

**PHILOSOPHY, HISTORY,
AND METHODOLOGY
OF ECONOMICS**

The Moral Consequences of Economic Growth

Benjamin M. Friedman

New York: Alfred A. Knopf, 2005 (570 pages)

It is a shame when what could be a good book is made into a somewhat mediocre one by overreaching. Friedman has written an interesting and well-researched economic history of the relationship between economic growth and certain aspects of political and economic life. His main thesis is that economic growth “more often than not creates greater opportunity, tolerance of diversity, social mobility, commitment to fairness, and dedication to democracy” (4). He provides considerable evidence, not all of it convincing, for his thesis that there is a relationship between growth and those particular aspects of our moral culture. His claim to be laying out the relationship between growth and moral progress, however, suffers from both too limited a focus and too much generalization.

Friedman wants to counter the argument that economic growth is simply about material well-being and also to argue that it is “simply not true that moral considerations argue wholly against economic growth” (14). The author undertakes an admirable task and one that needs much more attention. The moral and ethical issues surrounding economic growth are of great importance, and as he points out, many commentators have seen an inherent conflict between morality and economic progress. This book could be a useful antidote to the rather constricted view that economic growth only provides material well-being and that moral arguments do not favor a private property market system, but it has only limited success in that respect.

Friedman carefully summarizes Enlightenment thinking with regard to moral progress and also connects it well to religion and religion's impact on economics. He begins his argument by pointing to recent periods of economic stagnation and economic growth in the American economy and the impact of these conditions on certain aspects of our civic culture. He also provides a well-researched economic history of the United States, again connecting the rates of economic change that have existed at various periods in time to attitudinal changes on the part of the American populace. Friedman analyzes other economies as well, taking up the history of Britain, France, and Germany and changes in their legal and social structure. Finally, the argument is extended to the developed world and the relationship between growth and democracy. The book concludes with policy recommendations for maintaining economic growth in the United States, based on Friedman's belief that moral progress, as he defines it, is crucially dependent upon a flourishing economy.

However, Friedman's book suffers from serious flaws. He is too quick to take the Enlightenment perspective that economic and moral progress go hand in hand, and he has a very narrow perspective on the essential components of morality. In his attempts to resurrect Enlightenment thinking with respect to moral progress, he takes a limited view of what counts for improvements in morality; namely, more openness, tolerance, and a greater degree of political democracy. If he wishes to take up issues of morality and the economy, it is unfortunate that he does not treat the basic question of whether or not market economies, which he seems to favor, are morally legitimate in their fundamental structure. He has no discussion of individual rights, whether these rights are morally defensible or not, or the ethical implications of engaging in consensual transfers of property rights through market exchange. He does not take seriously the possibility that increased material well-being and expanded opportunities may remove certain moral constraints in society and change perceptions of what ends are worth striving for. Neither does he take up basic issues of honesty, personal integrity, or commitment to family and marriage. Because these issues are fundamental to any discussion of the morality of the economic system, much less the morality of economic growth, his discussion leaves one with the impression that the only interesting moral questions are those connected to issues of openness and tolerance. Even openness, though, does not mean that he is taking up the moral issue of open borders with regard to trade. He presents a case for globalization as an enhancer of economic growth, but he denies that his term *openness* might refer to the ability to trade across political boundaries.

Finally, the book treats the whole issue of poverty reduction reasonably well, but the author does not connect his discussion to his moral arguments. Surely poverty is a moral issue, and the reduction of poverty has moral implications. However, because Friedman has limited himself to questions of tolerance and openness, he does not include poverty amelioration as an important moral argument for economic growth.

The other substantial problem with the book is the measures that Friedman uses for openness and tolerance. In his framework, we are a more open society when we have greater government intervention that redistributes income, provides entitlements, or

enhances opportunity for some groups through affirmative action programs. Some of the interventions that he presents as morally desirable surely fit within that framework, but others are much more questionable.

The 1996 Welfare Reform Legislation is depicted as a rolling back of our level of tolerance and openness rather than as a serious effort to reform our welfare laws that had strong disincentive effects for entering and staying in the workplace and for maintaining family stability. Likewise, the debate over the appropriate level of enforced affirmative action and the efforts to slow down some affirmative action programs all represent moral regress rather than legitimate concern about conflicting moral claims.

Even if one accepts Friedman's index of moral improvement as greater government regulation and involvement in the economy, there are still anomalies that he does not deal with well. The Great Depression is the origin of much of the modern regulatory state that also grants massive entitlements to citizens. Friedman recognizes that this does not fit well with his theory that in periods of stagnation people become less concerned with each other and in periods of growth more concerned, with concern represented by growth in government. Similar pieces of data from Britain, France, and Germany do not fit his basic hypothesis, a fact that he acknowledges but does not adequately address. The numerous times that political and social change does not fit within his model raises serious questions about its overall applicability.

An alternative hypothesis keeps rearing its ugly head as one reads through the book. Perhaps, as economies mature, citizens ask too much of their government—more than they are willing to pay for or more than government can effectively deliver. The interplay between government and the economy can represent a moral failing unless government is appropriately constrained to those areas where it can act effectively.

There is a hint of this argument in the discussion of the problem of labor-market regulation in western Europe, but Friedman never takes seriously much of the recent work in economics that does not always see government intervention as a benign force but as an agent that can be captured by special interests for their own purposes. In his last chapters (actually the best in the book) Friedman does discuss the interplay between institutions and the economy and the problems of financing Social Security and Medicare, but again, this is not well connected to his arguments about growth and morality.

At one level, Friedman has written a well-researched and well-argued book that makes a reasonable case for certain positive moral impacts of economic growth. One should not discount those aspects of morality that he thinks are important and that tend to flourish more fully in a growing economy. At another level, Friedman too easily adopts the Enlightenment view that economic progress and moral progress go together. He transforms the Enlightenment perspective on moral progress into a constrained perspective on morality that ignores other important components of a moral and ethically fulfilling world. Even though Friedman makes passing reference to some authors who offer moral critiques of society, he does not treat in any serious way the possibility that economic growth, while enhancing certain moral aspects of our society, could have a

deleterious effect on other aspects. Neither does he offer anything close to a full discussion of the morality of the institutions that produce economic growth. Friedman leaves too much out of his moral framework to claim that he has made a convincing case for the moral consequences of growth.

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The Escape from Hunger and Premature Death, 1700–2100: Europe, America, and the Third World

Robert William Fogel

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2004 (191 pages)

At a time when many lived mere calories from death, Adam Smith's claim that the changes engulfing Europe would result in "universal opulence which extends itself to the lowest ranks of the people," must have been difficult to accept; so difficult, in fact, that within one generation, even the next great economists, Ricardo and Malthus, were abandoning his optimism and predicting a future of subsistence living. Within two generations, Marx was accusing capitalism of "naked, shameless, direct, brutal exploitation." The criticisms did not stop there. With Communism surviving through the twentieth century, and antimarket bias always present, it is not surprising that analyses of who gained or lost from the Industrial Revolution have often been interpreted within the broader context of pro- and antimarket debates.

Thus, it is possible that *The Escape from Hunger and Malnutrition*, by Nobel Prize-winner Robert Fogel, could be seen as just another work in the battle of interpreting the Industrial Revolution. It should not. While it reviews recent advanced research in assessing historical well-being, it should not be seen as merely a methodological overview either.

Instead, *Escape* is the more complete technical component that underlies his recent general arguments presented in *The Fourth Great Awakening and the Future of Egalitarianism* (2000). In *Fourth*, he argues that people in Western nations have experienced such tremendous material advances that substantial new gains will come from nonmaterial (what he calls "spiritual") sources. Consequently, we must improve people's ability to make these nonmaterial gains, expand our notions of equality and justice to include spiritual well-being, and even figure out how to assess this criterion. (Though he defines spiritual well-being largely as self-realization, he acknowledges the importance of sacred spiritual values and argues that it is so early in these reflections that concepts of spiritual well-being and spiritual resources are not settled.)

The strong claim that we have made such substantial advances across the income spectrum to warrant an expanded concept of well-being requires strong verification.