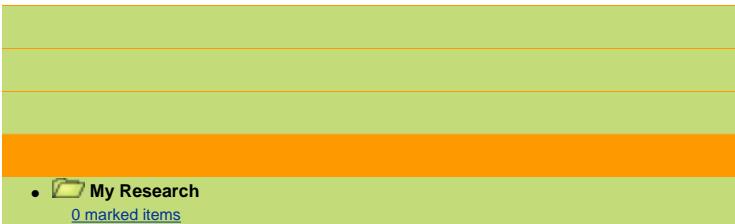


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**BusinessWeek****What's So Good About Growth**Michael Mandel. [Business Week](#). New York: Nov 7, 2005. , Iss. 3958; pg. 144**Other available formats:** [Abstract](#)**Abstract (Summary)**

The Moral Consequences of Economic Growth, by Benjamin M Friedman, is reviewed.

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**THE MORAL CONSEQUENCES****OF ECONOMIC GROWTH**

By Benjamin M. Friedman

Knopf; 592pp; \$35

The title of Harvard University economist Benjamin M. Friedman's new book, *The Moral Consequences of Economic Growth*, might seem a bit off-key. After all, politicians and economists typically focus on the material benefits of growth -- more and better jobs, higher gross domestic product, larger incomes, and more money available for government programs. And companies such as Wal-Mart Stores Inc. typically point to economic benefits, such as low prices for consumers and jobs for workers, when they want to justify their business policies.

But the narrowness of the public discussion is exactly what Friedman wants to address. "Our conventional thinking about economic growth fails to reflect the breadth of what growth, or its absence, means for a society," he writes. "Growth is valuable not only for our material improvement but also for how it affects our social attitudes and our political institutions -- in other words, our society's moral character."

The real benefit of growth, Friedman argues, is that it encourages a wide range of social virtues, including dedication to democracy, tolerance of diversity, social mobility, and commitment to fairness. By contrast, he writes, "when living standards stagnate or decline, most societies make little if any progress toward any of these goals, and in all too many instances they plainly retrogress."

The book, at almost 600 pages, is too long and quite repetitive in spots. And it doesn't pack the punch of Friedman's influential 1988 book, *Day of Reckoning: The Consequences of American Economic Policy Under Reagan and After*, which warned that massive budget deficits were going to badly damage the U.S. economy.

But in this book Friedman has scored a dead-center hit on the critical question: Why do we value economic growth? The usual argument is that a bigger GDP -- more goods and services -- leads to happier, more satisfied citizens. But that apparently simple proposition turns out to be far more complicated. As Friedman notes, there is plenty of evidence that people judge their well-being by comparing themselves to others. As the average income in a country goes up, so do expectations. As a result, the level of GDP per person in a country, taken alone, doesn't necessarily say much about the level of happiness.

The lack of a direct link between personal satisfaction and the level of GDP per person seems to undercut the purely economic arguments in favor of growth. After all, why should we undergo all the turmoil of technological change and economic restructuring if more gadgets and bigger homes aren't going to make us happier in the end?

Friedman argues that economic growth has a key additional benefit: As long as people see their own income rising, they worry less about doing better than others. And that in turn creates a more favorable environment for political and social advances. To demonstrate this point, he draws on economic studies and historical examples, both American and global. In the 1700s, he points out, it became accepted that the rise of commercial and trading activity was a force for positive legal and institutional change. Adam Smith, for one, believed that moral progress went hand in hand with economic progress, as voluntary exchange replaced the use of force.

Friedman points to the Ku Klux Klan in the U.S. and the Nazis in Germany as examples of what can happen when growth vanishes. And he worries that "rising intolerance and incivility and the eroding generosity and openness...have been, in significant part, a consequence of the stagnation of American middle class living standards during much of the last quarter of the twentieth century."

Friedman is forthright about admitting that the New Deal doesn't fit his argument. He says the hard times of the Great Depression brought forth a virtue: a generous public response. But the New Deal was "exceptional," says Friedman, arguing that rising incomes in general make people more willing to help others.

The link between economic growth and democracy also works on a global level. The movement toward civil liberties and open societies, says Friedman, has been most successful in countries with rising incomes: He predicts China will take this same path.

This is not a politically biased book -- you would have a hard time telling from it whether Friedman is a Republican or a Democrat. But it does provide a new framework and language for discussing economic growth, one that's useful for economists, politicians, and business leaders alike. The goal is not simply more, but more moral.

Credit: For more discussion about growth and posts on other topics, read Mandel's blog at [businessweek.com](http://businessweek.com)

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