Negative: Economic Prosperity

By Zachary Beddingfield

Resolved: Economic stability is more important than economic growth.

This case is intended to frame the resolution in a way that supports the negative. It gives a foundation you can use to counter cases arguing that government policy should be stability oriented or that stability-oriented governments have the healthiest growth. This case has two arguments, that the outcome of stability is increased economic growth, and that true stability, inherently impossible, is not needed to achieve economic prosperity.

A benefit of this case is preparing a rhetorical argument that reframes the resolution. If stability is a steppingstone to economic growth, the most effective government policy or outlook is irrelevant. If it passes growth-oriented policy, government is valuing growth as more important. If it passes stability-oriented policy, government is only doing so to boost (a more sustained) economic growth. The affirmative may argue that a conflict must be present, that is that the resolution could only be debated when valuing one side comes at the detriment or disregard of the other, but this resolution does not require a conflict. If shown that the purpose of stability is growth, you've disproven the resolution; by default, if stability is a steppingstone to growth, then stability cannot be more important than growth.

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Negative: Economic Prosperity

When building a national economy, prosperity is the goal. The purpose of an economy, the benefit of having strong markets and high employment rates, is to let the citizens prosper. In a world where economies are growing faster than ever and innovation is the new global standard, economic prosperity is impossible without economic growth. Economic growth should be pursued using the leading thought and economic frameworks of economists today, with governments carefully balancing inflation rates and ensuring sustainable progress. However, the end goal of all economic policy must be growth, because growth is the only pathway to prosperity in our global market. For this reason, I stand resolved: Economic stability is **not** more important than economic growth.

DEFINITIONS

Economic Stability

Shostak, Frank. “Does Economic Stability Contribute to Growth? Frank Shostak.” Mises Institute, 10 Apr. 2019, Accessed 20 June 2020 <https://mises.org/wire/does-economic-stability-contribute-growth#:~:text=Economic%20stability%20refers%20to%20an,to%20be%20regarded%20as%20stable.>.

Economic stability refers to an absence of excessive fluctuations in the overall economy. An economy with constant output growth and low and stable price inflation is likely to be regarded as stable. An economy with frequent boom-bust cycles and variable price inflation would be considered as unstable.

Economic Growth

“Economic Growth.” Oxford Reference, Oxford, Accessed 20 June 2020 [www.oxfordreference.com/view/10.1093/oi/authority.20110803095741367#:~:text=Quick%20Reference,%2C%20investment%2C%20and%20technical%20progress](http://www.oxfordreference.com/view/10.1093/oi/authority.20110803095741367#:~:text=Quick%20Reference,%2C%20investment%2C%20and%20technical%20progress).

The expansion of the output of an economy, usually expressed in terms of the increase of national income. Nations experience different rates of economic growth mainly because of differences in population growth, investment, and technical progress.

RESOLUTION ANALYSIS: Government actor

The parts of our resolution “economic stability” and “economic growth” refer to the macroeconomy. Economists use these terms when discussing the economy at large, not personal finances or the economies of businesses. That means we’ll need to look at national and international economies to get an answer to this resolution. Because only governments, and neither citizens nor businesses, take measures to promote economic stability or growth nationally, we are dealing with a government actor, asking whether governments should value economic stability or economic growth.

RESOLUTION ANALYSIS: Which side is more important, not which side should be policy

Lincoln Douglas is value debate, so our resolution has been framed to ask about whether economic stability or growth is more important. We aren't debating which side of the resolution government should strive for through policy, only which is more important to an economy. I could prove that government should exclusively pass growth-oriented policy, but that wouldn't prove the resolution. To earn your ballot, I need to show that economic growth is more important than economic stability.

VALUE: Economic Prosperity

Definition

“Prosperity.” Merriam-Webster, 19 June 2020, Accessed 20 June 2020 [www.merriam-webster.com/dictionary/prosperity](http://www.merriam-webster.com/dictionary/prosperity).

The condition of being successful or thriving. Especially: economic well-being.

Reason to Prefer: Purpose of economic policy

The end goal of the economic policy should be long-lasting economic prosperity. Economic prosperity, the enabling of the citizens to thrive economically, is the entire purpose of the economy. Our question today then is: does valuing economic stability or economic growth higher best produce this prosperity?

CONTENTION 1: Stability is a steppingstone to growth

Purpose of economic stability is growth

Muqtada, Muhammed. “Globalisation and the Asia-Pacific.” Google Books, 27 June 2006, Accessed 20 June 2020 <https://books.google.com/books?id=Q2ySDh64anQC&pg=PA78&lpg=PA78&dq=A%2Bcritical%2Bprecondition%2Bfor%2Beconomic%2Bgrowth%2Bis%2Ban%2Benabling%2Beconomic%2Band%2Bpolitical%2Benvironment,%2Bthat%2Bencourages%2Bboth%2Bdomestic%2Band%2Bforeign%2Binvestors%2Band%2Bfacilitates%2Blongerterm%2Bcapital%2Baccumulation%2Band%2Benterprise%2Bdevelopment.%2BMacroeconomic%2Bstability%2Bis%2Ba%2Bcrucially%2Bnecessary%2Belement%2Bin%2Bestablishing%2Bsuch%2Ban%2Benvironment.%2BSince%2Bthe%2Bmid-1980s,%2Bthe%2Bdeveloping%2Bcountries,%2Bone%2Bafter%2Banother,%2Badopted,%2Band%2Bexperimented%2Bwith,%2Bvarious%2Bmeasures%2Bof%2Bstabilization%2Bin%2Border%2Bto%2Breduce%2Bseemingly%2Bunsustainable%2Bfiscal%2Band%2Bcurrent%2Baccount%2Bdeficits.&source=bl&ots=0JHBtk1cCW&sig=ACfU3U0ORhj9_SbbE9ZHiZcvGTqcvJOYEQ&hl=en&sa=X#v=onepage&q&f=false>.

A critical precondition for economic growth is an enabling economic and political environment, that encourages both domestic and foreign investors and facilitates longerterm capital accumulation and enterprise development. Macroeconomic stability is a crucially necessary element in establishing such an environment. Since the mid-1980s, the developing countries, one after another, adopted, and experimented with, various measures of stabilization in order to reduce seemingly unsustainable fiscal and current account deficits.

Stability.” Investment, Growth and Employment: Perspectives for Policy, by Ciaran Driver and Paul Temple, Routledge, 1999, pp. 194.

The Blair Government has strongly emphasized stability; for example, the March 1998 Red Book said: ‘Economic stability is vital if the Government is to achieve its central objective of high and stable levels of growth and employment. Instability in the recent past has contributed to the UK’s poor growth performance, not least by holding back the long-term investment that is the foundation for a successful economy.'

Economic stability enables growth

“Stabilisation and Growth.” Economics Online, Accessed 20 June 2020.

[www.economicsonline.co.uk/Global\_economics/Policies\_for\_stability\_and\_growth.html](http://www.economicsonline.co.uk/Global_economics/Policies_for_stability_and_growth.html).

Economic stability enables other macro-economic objectives to be achieved, such as stable prices and stable and sustainable growth. It also creates the right environment for job creation and a balance of payments. This is largely because stability creates certainty and confidence and this encourages investment in technology and human capital.

Monetarism uses stability to create growth

“Monetarism.” Encyclopædia Britannica, Accessed 20 June 2020. [www.britannica.com/topic/monetarism](http://www.britannica.com/topic/monetarism).

Friedman contended that the government should seek to promote economic stability, but only by controlling the rate of growth of the money supply. It could achieve this by following a simple rule that stipulates that the money supply be increased at a constant annual rate tied to the potential growth of gross domestic product (GDP) and expressed as a percentage (e.g., an increase from 3 to 5 percent).

Monetarism thus posited that the steady, moderate growth of the money supply could in many cases ensure a steady rate of economic growth with low inflation. Monetarism’s linking of economic growth with rates of increase of the money supply was proved incorrect, however, by changes in the U.S. economy during the 1980s. First, new and hybrid types of bank deposits obscured the kinds of savings that had traditionally been used by economists to calculate the money supply. Second, a decline in the rate of inflation caused people to spend less, which thereby decreased velocity (V). These changes diminished the ability to predict the effects of money growth on growth of nominal GDP.

[Note: Regardless of if monetarism was "proved incorrect" in the 1980s, its purpose in implementing stability is to increase growth at low inflation levels]

CONTENTION 2: Growth, not stability, is necessary for prosperity

All economies have instability

“The Inevitability of Instability.” The Economist, 25 June 2014, Accessed 20 June 2020.

 [www.economist.com/finance-and-economics/2014/01/25/the-inevitability-of-instability](http://www.economist.com/finance-and-economics/2014/01/25/the-inevitability-of-instability)

THE frequency and severity of financial crises suggest that they are an inevitable part of capitalism. That does not mean policymakers should give up trying to limit the damage they cause. But it should make regulators careful when they try to stabilise the system.

That is the shared conclusion of two thoughtful analyses: a paper\* by Marcelo Prates of the Brazilian central bank and a speech\*\* in New Delhi by Adair Turner, a former head of Britain’s Financial Services Authority.

A fundamental instability results from the mismatch between the assets banks hold (long-term loans) and their liabilities, in the form of short-term deposits. As Mr Prates comments, “No regulation will ever be able to change this reality, unless a law is passed, for instance, setting the reserve requirements at 100% and prohibiting leverage.”

Recessions are currently inevitable

Chappelow, Jim. “Are Economic Recessions Inevitable?” Investopedia, 8 June 2020, Accessed 20 June 2020.

[www.investopedia.com/ask/answers/032015/are-economic-recessions-inevitable.asp#:~:text=Recessions%20are%20not%20logically%20inevitable%20in%20any%20economy%2C%20but%20are,monetary%20institutions%2C%20recessions%20are%20inevitable](http://www.investopedia.com/ask/answers/032015/are-economic-recessions-inevitable.asp#:~:text=Recessions%20are%20not%20logically%20inevitable%20in%20any%20economy%2C%20but%20are,monetary%20institutions%2C%20recessions%20are%20inevitable)

In the end, once the process of the artificial boom in the economy by the issuance of fiduciary media is set in motion, then bust and recession that ensues is indeed inevitable. But this does not mean that recessions are always and in general inevitable, other than after episodes of the inappropriate the creation of new money and credit. Recessions are not logically inevitable in any economy but are contingent upon the monetary practices and institutions a society adopts.

For the time being, given existing monetary institutions, recessions are inevitable.

Unstable economies find economic prosperity

The Little Book of Economics, by Greg Ip, Wiley, 2010, pp. 4–19.

Between 1945 and 2007 the United States economy went through 10 recessions yet still grew enough to end up six times larger with the average American three times richer.

We’ve taken growth for granted for so long that we’ve forgotten that stagnation could ever be the norm. Yet, it once was. Until the eighteenth century, economic growth was so slight it was almost impossible to distinguish the average Englishman’s standard of living from his parents’. Starting in the eighteenth century, this changed. The Industrial Revolution brought about a massive reorganization of production in England in the mid-1700s and later in Western Europe and North America. Since then, steady growth – the kind that the average person notices – has been the norm. According to economic historian Angus Maddison, the average European was four times richer in 1952 than in 1820 and the average American was eight times richer.

Affirmative Counter-Brief: Economic Prosperity

Assuming you’re already using or accept the value of economic prosperity, the best way to counter this negative case is to reset the paradigm of the purpose of stability. The negative's strongest argument is that if stability's purpose is growth, then stability is just a type of growth policy, and stability therefore can’t be more important than growth. The resolution is no longer logically provable. You can counter this by arguing the purpose of stability as broader, bringing more benefits than growth alone, or by distinguishing between stable economic growth and growth when stability is not the most important metric of the government. Then, under case one the purpose of stability would not be growth by default, and negatives strongest argument falls. Under case two, growth when stability is valued higher is now different than when stability is not, and the argument is again disproven. Below are several pieces of evidence that can demonstrate benefits of stability beyond growth to help you make this argument.

Growth oriented policy is unsustainable

Kurtzleben, Danielle. “What Is a Good Rate of GDP Growth?” Vox, 20 June 2014, Accessed 23 June 2020. [www.vox.com/2014/6/20/17587398/gdp-good-rate-growth](http://www.vox.com/2014/6/20/17587398/gdp-good-rate-growth)

The thing to look for is where that growth is centered. In the US, one quarter of slightly negative growth isn’t necessarily awful, and one quarter of 7 percent growth doesn’t necessarily mean the economy is really heating up. A few quarters of negative growth, however, tend to mean something is really wrong. Likewise, more than a few quarters of super-fast growth would be unsustainable, and could mean the economy is overheated and that inflation is or will soon be a problem.

Soergel, Andrew. “GDP Boost Solid But 'Not Sustainable'.” U.S. News &amp; World Report, 27 July 2018, Accessed 23 June 2020. [www.usnews.com/news/economy/articles/2018-07-27/goldilocks-gdp-number-solid-but-not-sustainable](http://www.usnews.com/news/economy/articles/2018-07-27/goldilocks-gdp-number-solid-but-not-sustainable).

"Bottom line: The 4.1 percent Q2 GDP print was impressive, but not sustainable in the quarters ahead," Scott Anderson, chief economist and executive vice president at Bank of the West Economics, wrote in a research note Friday. "Real consumer spending growth will decelerate in the current quarter, and U.S. exports will turn into a drag on economic growth."

Growth over stability causes inflation

Tejvan Pettinger 2020 “Causes of Economic Instability” 10 March, 2020 Economics Help <https://www.economicshelp.org/blog/43/economics/causes-of-economic-instability/#:~:text=An%20increase%20in%20the%20price,both%20inflation%20and%20lower%20growth.>

An increase in the price of oil can cause economic instability, especially if it is a sudden increase like in the 1970s. Higher oil prices increase the costs of firms and cause the AS curve to shift to the left. This causes both inflation and lower growth.

Shostak, Frank. “Does Economic Stability Contribute to Growth?: Frank Shostak.” Mises Institute, 10 Apr. 2019, <https://mises.org/wire/does-economic-stability-contribute-growth#:~:text=Economic%20stability%20refers%20to%20an,to%20be%20regarded%20as%20stable.>

Economic stability refers to an absence of excessive fluctuations in the overall economy. An economy with constant output growth and low and stable price inflation is likely to be regarded as stable. An economy with frequent boom-bust cycles and variable price inflation would be considered as unstable.

[Using the definition found in this case, low inflation is an indicator of economic stability]

Bermúdez, Cecilia, et al. “Reexamining the Link between Instability and Growth in Latin America: A Dynamic Panel Data Estimation Using K-Median Clusters.” Latin American Journal of Economics, Pontificia Universidad Católica De Chile. Instituto De Economía, May 2015, Accessed 23 June 2020.

 <https://scielo.conicyt.cl/scielo.php?script=sci_arttext&pid=S0719-04332015000100001>.

We use a sample of 17 Latin American economies and 17 consecutive, non-overlapping three-year periods from 1960 to 2011. The proxies for economic instability, i.e., inflation rate and GDP growth rate volatility, are treated as exogenous variables.6 The other explanatory variables can be affected by economic growth so they are treated as endogenous.

Inflation neutralizes growth

Barnes, Ryan. “The Importance Of Inflation And GDP.” Investopedia, 6 Apr. 2020, Accessed 23 June 2020 [www.investopedia.com/articles/06/gdpinflation.asp](http://www.investopedia.com/articles/06/gdpinflation.asp)

The relationship between inflation and economic output (GDP) plays out like a very delicate dance. For stock market investors, annual growth in the GDP is vital. If overall economic output is declining, or merely holding steady, most companies will not be able to increase their profits, which is the primary driver of stock performance. However, too much GDP growth is also dangerous, as it will most likely come with an increase in inflation, which erodes stock market gains by making our money (and future corporate profits) less valuable. Most economists today agree that 2.5-3.5% GDP growth per year is the most that our economy can safely maintain without causing negative side effects. But where do these numbers come from? To answer that question, we need to bring a new variable, unemployment rate, into play. (For related reading, see Surveying The Employment Report.)

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“Economic Growth.” Oxford Reference, Oxford, Accessed 20 June 2020 www.oxfordreference.com/view/10.1093/oi/authority.20110803095741367#:~:text=Quick%20Reference,%2C%20investment%2C%20and%20technical%20progress

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Stability.” Investment, Growth and Employment: Perspectives for Policy, by Ciaran Driver and Paul Temple, Routledge, 1999, pp. 194.

“Stabilisation and Growth.” Economics Online, Accessed 20 June 2020. www.economicsonline.co.uk/Global\_economics/Policies\_for\_stability\_and\_growth.html

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Kurtzleben, Danielle. “What Is a Good Rate of GDP Growth?” Vox, 20 June 2014, Accessed 23 June 2020. www.vox.com/2014/6/20/17587398/gdp-good-rate-growth

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Bermúdez, Cecilia, et al. “Reexamining the Link between Instability and Growth in Latin America: A Dynamic Panel Data Estimation Using K-Median Clusters.” Latin American Journal of Economics, Pontificia Universidad Católica De Chile. Instituto De Economía, May 2015, Accessed 23 June 2020. https://scielo.conicyt.cl/scielo.php?script=sci\_arttext&pid=S0719-04332015000100001

Barnes, Ryan. “The Importance Of Inflation And GDP.” Investopedia, 6 Apr. 2020, Accessed 23 June 2020 www.investopedia.com/articles/06/gdpinflation.asp