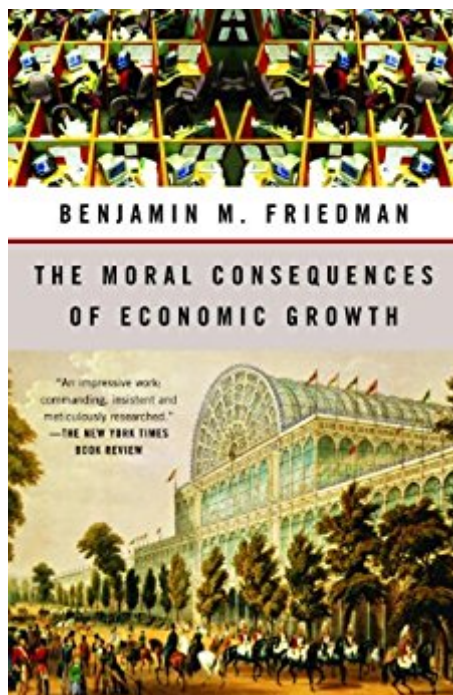


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The Moral Consequences Of Economic Growth



Synopsis

From the author of *Day of Reckoning*, the acclaimed critique of Ronald Reagan's economic policy ("Every citizen should read it," said *The New York Times*): a persuasive, wide-ranging argument that economic growth provides far more than material benefits. In clear-cut prose, Benjamin M. Friedman examines the political and social histories of the large Western democracies "particularly of the United States since the Civil War" to demonstrate the fact that incomes on the rise lead to more open and democratic societies. He explains that growth, rather than simply a high standard of living, is key to effecting political and social liberalization in the third world, and shows that even the wealthiest of nations puts its democratic values at risk when income levels stand still. Merely being rich is no protection against a turn toward rigidity and intolerance when a country's citizens lose the sense that they are getting ahead. With concrete policy suggestions for pursuing growth at home and promoting worldwide economic expansion, this volume is a major contribution to the ongoing debate about the effects of economic growth and globalization. From the Trade Paperback edition.

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Customer Reviews

Almost everyone can agree that economic growth is good: the material benefits of more jobs, better pay, bigger houses and more money to spend on education and healthcare are indisputable. There may be a few spoilers railing against resource depletion, urban blight, and greenhouse gases, but ultimately those problems can be overcome by growth also. Now Harvard professor Benjamin Friedman argues that in addition to material benefits there are also moral benefits. Friedman writes that: "Economic growth - meaning a rising standard of living for a clear majority of citizens - more often than not fosters greater opportunity, tolerance of diversity, social mobility, commitment to fairness and dedication to democracy." And conversely, when there is economic stagnation or decline the citizen's "moral character" tends to decline accordingly, there being less tolerance, less openness, and less generosity to the poor and the disadvantaged. Using the United States as a case in point, Friedman argues that from 1953 to 1973 median family income doubled. As the economy grew and Americans prospered, society became more open and tolerant. During this period, segregation became unconstitutional, the right to vote was guaranteed, racial discrimination was banned, fair housing and equal employment opportunity legislation was enacted. These events made America a more just and equitable society. Then from 1973 to 1995, the average wage in today's dollars declined. The national mood toward progressive social programs began to sour. Indeed these programs were cited by some as being unduly burdensome and being the cause of slow wage growth. Nevertheless, in times of falling incomes, Americans naturally become more concerned with their share of the shrinking economic pie.

This book is well-intentioned. And the author (BF) is candid enough to admit there are some facts his theory doesn't explain. But the thesis is in large part either so vague and full of exceptions as to be unverifiable, or else demonstrably wrong. The book's affirmative thesis is that (i) "[E]conomic growth brings not only higher private incomes but greater openness, tolerance and democracy" (@15), (ii) "Economic growth matters because it enables the majority of a society's population to feel better off compared to benchmarks that are still recent enough to be meaningful. But once growth stops ... it is only a question of time before habits adapt and the sense of well-being dissipates" (@83), and (iii) "[I]n a stagnant economy, where one person's gain is necessarily someone else's loss, people who get ahead are perceived not only as doing so at other peoples' expense but as directly disadvantaging others. ... Stagnant economies, therefore, do not breed support for economic mobility, or for openness of opportunity more generally" (@86). BF tries to prove this by showing that during periods of "stagnation", countries often see outbreaks of racism, fascism, etc., while during periods of growth, they often enact laws (or undergo changes in social

mores) that extend civil liberties and social welfare benefits to wider groups of people (see charts @ 214, 243, 265, 294). An abbreviated list of issues I had with this line of argument: 1. WHAT IS GROWTH?: You have to wait until p. 47 for BF to offer his definition of economic growth: "a sustained increase in per capita incomes and living standards" (@47). But is this median income? GDP per capita? Something else?

What is the link between growth and democracy? In his latest book, *The Moral Consequences of Economic Growth*, Harvard University Professor Benjamin Friedman argues that economic growth or its absence shapes the moral character of a society. For the broad majority of a country's citizens, whether or not living standards are rising determines whether laws are tolerant of new ideas, supportive of immigrants, or protective of poor people. Throughout history, stagnation and economic decline have been associated with intolerance, while growth has been associated with increased tolerance and democracy. While much of the evidence covered by Professor Friedman is drawn from the history of western economies, he argues that there is plenty of evidence available from developing economies as well. In that context, his book provides abundant illustrations suggesting that even if rising incomes do not solve all problems, they certainly help significantly improve the moral strength of societies, including their ability to open up to welfare improving reforms. Consider ethnic disputes. When they often originate in a fight over limited resources, economic growth enables conflicting groups to compromise simply because they become less inclined to suspect that others are doing better at their expense. As long as people see their own income rising, they worry less about doing better than others. This creates an environment favorable to political and social advances. The "moral" gains achieved then further fuel the motivation to work towards growth collectively. Friedman warns, however, that trying to go too fast on the moral front simply to get ahead on that dimension without delivering on the growth agenda can prove to be a major problem, or even be unsustainable.

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