. Thus, from a sustainability perspective, the period is viewed more favourably as Ireland is an overachiever that underwent a "great transition" along a development path driven by improved institutions and economic, social, and environmental policies. Overall, the results suggest that archaic institutions and poor economic and social policies hindered Ireland's economic development, these factors are cited by economic historians but show up more clearly in the GS analysis than conventional growth metrics.

Policy Implications

The economics of sustainable development suggests national output can be consistently rising but such growth is unsustainable if accompanied by the over-consumption of natural or physical wealth, and/or insufficient investment in human capital and technological advancement. Policies that take the economics of sustainable development seriously must aim at achieving economic growth and social goals consistent with comprehensive wealth enhancement. Examples of such policies include a shift away from a taxation base of labour towards resource consumption, the promotion of research and development and human capital, and the extension of property rights and/or Pigouvian pricing to internalise environmental externalities. A topical domestic example surrounds the usage of the sharp rise in corporation tax revenues during the pandemic recovery. The logic above suggests these revenues be treated as windfalls to be prudently invested for the longer term rather than consumed in the short term.

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