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# Pro Rege

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Volume 8 | Number 2

Article 3

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December 1979

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### Recommended Citation

Van Der Heide, Evert (1979) "Is Economic Growth a Panacea for our Social Ills?," *Pro Rege*:  
Vol. 8: No. 2, 12 - 16.  
Available at: [https://digitalcollections.dordt.edu/pro\\_rege/vol8/iss2/3](https://digitalcollections.dordt.edu/pro_rege/vol8/iss2/3)

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# Is Economic Growth a Panacea for our Social Ills?

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Few would question the claim that economists occasionally disagree. In fact, a somewhat standard joke used by banquet speakers is that if you were to assemble three economic advisors, you would be offered at least four different opinions. It would seem that the economy is so complex and people's behavior so unpredictable that any economic hypothesis may be supported by evidence of some sort. (And so much the better if you have *numbers* which add up correctly!) Yet there seems to be one economic goal around which almost every economist will rally - economic growth. If our Gross National Product increases quickly enough, our primary goals for the economy can be more

easily met. The higher our rate of growth, the more jobs which open to be filled from the ranks of the unemployed. And once this problem of unemployment is relieved, we can concentrate more effectively on inflation. (This appears to be the attitude in our country in spite of the added inflationary pressures which accompany growth. Politically, the unemployment issue has been more demanding than the inflation issue). Most recent economic predictions include target rates of growth which, when met over a period of years, would be adequate to guarantee employment.

The argument for growth as a cure-all has extended beyond the level of

economic problem solving, however. We have looked to growth as a remedy for our social problems as well. Supposedly, since social tensions are created by the inability of some to meet socially cultivated "needs," economic growth, or, more correctly, the fruits of economic growth, could be used to ease social tensions. It is claimed that a more equitable income distribution, higher levels of education and greater self-fulfillment would result.<sup>1</sup> Much the same had been claimed by earlier writers. The "trickle down" theory is not new. What is unique about our present emphasis is that, while Smith and other classical economists recognized the downward flow of economic and social benefits, we are using growth as the policy instrument for such achievement. It has become the means to achievement rather than the end result. And, as we may expect, today there is less emphasis on restructuring the economy and more emphasis on refueling. However, there appear to be several reasons to suspect that such an emphasis may be misplaced, at least when we consider the extent to which it has grown.

A first problem appears to be in the assumption that the "trickle down" approach to receipt of economic benefits will relieve tensions and satisfy the lower income groups. Growth, per se, does not improve the distribution of economic rewards. That is to say, the relative position of the lower economic groups vis-à-vis the upper income groups is not improved greatly, but only their absolute position in terms of meeting biological needs for food, clothing and shelter is improved. A number of people, however, have pointed to the fact that our satisfaction results more from our economic position relative to that of others. James Duesenberry, for instance, has

attempted to explain consumer spending patterns according to changing distributional patterns of income and wealth. His results seem to fit observed data. Consumption decisions, especially consumption levels, seem to depend to a great extent on the consumer's position relative to other consumers.<sup>2</sup> More recently, Fred Hirsch, in his book *Social Limits to Growth*, argues that insistence on greater equality may actually lead to greater overall dissatisfaction because of the strong attachment to relative economic positioning.<sup>3</sup> He argues that continued emphasis and attainment of growth leads to a compounding of social anxieties. As we get more and more material goods we expect to become happier. But because of the nature of positional competition, as those around us increase their accumulation, we feel that we are merely keeping up with everyone else and the result is that we are no more satisfied than before the additional accumulation. The reason for this, says Hirsch, is partially due to the fact that much of our gratification stems from the prestige and exclusiveness associated with certain types of consumption. As we move up the consumption scale absolutely rather than relatively, what is necessary to achieve those goals of prestige and exclusiveness moves higher as well. Hirsch uses the example of educational attainment. As more people seek higher educational degrees in response to the availability of more prestigious, higher paying jobs, the standards for admission to these jobs increase as well. Competitiveness becomes more keen and frustration mounts.<sup>4</sup>

Strong evidence for rejecting the premise that growth is necessary as a social palliative can be obtained from current collective bargaining theory as well. For instance, in determining

proper wage rates and benefits to be sought, union officials must be well aware of the tendency of workers to compare themselves to others around them who are considered peers. Satisfaction depends on the ability to remain at least equal with those to whom they consider themselves equal. Absolute remunerative levels have become less important. If it is true, then, that satisfaction is derived from relative positioning, we must have less hope for easing social tensions via economic growth, especially if we depend on the trickling down of benefits.<sup>5</sup>

A more important problem with the overreliance on economic growth as a cure-all lies in the lack of regard for the stress and demands placed on creation by such an approach. The availability of resources and energy is somewhat taken for granted. Yet our experience of the last decade has shown that such an assumption is not justified.

A more important problem with the overreliance on economic growth as a cure-all lies in the lack of regard for the stress and demands placed on creation by such an approach. The availability of resources and energy is somewhat taken for granted. Yet our experience of the last decade has shown that such an assumption is not justified. Stress, on energy most notably, has led to more rapid rates of inflation. Shortages have

become more frequent. This pressure exists because of, in Hirsch's words, our "materialism fetish." However, if we take seriously the Scriptural commands for stewardship, such a reliance on growth should strike us as harmful and unacceptable. If stewardship is to be defined as care and development of creation for the benefit of all mankind (which seems to be the current consensus within the Reformed community), then we must not accept growth as a goal *in itself*. Not only do we pressure scarce resources, but *our* economic growth also tends to occur at the expense of others throughout the world. This has led to much of the us-versus-them mentality in our economy.

Several points could be argued in this regard. First, it could be argued that our growth *results* in a development of creation. In fact, this could be carried so far as to claim that the increase in our wants represents a developing of our demands on creation. I believe, though, that this process occurs without due regard for the care and preservation aspect of stewardship. In addition, the second claim above would have to be true to support the first. I seriously doubt that the wants which the market fulfills today represent a substantial development over those of the past in terms of man's task in the Kingdom.

Secondly, it could be claimed that we need a greater trust in God to provide for the future. Therefore, the pressure placed on resources should not greatly concern us. This argument can be more easily dismissed, however, in that it ignores the responsibilities God has given to man. We do need to trust in God's providence, but we must examine our own actions in light of His rules and the created order. In terms of its impact on creation, then, overreliance on growth to satisfy social objectives appears to be unacceptable.

Too much emphasis on higher growth rates is misplaced, finally, because it simply has not improved social conditions beyond the initial strides which were made when absolute economic deprivation was eased for the masses. (Certainly the distributional question is still alive in the sense that many are still deprived!) As we've seen, inflation has been sparked by overreliance on growth. In addition, the rates of unemployment remain historically high. The broadening of markets has led to increased interdependence and a corresponding uneasiness. The feeling of deprivation still exists as evidenced by higher crime rates and vocal attacks on the market system as a provider for the needs of all.

Actually, these results should not be that surprising. We have relied on a measure of economic income as a index of social happiness. Economic growth measures dollar amounts of output, calculated as Gross National Product. Social goals are much broader than the merely economic goals. Therefore, economic measures and the broader social measures may well be inconsistent. We have confused the two.

Fred Hirsch makes the claim that reliance on the economic measure of growth has led to a commercialization effect. That is, the market process has encroached on other social realms. Numerous social values have been subjugated to the economic. This has influenced numerous social norms in the process. "By influencing social norms and expectation in this way, commercialization or its equivalent embodies its own dynamic. More specifically, the dynamic is that of privatization, or internalization, of benefits."<sup>6</sup> As a result, resources get drained from nonmarket activities. We find ourselves doing less volunteer work, enjoying less leisure and so on. The pressure from positional

competition forces us to economize on time as well. According to Hirsch this leads to breakdowns in our social relationships over time. We have less time for one another as our lives become more rushed. We become less friendly.

It would appear, then, that our infatuation with growth is not well-founded. In addition to its unacceptable impact on creation (at least to the degree to which we expect growth), it brings neither economic nor a broader social contentment. In fact, it may help undermine social norms. In light of this analysis, a rethinking and restructuring of our policies is in order. It is always easier to analyze problems, however. Providing solutions is much more difficult. Yet awareness of the problem is a significant step forward. Nonetheless, it is possible to offer several suggestions toward solving the problems.

At the level of the individual it is important to moderate the positional competition to which we cling. We must shift our values and sense of achievement away from things such as level of job achievement and material accumulation. In this sense, it is first of all important to recognize these tendencies and their impact in our lives. This, I believe, can be achieved if we tend more toward collective rather than individualistic pursuits. In this way, too, we could better capture the benefits of social goods which, as John Kenneth Galbraith points out, are discriminated against in favor of private goods in the market today. (Social goods are goods which, by their nature, can be consumed collectively. Consumption by one implies or permits consumption by all. For instance, recreational facilities, when provided for one, are available for more.)

Moderation of positional competition would require less of the "suc-

cess orientation" emphasis which has been so popular of late. The success is always measured in monetary or positional terms as if anything of value is contained therein. The commercialization process has diluted our sense of purpose on earth. This is not to say that the rewards of being economically or socially successful are not to be enjoyed or valued. But they should not be the object of our earthly existence, nor should they be valued more highly than other social objectives.

Secondly, we must moderate our own lifestyles. This would be necessary in the achievement of lower levels of positional competition, but, in its own right, it is necessary as a means of proper stewardship of the earth's resources. More could be done in the developing countries where the absolute need is greater.

At the policy level there is really little which could be done to alleviate overreliance on economic growth. A prior condition would be recognition by individuals of the harmful effects. However, as Hirsch points out, it is possible to facilitate such individual changes or, at least, remove any barriers toward movement in that direction. Many of the implications of a movement toward lower growth would have to be worked out, but the results would not be difficult to accept given the changes suggested. There is, at least, a direction in which we must head.

The primary thrust for redirection should be seen coming from within the Christian community. We may not base our initiative for change on the realization by individuals that change is in their own self-interest. Our initiative should come from a desire to be good servants in the Kingdom.

In this essay I have attempted to demonstrate the problems of relying or concentrating too heavily on economic

growth especially as a medicine for the problems facing society. In this regard I have been speaking only of the more developed countries where absolute poverty has largely been eliminated. Use of growth as a primary means of achieving satisfaction simply does not work. In addition, the pressures incurred by society tend to affect social norms in a negative manner. Rather than get caught up in a race of positional competition in which satisfaction is relative, we should delight in serving God by striving to meet His commands for responsibility. These commands are absolute.

## Notes

<sup>1</sup>For an expanded discussion of this rationale, see Campbell R. McConnell's *Economics*, 7th edition (New York: McGraw-Hill, 1978), pp. 425, 426.

<sup>2</sup>See James Duesenberry, *Income, Saving and the Theory of Consumer Behavior*, (Cambridge: Harvard University Press, 1947).

<sup>3</sup>Fred Hirsch, *Social Limits to Growth*, (Cambridge: Harvard University Press, 1978), pp. 10-12.

<sup>4</sup>Hirsch, p. 26.

<sup>5</sup>A good empirical study of the level of satisfaction people enjoy relative to levels of income is Richard A. Easterlin's article, "Does Economic Growth Improve the Human Lot? Some Empirical Evidence," in *Nations and Households in Economic Growth: Essays in Honor of Moses Abramovitz*, ed. P. David and M. Reder eds., (Palo Alto: Stanford University Press, 1972), pp. 89-126. In the article Easterlin compiles studies in which people were asked how happy they were at that particular point in time. A higher percentage of people in higher income categories indicated that they were very happy vis-a-vis the lower groups. However, when comparing results from similar studies over time (1946-1970), the percentage of people in the various income classifications claiming to be very happy remained relatively stable. In fact, since the late 1950's the percentage of very happy people in the different groups has declined slightly. Easterlin claims that this is rather conclusive proof that the relative positioning theory is more correct in explaining what leads to social satisfaction.

<sup>6</sup>Hirsch, p. 88.