

“Economic Growth, Economic Freedom, and Morality”

Essay

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Economists have always been interested in developing of countries and their economies; the tendency that is growing nowadays is that more and more average people are getting into economic issues and problems. As globalization becomes more real, and the world becomes a smaller planet, people are getting concerned not only about their own countries, but about others and the world itself understanding that some issues can be solved only on a global level. Problems that previously seemed to be distant and “nothing to do with us” now are engrossing average people’s minds. One of the most controversial issues is the debate about economic growth, economic freedom and morality going with them. In my paper I would like to discuss different opinions about economic growth and its effect on poverty, income inequality, morality and environment.

Firstly, let me briefly define these notions. Economic growth can be described as “a sustained increase in the economy’s overall output of goods and services ... or in overall output per person, “standard of living”” (Noell, Smith, & Webb, 2013. p.3). It is an essential concept in the process of developing the economy and improving the well-being of people. Economic freedom usually refers to the freedom of choosing how to produce and how to use your own resources while respecting other people’s freedom of doing the same. Economic growth and freedom are closely related, because people in the situation of having their economic freedom interfered find it difficult and sometimes impossible to achieve economic growth within their country. That is why economic freedom often refers as a key to the growth and development especially in terms of market economy. Economic freedom includes some narrower notions such as business freedom, trade freedom, property rights, labor freedom etc. I will concentrate on the general notion of the economic growth though, especially in the connection with morality. Morality itself is system of ideas about right and

wrong standards and beliefs. At first sight these notions can hardly be connected, but looking deeper we can trace their relation.

The issue whether economic growth has more positive or more negative outcomes and consequences, especially in the field of morality and environment, is quite ambiguous; however, there are two main opinions on this subject. One believes economic growth despite its benefits has a bad effect on society. Market economy and consumer oriented marketing (which lead to rampant consumerism) push people to accumulate more goods, strive to wealthier and prestigious life. Not that all people forget about other non-materialistic things; it is just blind striving to money and goods for a big majority of people became just a normal essential part of their lives. This could not be even so bad, unless this idea of getting richer finally turns their lives into the infinite pursuit of wealth. “What individuals perceive to be economic “needs” are in fact socially constructed wants” (Noell et al., 2013, p.63). Moreover talking about society as a whole economic growth does not actually solve problems, such as income inequality and poverty. Sometimes the income gap between rich and poor became even larger than before the rapid growth. Finally, the most harm economic growth does to the environment. Growth is connected with a rising output of goods that is basically an increase and enlargement in factories, machinery and other production assets. They have numerous wastes that in majority are harmful one. Because of such rapid growth of a few world-power economies in the past few centuries, our planet has got numerous environmental problems that previously people even could not imagine. Looking at a small factory, we can notice that their wastes individually cause little harm, if any, and it is usually seen just as a negative externality of their activity; but thousands of such small factories do influence negatively on the environment. Finally, there is an opinion that bad environmental situation that occurs after active economic development and activity can conversely lead to problems in economy in the long-term.

Barman and Gupta (2010) state the following:

Global warming leads to natural disasters like floods, earthquakes, cyclones, etc.; and these, in turn, cause severe damages to infrastructural capitals like roads, electric lines, power plants, buildings, industrial plants, etc. Private capital goods like plants and equipment are also damaged by natural disasters. Water pollution and air pollution create a disease-friendly environment; and hence government's expenditure program on public health cannot provide adequate security to the health capital of workers. (p.1110)

Nevertheless, we cannot stop development and growth, especially in terms of world economy. That is why there is another point of view that economic growth in reality has more positive consequences than it is thought. At first, although economic growth does not eliminate poverty and income inequality, it still raises the overall income of all social classes, so that poor can afford more than previously. Also, as the overall income of the country rises, government can now spend more on social programs that help disadvantaged groups (Noell et al., 2013, p.37). Concerning income inequality, mostly this depends on the government and their policies within the state. They can be aimed at the reduction of the gap between rich and poor, at its increase, or there are few that have an ambiguous effect (Hoeller, Joumard, & Koske, 2014, p.14). That is why the income inequality hardly depends on the economic growth, but more on the politics. Furthermore, the argument about morality issue and economics has a positive tendency as well. Although at first sight participants in the market may look as not having any moral ethics or that are guilty in the appearance of moral problems in the society, the actual problem lies beyond the economy – it is the problem of the human nature itself and of the moral standards accepted by the society. On the contrary, market indeed educate, discipline and encourage people to behave honestly, compassionately and loyally. Otherwise, unfair players will be quickly thrown out of the market, because

nobody wants to be betrayed or set up. When a country improves its economy and with a course of time becomes one of the active participants in the international trade, it cannot destroy its reputation by low morality actions if it wants to stay in the market and develop further. That is why economic growth of a country makes it to act honestly and wisely, instead of lowering its morality. Finally, the arguable issue about environment also is much deeper than it was thought to have. The dependence of the environmental problems and economic growth definitely is a direct one. The more people produce, the more harm is done by their productions on the environment. However, there is a turning point, after which the relationship takes the opposite direction. These relationships between environmental pollution and per capita income can be described through the Kuznets curve that shows them as the inverted U-shaped curve (Kleemann & Abdulai, 2013, p.180). Basically, it describes that after some point, which is vague and individual for every country though, a well-developed country starts to pay more and more attention to the environmental problems, increasing its expenditures on the environmental protection and seeking alternative energy sources. Poor and developing countries are lack of such actions, because the issues that they have to deal with on their way of developing are bigger and more important for them. They simply do not have enough money to spend and resources to use in order to protect their environment, because basic education and health care are the priorities for them. But once they start to grow, they start using resources of higher quality, and spend more money on “basic environmental improvements. Thus some kinds of pollution begin to fall as soon as economic growth gets underway” (Noell et al., 2013, p.46-47).

Since the relationship between economic growth and concepts, such as poverty, income inequality, morality and environment, are quite ambiguous and have both positive and negative aspects there could be no only one right straight-forward opinion. However, we cannot just stop economic growth and development, because it is a constant process involving

every person in the world. Stopping growth means stopping life itself. Thus, people should look for solutions from a different perspective. Instead of trying to interrupt or impede growth and development people should find ways to make this economic growth work for us and for environment. It is not a few-steps set of actions, but a deep longstanding process involving all parts of lives. What we should start with is the change in our way of thinking and behavior pattern. Instead of rampant consumerism we should strive to adequate consumption and ethical behavior. We should direct our technologies into finding new sources of energy. Such actions should be accepted and undertaken by all people. Only by collective action we can make a difference and create a better world to live in.

References

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