

# Growth Is Good

*An economist's take on the moral consequences of material progress*

by J. BRADFOLD DELONG

BOOKS

**W**E ECONOMISTS HAVE ALWAYS BEEN very good at detailing the material consequences of modern economic growth. It makes us taller: we are perhaps seven inches taller than our preindustrial ancestors. It makes us healthier: babies today have life expectancies in the seventies, not the twenties (and more than

half that improvement is not directly related to better medical technology, narrowly defined). It provides us with leisure: eight-hour workdays (rather than "Man's work is from sun to sun, and woman's work is never done.") It provides us with enough clothing that we are not cold, enough shelter that we are not wet, and enough food that we are not hungry. It provides us with amusements and diversions, so that there is more to do in the evenings than huddle around the village campfire and listen yet again to that blind poet from the other side of the Aegean tell the only long story he knows—

**Full throttle:** China's remarkable growth, symbolized by the 1956 rice harvest in Yunnan Province and by today's Pudong district, in Shanghai.

the one about Achilles and Agamemnon. As time passes, what were luxuries become, first, conveniences, and then neces-

sities; what were utopian dreams become first luxuries and then conveniences; and what was unimagined even in wild fantasy becomes first utopian dreams and then luxuries.

Economists have been less good at detailing the *moral* consequences of economic growth. There are occasional apothegms: John Maynard Keynes observed that it is better for a man to tyrannize over his bank balance than his fellows (a rich society has an upper class



Benjamin M. Friedman,  
*The Moral Consequences of  
Economic Growth* (Knopf, \$35).

that focuses on its wealth as power-over-nature, rather than on its power as power-over-people). Adam Smith wrote about how wealth made it attractive for the British aristocracy to abandon their feudal armies and private wars and move to London to take up positions in society and at court. Voltaire (who not even I can claim was an economist) observed that people who in other circumstances would try to kill each other for worshipping the wrong god (or the right god in the wrong way) were perfectly polite and civil when they met each other as potential trading partners on the floor of the London Exchange. Albert Hirschman (who is an economist) wrote a brilliant little book, *The Passions and the Interests*, about the eighteenth-century idea that commercial society made humans “sweet”: polite, courteous, and civilized, viewing one another as potential partners in mutually beneficial market exchanges, rather than as clan members to be helped, clan enemies to be killed, or strangers to be robbed. But focus on the moral consequences of economic growth has—from the economists’ side, at least—been rare.

Benjamin M. Friedman ’66, Jf ’71, Ph.D. ’71, Maier professor of political economy, now fills in this gap: he makes a powerful argument that—politically and sociologically—modern society is a bicycle, with economic growth being the forward momentum that keeps the wheels spinning. As long as the wheels of a bicycle are spinning rapidly, it is a very stable vehicle indeed. But, he argues, when the wheels stop—even as the result of economic *stagnation*, rather than a downturn or a depression—political democracy, individual liberty, and social tolerance are then greatly at risk even in countries where the absolute level of material prosperity remains high.

Consider just one of his examples—a calculation he picks up from his colleague Alberto Alesina, Ropes professor of political economy, and others: in an average country in the late twentieth century, real per capita income is falling by 1.4 percent in the year in which a military coup occurs; it is rising by 1.4 percent in the year in which there is a legitimate constitutional transfer of political power; and it is rising by 2.7 percent in the year in which

no major transfer of political power takes place. If you want all kinds of non-economic good things, Friedman says—like openness of opportunity, tolerance, economic and social mobility, fairness, and democracy—rapid economic growth makes it much, much easier to get them; and economic stagnation makes getting and maintaining them nearly impossible.

The book is a delight to read, probing relatively deeply into individual topics and yet managing to hurry along from discussions of political order in Africa to economic growth and the environment, to growth and equality, to the Enlightenment thinkers of eighteenth-century Europe, to the twentieth-century histories of the major European countries, to a host of other subjects. Yet each topic’s relationship to the central thesis of the book is clear: the subchapters show the virtuous circles (by which economic growth and sociopolitical progress and liberty reinforce each other) and the vicious circles (by which stagnation breeds violence and dictatorship) in action. Where growth is rapid, the movement toward democracy is easier and socie-

ties become freer and more tolerant. And societies that are free and more tolerant (albeit not necessarily democratic) find it easier to attain rapid economic growth.

Friedman is not afraid to charge head-on at the major twentieth-century counterexample to his thesis: the Great Depression in the United States. Elsewhere in the world, that catastrophe offers no challenge to his point of view. Rising unemployment and declining incomes in Japan in the 1930s certainly played a role in the assassinations and silent coups by which that country went from a functioning constitutional monarchy with representative institutions in 1930 to a fascist



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## OFF THE SHELF

A sampling of current books received at this magazine

**The Talking Ape: How Language Evolved**, by Robbins Burling, Ph.D. '58 (Oxford University Press, \$29.95). A persuasive, urbane, and gin-clear account of how language came to be, and how it affects the way we think and behave, by a professor emeritus of anthropology and linguistics at the University of Michigan.

**Pull: Networking and Success since Benjamin Franklin**, by Pamela Walker Laird '69 (Harvard University Press, \$29.95). This is America: with talent and industry, anyone can rise from messenger boy to tycoon, just as Andrew Carnegie did. Bunk, writes Laird, associate professor of history at the University of Colorado, Denver. There are no self-made men. To succeed in business one must have social assets—mentors, access to influential networks, a way around gatekeepers.

**The Trial: A History, from Socrates to O.J. Simpson**, by Sadakat Kadri, LL.M. '89 (Random House, \$29.95). Four thousand years of courtroom drama. The author, a criminal lawyer in England, explores serious societal matters with captivating verve and humor.

**The Conference of the Birds**, by Jeffrey Lewis, J.D. '70 (Other Press, \$22.95). Lewis's quartet of novels tracking the post-war "elite" of American life over the course of 40 years began with *Meritocracy: A Love Story*, set in the 1960s. This is the second, portraying members of the generation in New York City in 1978, feeling disinherited.

**The Formation of Chinese Civilization: An Archaeological Perspective**, by the late Kwang-chih Chang, Ph.D. '60, Hudson professor of anthropology, Xu Pingfang, and others, edited by Sarah Allen (Yale University Press, \$65). The authors take readers into the great archaeological finds of the past hundred years in a large,



Barbara Bosworth photographs "champion" trees—the biggest of their species. She made this panoramic view of a Darlington oak in three parts with an 8x10 camera.

handsomely illustrated book for scholars and interested tourists as well.

**Trees, National Champions**, photographs by Barbara Bosworth, with essays by Douglas R. Nickel and John R. Stilgoe, Ph.D. '77, Orchard professor in the history of landscape (MIT Press, \$39.95). "The lone mature tree or compact group of mature trees in otherwise open country," Stilgoe writes, "stands outside of ordinary American landscape aesthetics and at the edge of photographic possibility."

**Our Parents, Ourselves: How American Health Care Imperils Middle Age and Beyond**, by Judith Steinberg Turiel, Ed.D. '77 (University of California Press; \$55, cloth; \$21.95, paper). Medical writer Turiel considers how social and healthcare policies affect our daily lives. She may be especially helpful to people caring for aging parents.

**Tempting Tropicals: 175 Irresistible Indoor Plants**, by Ellen Zachos '82 (Timber Press, \$29.95). The irresistibility of these largely uncommon plants is furthered by many color photographs, most by the author, and by substantial, helpful descriptions of the exotics and their desires. Zachos teaches at the New

York Botanical Garden. (For more about her, see "Miserable She's Not," July-August 2003, page 87.)

**The Intellectuals and the Flag**, by Todd Gitlin '63 (Columbia University Press, \$24.95). The fundamentalist left, writes Gitlin, professor of journalism and sociology at Columbia, "negates politics in favor of theology. It wheels away from the necessary debates about where to go from here. It takes refuge in the margins, displaying its clean hands, and recuses itself." The left, he argues, must imagine and propose a reformed America.

**Graffiti Brasil**, by Tristan Manco, Lost Art, and Caleb Neelon, Ed.M. '04 (Thames & Hudson, \$22.50, paper). A guide in words and 300 color photographs to the extraordinarily creative graffiti of Brazil, to which alumnus Neelon has made his own contribution in paint.



A detail from a wall adjacent to the Carandiru Prison, São Paulo, by artist Speto

**Bees Besieged: One Beekeeper's Bittersweet Journey to Understanding**, by Bill Mares '62 (Root, \$25, paper). A tour de force on beekeeping. Naturalist Edward Hoagland '54 calls it "torrentially informative...fun and fascinating."

military dictatorship in 1940—a dictatorship that, tied down in a quagmire of a land war in Asia as a result of its attack on China, thought it was a good idea to attack, and thus add to its enemies, the two superpowers of Britain and the United States. In western Europe the calculus is equally simple: no Great Depression, no Hitler. The saddest book on my shelf is a 1928 volume called *Republican Germany: An Economic and Political Survey*, the thesis of which is that after a decade of post-World War I political turmoil, Germany had finally become a stable, legitimate, democratic republic. And only the fact that the Great Depression came and offered Hitler his opportunity made it wrong.

In the United States, however, things were different—and not favorable to Friedman's broad thesis. The 1930s were an extraordinarily painful economic shock to this country, but also a decade during which our nation strengthened its commitment to the liberal values that are its best nature. Admittedly, things might have gone otherwise: consider Huey Long in Louisiana, Father Coughlin over the airwaves, California's treatment of Depression-era migrants from other states that we read about today only in *The Grapes of Wrath*, and the white-hot hatred for Roosevelt as a class traitor that puts today's shrill, unbalanced critics of Bush and Clinton in the shade. (Up until his dying day six months ago, my 98-year-old grandfather would still say the country was lucky to have survived FDR.) All these examples show us signs of an America that could have gone the other way in the 1930s. Yet, as Friedman writes, "America during the Great Depression strengthened its commitment to these positive values [of openness, tolerance, and democracy], and, moreover, did so in ways that proved lasting." The New Deal was a:

chaos of experimentation...to mobilize the effective energy of government to spread economic opportunity as widely as possible—to include those whom birth and the tide of events had left out of the distribution of America's economic dividends. Rather than seeking scapegoats to exclude...the route America took in the 1930s was deliberately pluralist and inclusive, seeking input and participation from a more diverse collection of

Dale Higbee hopes to learn the source of a comment by Archibald MacLeish: "We know all the answers; it's the questions we don't know."

Alethea Black requests the title and author of a poem about how life would be if we grew younger over time. The last line is, "And suffering, of course, is joy."

Karl Engelman asks if anyone can identify an "insightful commentary" that defines conversation between two people as, in fact, an interaction among six participants, with each side consisting of the person speaking, the person the speaker *thinks* he is, and the person the other speaker thinks the first speaker is.

constituencies than ever before. And the intent of all this political activism was not just restored economic prosperity but more equal economic opportunity.

The line I use in my American economic-history lectures starts by suggesting that before the Great Depression, America's rural, small town, and urban (and overwhelmingly Protestant) middle classes—farmers, druggists, merchants, and so forth—did not really believe that they had interests in common with the non-white rural and the not-quite-white (and Jewish and Catholic) urban-immigrant working classes. The Great Depression impoverished enough people who *thought* they had it made to convince enough of the middle class that they had enough interests in common with the working class to make it worthwhile to push for equality of opportunity for everyone—or at least for some people who weren't white, northern-European Protestants. This is my best guess, but it is only a guess. Friedman does not really know why the Great Depression did not make America a less democratic, less tolerant, less free country. But he does not apologize: he concludes his chapter by quoting the noted Harvard economic historian Alexander Gerschenkron—"Historical hypotheses are not...universal.... They cannot be falsified by a single exception."

## CHAPTER & VERSE

*A correspondence corner for not-so-famous lost words*

"Rooty-toot-toot" (November-December 2005). David Challinor, whose father was in the first graduating class of Carnegie Institute of Technology (now Carnegie Mellon), in 1908, recalls hearing this verse sung in Pittsburgh in the 1920s. But Catherine Dwyer and other fans of Rice University ("Institute" until 1960; opened in 1912) vehemently claimed this variant of what may be an old Boy Scout cheer. (Robert Bradbury supplied a traditional last line, rendered in falsetto: "Our class won the bible!") Among other candidates: the city jail and MIT.

Send inquiries and answers to "Chapter and Verse," Harvard Magazine, 7 Ware Street, Cambridge 02138.

FRIEDMAN HAS NOT written his version of economic history and moral philosophy just for the sake of antiquarians like me who like to read about the strange and faraway places that are our own past. He takes historical patterns and draws from them immediate and powerful lessons for the present.

Consider China. There are those today in Washington, D.C., who look forward to a future in which China is America's enemy: they believe it will in some way increase our "national greatness" to wage a new Cold War in Asia—albeit against an enemy weaker than Stalin's Soviet Union was. There are those in Vice President Cheney's office who think that trade with China is a bad idea: it creates a pro-China lobby that will stop any attempts by the United States to slow down China's growth and acquisition of technology. Better, they think, to try to keep China as poor and barefoot as possible for as long as possible.

From Friedman's perspective—and from mine—this is simply insane. In all likelihood, China a century from now will be a full-fledged post-industrial superpower whatever the policies of the United States. Do you want to maximize the likelihood that that superpower will have a representative government presiding over an open, free society? Then work to maximize economic growth, says Friedman. (And I would add: Does it really improve

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the national security of the United States for schoolchildren in China to be taught that the United States sought to keep them as poor as possible for as long as possible?)

In fact, the China policy of the Clinton administration was to do whatever we could to speed China's growth in the expectation that rapid economic growth will introduce the political cuckoo's egg of democracy into the nest. A rapidly growing, prosperous middle class will be interested in liberty and opportunity, and will be a much more powerful force for democratization and personal freedom in China than a battalion of lecturing neo-conservative think-tanks or a host of remotely guided cruise missiles.

Consider the developing world more broadly. Friedman is—as I am—a card-carrying neoliberal. We economists do not understand very much about how knowledge of modern technologies and effective organizations and institutions diffuses from region to region around the globe. We do know that it diffuses appallingly slowly: there are still three billion people throughout the world whose lives are largely preindustrial (even if they are far above the Malthusian poverty in which most of our preindustrial ancestors lived). We suspect that maximizing contact—economic, social, and cultural—is a powerful way to transfer ideas and practices. Hence the neoliberal imperative: do whatever you can to maximize economic growth in the developing world, and hope that rapid growth generates in its train the strong local pressures for social, environmental, cultural, and political advance that are needed if non-economic forms of progress are to be stable and durable.

There is a criticism of the neoliberal view that holds that higher material incomes cannot be the cure to poverty, for poverty is also a lack of voice in society, a lack of security in one's position, and a lack of respect. With all this Friedman agrees. But he adds that faster material progress is the best way to generate pressures to produce voice, security, and respect.

Hence the neoliberal imperative: lower barriers to trade and contact; lower barriers of all kinds; lower barriers in the expectation that faster economic growth will itself generate countervailing pressures that will undo and cure the bad so-



cial and distributional side-effects of faster growth. Friedman's reading of the moral consequences of economic growth provides a powerful piece of support to this neoliberal imperative. (Support so powerful, in fact, that Joseph E. Stiglitz, our Nobel Prize-winning non-neoliberal friend, has an attack on *The Moral Consequences of Economic Growth* in the November-December 2005 issue of *Foreign Affairs*.)

Consider the United States today. For a generation now, the benefits of economic growth have been concentrated in those slots in American society that are at or near the top. To the extent that any of America's working class is richer today in inflation-adjusted terms than the nation's workers were in the early 1970s, it is because today's households have fewer children and a greater proportion of their members out earning money. America's middle class today does live better than the middle class lived in 1970 (and a bunch of the children of the 1970s working class are in today's middle class). But today the gap between America's middle class and its upper class yawns extremely wide, at

levels not seen since before the stock market crash of 1929.

Friedman is very worried that unequally distributed prosperity is not really prosperity at all. During the past generation we have seen the U.S. government place its thumb on the scales on the side of making the distribution of income and wealth in America more unequal. Some of this has been for reasons of economic efficiency: withdrawing the regulatory umbrellas that allowed some unions to turn blue-collar jobs into occupations with middle-class salaries, or reducing tax rates while eliminating loopholes. Some has been for reasons of moral purity: the replacement of the idea that being a single mother raising children was an important social task that deserved support with the idea that single mothers ought to work. Some is simply a naked wealth grab by the politically powerful.

What will the moral consequences of unequally distributed prosperity be? Friedman fears, and perhaps for good reason, that they will resemble the consequences of economic stagnation. People who feel that they are living no better, or

not much better, than their parents will search for enemies: Hollywood writers, foreigners, people of "loose" morals, and Harvard graduates. And America will become a less free and less democratic society. The argument follows the lines of the argument in Thomas Frank's *What's the Matter with Kansas?* Those for whom the American market economy is not delivering increasing prosperity do not reach for the right answer: policies to strengthen the safety net, provide security through social insurance, and improve opportunity through better education. Instead, they reach for the wrong answers: closing down society and denouncing enemies—anti-Hollywoodism as the social democracy of fools, one might say.

I find myself more optimistic. This is not to say that I disagree with the political program for America today that can be drawn out of Friedman's book: the pro-growth, pro-opportunity, pro-social-insurance policies of today's national Democratic Party are mother's milk to me. But I do not think we look forward to the generation of stagnation in the working and the middle classes that Friedman

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fears. Yes, the past generation has been a distributional disaster for America. Yes, at some point in the future the “outsourcing” of jobs made possible by modern telecommunications and computer technologies will produce enormous structural change in the American economy. But the population of the United States is

growing slowly. The desirability of the United States as a place in which to locate economic activity is growing rapidly: the underlying engine of technological progress is spinning faster than it has in at least a generation. I see rising working- and middle-class incomes in America during the next generation generating

what is in Friedman’s terms a virtuous, not a vicious, circle. ♡

J. Bradford DeLong ’82, Ph.D. ’87, professor of economics at the University of California at Berkeley, is at work on “The Economic History of the Twentieth Century: Slouching towards Utopia?”

## OPEN BOOK

### *They Do It So Much in New England*

He was an admiralty lawyer whose second career was to effect improvements in public affairs—“meddling,” as he put it. CCB: *The Life and Century of Charles C. Burlingham, New York’s First Citizen*, by George Martin ’48 (Hill and Wang, \$35), tells of the role played by the high-spirited CCB, as everyone called him, in keeping peace on Commencement day in 1935. As president of the Harvard Alumni Association, CCB, A.B. 1879, LL.D. ’34, presided over the afternoon speechifying, and the situation was tense. He had proposed as speakers William Allan Neilson, president of Smith, and Henry A. Wallace, secretary of

agriculture, both of whom would receive honorary degrees that morning. Speeches by President James B. Conant and James Michael Curley, governor of Massachusetts, were preordained. Rumors of an honorary degree for a New Deal official raised protests and predictions of a political storm at Commencement. Hearst newspapers had called for loyalty oaths for teachers, Curley was strongly in favor of legislation to require them, and Neilson was strongly opposed. CCB orchestrated the order of speakers to be as little incendiary as could be and began the proceedings, Martin relates, as follows:

**O**N COMMENCEMENT DAY, in his brief introductory speech, he said genially that he personally had “no contribution to make on higher, or any other, education.” Instead, “I will venture to tell you what Gertrude Stein [A.B. 1898] said when she recently revisited” New England:

Education is thought about and as it is thought about it is being done in the way it is thought about, which is not true of almost anything. Almost anything is not done in the way it is thought about but education is done in the way it is thought about and that is the reason so much of it is done in New England and Switzerland....

In New England they have done it, they do do it, they will do it and they do it in every way in which education can be thought about.

I find education everywhere and in New England it is everywhere, it is thought about everywhere in America everywhere but only in New England is it done as much as it is thought about. And that is saying a very great deal. They do it so much in New England that they even do it more than it is thought about.

The predominantly New England audi-

ence, feeling somehow flattered by this modernist talk, smiled, though later one alumnus, in congratulating CCB on his ability to quote Stein “so comprehensibly,” confessed: “I do not feel quite sure what all of it meant, but I expect that is my own stupidity. At any rate, it gave me much pleasure at the time.”

CCB touched lightly on one of the day’s sore topics....Before closing with a general statement about freedom and truth, CCB offered his own opinion:

I see no reason why a good teacher or student should be dropped from the rolls of any college because he is a pacifist, a communist, an atheist, or any other form of “ist,” provided he sticks to his last in the classroom and is a propagandist only *extra mures*....I have no fear of Fascism in this country, but I confess that I look with some apprehension on the successes of self-styled patriotic societies in putting on the statute book laws...requiring teachers in private as well as public schools to take a loyalty oath.

...The next month the *Alumni Bulletin* reported, “Throughout the addresses...ran an [undertone] of tension.” But CCB’s handling of the day won praise on all sides, not least because he had spoken forthrightly yet not given offense. Within the

university he was now considered a graduate worth consulting, and Harvard officials began to seek his thoughts on troublesome issues.... One problem [Joseph R.] Hamlen [publisher of the *Bulletin*] took privately to CCB concerned preparations for the university’s tercentenary celebration in September 1936. Former Harvard president [A. Lawrence] Lowell was refusing to introduce or even sit on the dais with either Governor Curley or President Roosevelt. His reasons had more to do with ego and misunderstanding than politics, and CCB had a part in restoring peace. A disagreement between Conant and the faculty over salaries and retirements threatened to be more divisive, but it, too, was resolved successfully. And in June 1940 the alumni association inaugurated an “Alumni Medal” for service to the university by awarding it to CCB.



**Charles C. Burlingham in New York, 1930.**

COURTESY OF CHARLES BURLINGHAM JR.