Affirmative: Economic Welfare

By Mark Csoros

Resolved: Economic stability is more important than economic growth.

This affirmative case is a straightforward, contention-centric, policy-heavy case designed to uphold the resolution by demonstrating that economic stability is simply the better economic policy. This is a value resolution, but it’s an economic value resolution, and this case is committed to proving value by proving economic superiority.

The value of economic welfare serves to orient the round towards overall economic success. It’s an easy value to defend, because the ultimate goal of both economic growth and economic stability is to achieve a healthy and thriving economy. The challenging aspect of this value is the same as the challenge of the resolution: marshalling enough data, economic knowledge, expert advocacy, and logic to convince the judge that your policy of economic stability is the best way to achieve economic welfare, and thus is the best economic policy. To help you with that task, this case is full of evidence and applications that will help you defend economic stability as the most viable policy in this resolution.

DEFINITIONS

Economic Stability

Business Dictionary. “Economic Stability.” <http://www.businessdictionary.com/definition/economic-stability.html>

“A term used to describe the financial system of a nation that displays only minor fluctuations in output growth and exhibits a consistently low inflation rate. Economic stability is usually seen as a desirable state for a developed country that is often encouraged by the policies and actions of its central bank.”

Economic Growth

Economist Jim Chappelow, 2019. (Chappelow has a B.A. from the University of Alaska and an M.A. from the University of Maine, both in Economics. He has worked and taught widely in the fields of business and economics.) “Economic Growth”; Investopedia. <https://www.investopedia.com/terms/e/economicgrowth.asp>

“Economic growth is an increase in the production of economic goods and services, compared from one period of time to another. It can be measured in nominal or real (adjusted for [inflation](https://www.investopedia.com/terms/i/inflation.asp)) terms. Traditionally, aggregate economic growth is measured in terms of [gross national product (GNP)](https://www.investopedia.com/terms/g/gnp.asp) or gross domestic product (GDP), although alternative metrics are sometimes used.”

VALUE: Economic Welfare

Definition

Business Dictionary. “Economic Welfare.” <http://www.businessdictionary.com/definition/economic-welfare.html>

“The overall level of financial satisfaction and prosperity experienced by participants in an economic system. The economic welfare of a nation or business can often be assessed by reviewing the level of employment and the average financial compensation that is received by workers employed within the system.”

Reason to Prefer: Goal of Economic Policy

Economic welfare is the fundamental and overarching goal of all economic policy. While different economic policies may target other, subordinate objectives (like economic stability or economic growth), those objectives only exist as methods of increasing economic welfare. Because economic welfare is the ultimate goal of the policies on both sides of today’s resolution, I would ask that we analyze the two sides of the resolution in terms of how well they achieve the shared value of economic welfare.

CONTENTION 1: Economic Stability Increases Economic Welfare

Stable Markets are Necessary

Columbia Ph.D. of Economics Michael Ivanovitch, 2018. (Ivanovitch is an independent analyst focusing on the world economy, geopolitics and investment strategy. He has served as a senior economist at the Organisation for Economic Co-operation and Development (OECD), an international economist at the Federal Reserve Bank of New York, and a professor of economics at Columbia Business School.) “Monetary policy is directly responsible for economic and financial stability”; CNBC <https://www.cnbc.com/2018/09/17/-monetary-policy-is-responsible-for-economic-stability---commentary.html>

The Fed and the ECB have a particular responsibility to keep the American and European economies growing in an environment of stable financial markets. By doing that, they would also make an essential contribution to global prosperity and to the unquestioned preeminence of the Western world order. Only if they failed to live up to that difficult task, would the current fretting about pervasive sanctions and trade tariffs become a real threat to jobs, incomes and asset values. The Fed is facing a delicate situation. Rising inflation in an economy pushing against its physical limits to growth will be difficult to control. But tolerating an accelerating inflation is not an option. Properly timed and credible monetary policy restraint is necessary to anchor inflation expectations and tame growing capacity pressures in labor and product markets. Otherwise, a needlessly delayed policy action may have to be much stronger and more damaging to growth and employment.

Economic Stability Creates Confidence

Economics Online. (Economics Online is a U.K.-based economics education organization. It is a resource designed to help students of economics gain a more complete understanding of economic concepts, theories, and events. It does not advocate for specific policies.) “Policies for stabilisation and growth”; Economics Online. Undated article accessed June 24th, 2020. <https://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.

Economic Stability Allows for Long-Term Growth

The Organisation for Economic Co-operation and Development (OECD), 2014. (The OECD is an international organisation that works with governments, policy makers and citizens to establish evidence-based international standards, find solutions to a range of challenges, and provide a unique forum for data and analysis, exchange of experiences, best-practice sharing, and advice on public policies. The OECD draws on almost 60 years of economic experience, and aims to shape policies that foster prosperity, equality, opportunity and well-being for all.) “How do Growth-Promoting Policies Affect Macroeconomic Stability? OECD Economics Department Policy Note No. 22”; OECD <https://www.oecd.org/economy/growth/How-do-growth-promoting-policies-affect-macroeconomic-stability.pdf>

Some growth-promoting policies complement macroeconomic stability. For example, a low level of public debt is not only good for medium and long-run growth, but can help reduce the different dimensions of macroeconomic instability as it allows the unfettered working of the automatic stabilisers and the use of discretionary policy to cushion a shock. Less strict product market regulations boost long-term growth while simultaneously reducing the amplitude of shocks and their persistence, and less rigid product market regulations also help ease vulnerabilities to the extent they favour more stable capital flows. Similarly, lower restrictions on foreign direct investment support growth and by reducing the bias of capital flows towards debt and hence the likelihood of external financing shocks, also buttress macroeconomic stability.

Application: Shock Protection

Ph.D. of Economics Frank Shostak, 2019. (Shostak is an Associated Scholar of the Mises Institute. He owns a consulting firm, and has taught economics at two South African universities. His Ph.D. in Economics was completed at Rands Afrikaanse University) “Does Economic Stability Contribute to Growth?”; The Mises Institute. <https://mises.org/wire/does-economic-stability-contribute-growth>

“According to popular thinking, stable economic environments in terms of stable price inflation and stable output growth acts as a buffer against various shocks. This makes it much easier for businesses to plan. In this way of thinking in particular, price level stability is the key for so-called economic stability.”

Application: Long-Term Growth, Decreased Risk of Deflation

The Organisation for Economic Co-operation and Development (OECD), 2014. (The OECD is an international organisation that works with governments, policy makers and citizens to establish evidence-based international standards, find solutions to a range of challenges, and provide a unique forum for data and analysis, exchange of experiences, best-practice sharing, and advice on public policies. The OECD draws on almost 60 years of economic experience, and aims to shape policies that foster prosperity, equality, opportunity and well-being for all.) “How do Growth-Promoting Policies Affect Macroeconomic Stability? OECD Economics Department Policy Note No. 22”; OECD <https://www.oecd.org/economy/growth/How-do-growth-promoting-policies-affect-macroeconomic-stability.pdf>

Monetary and budgetary policy settings aimed at low and stable inflation and sound public finances are conducive to long-term growth. These policies also play a key role in stabilising the economy. For example, monetary policy that has firmly anchored inflation expectations will allow a stronger response to shocks and helps guard against deflationary spirals in the wake of large negative shocks.

CONTENTION 2: Economic Growth Doesn’t Necessarily Increase Economic Welfare

Economic Growth Creates Vulnerability

The Organisation for Economic Co-operation and Development (OECD), 2014. (The OECD is an international organisation that works with governments, policy makers and citizens to establish evidence-based international standards, find solutions to a range of challenges, and provide a unique forum for data and analysis, exchange of experiences, best-practice sharing, and advice on public policies. The OECD draws on almost 60 years of economic experience, and aims to shape policies that foster prosperity, equality, opportunity and well-being for all.) “How do Growth-Promoting Policies Affect Macroeconomic Stability? OECD Economics Department Policy Note No. 22”; OECD <https://www.oecd.org/economy/growth/How-do-growth-promoting-policies-affect-macroeconomic-stability.pdf>

Vulnerability, that is the probability that an economy may be hit by a shock, can arise due to a number of different growth-promoting policy settings. Notably these include policies influencing the development of the financial sector and asset prices as well as policy settings that expose economies to external trade and financial account shocks.

GDP Doesn’t Measure Economic Welfare

Yale Ph.D. of Economics Chad Stone, 2017. (Stone is Chief Economist at the Center on Budget and Policy Priorities, where he specializes in the economic analysis of budget and policy issues. Stone has served as acting executive director of the Joint Economic Committee of the Congress in 2007, and staff director and chief economist for the Democratic staff of the committee from 2002 to 2006. He was chief economist for the Senate Budget Committee in 2001-02 and a senior economist and then chief economist at the President’s Council of Economic Advisers from 1996 to 2001. He has also worked at the Federal Trade Commission, the Federal Communications Commission, and the Office of Management and Budget.) “Economic Growth: Causes, Benefits, and Current Limits. Testimony Before the Committee on Small Business Subcommittee on Economic Growth, Tax, and Capital Access, U.S. House of Representatives”; The Center on Budget and Policy Priorities <https://www.cbpp.org/economy/economic-growth-causes-benefits-and-current-limits>

“Faster growth in gross domestic product (GDP) expands the overall size of the economy and strengthens fiscal conditions.  Broadly shared growth in per capita GDP increases the typical American’s material standard of living.  But GDP is not meant to be a measure of economic welfare, and other considerations are important in fully assessing the costs and benefits of policy changes.”

Application: Caretaking, Regulations Ignored by GDP

Yale Ph.D. of Economics Chad Stone, 2017. (Stone is Chief Economist at the Center on Budget and Policy Priorities, where he specializes in the economic analysis of budget and policy issues. Stone has served as acting executive director of the Joint Economic Committee of the Congress in 2007, and staff director and chief economist for the Democratic staff of the committee from 2002 to 2006. He was chief economist for the Senate Budget Committee in 2001-02 and a senior economist and then chief economist at the President’s Council of Economic Advisers from 1996 to 2001. He has also worked at the Federal Trade Commission, the Federal Communications Commission, and the Office of Management and Budget.) “Economic Growth: Causes, Benefits, and Current Limits. Testimony Before the Committee on Small Business Subcommittee on Economic Growth, Tax, and Capital Access, U.S. House of Representatives”; The Center on Budget and Policy Priorities <https://www.cbpp.org/economy/economic-growth-causes-benefits-and-current-limits>

“GDP measures the market value of goods and services produced in the country, but it captures only market activity and is not designed to be a measure of economic welfare.  A parent in the paid labor force contributes to GDP; one who stays home to take care of children or an aging family member does not, but, if the family hires someone to perform these same duties, that labor would contribute to GDP.  Health, safety, and environmental regulations can impose costs on businesses that may slow measured GDP growth, but any such costs must be compared with the benefits of better health, safer workplaces, and a cleaner environment that may not be captured in GDP.”

Application: Benefits of Growth May Not be Shared

Yale Ph.D. of Economics Chad Stone, 2017. (Stone is Chief Economist at the Center on Budget and Policy Priorities, where he specializes in the economic analysis of budget and policy issues. Stone has served as acting executive director of the Joint Economic Committee of the Congress in 2007, and staff director and chief economist for the Democratic staff of the committee from 2002 to 2006. He was chief economist for the Senate Budget Committee in 2001-02 and a senior economist and then chief economist at the President’s Council of Economic Advisers from 1996 to 2001. He has also worked at the Federal Trade Commission, the Federal Communications Commission, and the Office of Management and Budget.) “Economic Growth: Causes, Benefits, and Current Limits. Testimony Before the Committee on Small Business Subcommittee on Economic Growth, Tax, and Capital Access, U.S. House of Representatives”; The Center on Budget and Policy Priorities <https://www.cbpp.org/economy/economic-growth-causes-benefits-and-current-limits>

Finally, a full assessment of the benefits of economic growth requires consideration of how widely Americans share in that economic growth.  There’s a big difference between growth like that we experienced between 1948 and 1973, which doubled living standards up and down the income distribution, and the growth accompanied by widening income inequality we’ve experienced since.

Negative Counter-Brief:

To counter this affirmative case, you need to identify and focus on the aspects of economic welfare that are best achieved by economic growth. Economic welfare is a difficult value to contest, because it is the overarching goal of all economic policy (including economic policies that prioritize growth over stability, or vice versa).

However, economic welfare is a broad enough value that you can uphold it in ways that the affirmative doesn’t. Additionally, it’s not entirely certain whether economic stability is the best path to economic health, even in the areas that are discussed in the affirmative case. Economists disagree over whether stability is the best way to deal with economic disruptions and shocks, or whether a more flexible approach is more effective. While economic growth can increase income disparities, it can also improve income equality, which increases economic health and upholds the value of economic welfare. The evidence below will help strengthen your refutation of this case.

Flexibility, not Stability, Aids Economic Welfare

University of Chicago Ph.D. of Economics Yale Brozen, 1958. (Brozen [1928-1998] was a consultant for the U.S. Department of Justice's Antitrust Division, the President's Materials Policy Commission, the National Association of Manufacturers and the National Science Foundation. He served on President Ronald Reagan's transition team; was Director of Research in the Transportation Center; and was Director of the Annual Business Economists Conference of the Graduate School. He also taught at Northwestern University, Illinois Institute of Technology, University of Minnesota, and universities around the world; and was an Adjunct Scholar at the American Enterprise Institute for Public Policy Research.) “Means for Maintaining Economic Stability”; in the Journal of Farm Economics Vol. 40, No. 5, Proceedings of the Joint Annual Meeting (Dec., 1958), pp. 1069-1078. Published by: Oxford University Press on behalf of the Agricultural & Applied Economics Association. <https://www.jstor.org/stable/1234973?seq=1>

“We can look for the causes of unemployment and the means for preventing it, in two main areas. (1) Exogenous factors act on the economy in ways which may tend to cause declines in employment. (2) Since sufficiently rapid adaptations of prices and wage rates can offset external factors, failure of the adaptive mechanisms of the economy to react rapidly enough may also be regarded as a cause of unemployment. Sufficient flexibility in prices and wage rates can prevent unemployment in the face of adverse conditions.”

Economic Growth Decreases Income Disparity

Stanford Professor of Economics Michael J. Boskin, December 2019. (Boskin holds [B.A.](https://en.wikipedia.org/wiki/Bachelor_of_Arts), [M.A.](https://en.wikipedia.org/wiki/Master_of_Arts), and [Ph.D.](https://en.wikipedia.org/wiki/Ph.D.) degrees in [economics](https://en.wikipedia.org/wiki/Economics) from the [University of California, Berkeley](https://en.wikipedia.org/wiki/University_of_California,_Berkeley). He is a Senior Fellow at the Hoover Institution, a Research Associate with the National Bureau of Economic Research, and the founder and CEO of the economic consulting company Boskin & Co. He was formerly the president and director of Exxon Mobil.) “Economic growth is the best way to raise living standards”; The Guardian <https://www.theguardian.com/business/2019/dec/13/how-to-expand-american-economic-pie>

“President John F. Kennedy famously quipped: “A rising tide lifts all boats.” Obviously, that claim is somewhat hyperbolic; but even if growth cannot lift all boats all the time, it clearly lifts the most and leaves the fewest stranded or sunk. In today’s context, stronger U.S. growth has tightened the labour market, such that wages for low earners are rising faster than those of any other cohort. Unemployment is at a five-decade low and at an all-time low for African-Americans and Hispanics.”

Slow Growth Harms Economic Welfare

Stanford Professor of Economics Michael J. Boskin, December 2019. (Boskin holds [B.A.](https://en.wikipedia.org/wiki/Bachelor_of_Arts), [M.A.](https://en.wikipedia.org/wiki/Master_of_Arts), and [Ph.D.](https://en.wikipedia.org/wiki/Ph.D.) degrees in [economics](https://en.wikipedia.org/wiki/Economics) from the [University of California, Berkeley](https://en.wikipedia.org/wiki/University_of_California,_Berkeley). He is a Senior Fellow at the Hoover Institution, a Research Associate with the National Bureau of Economic Research, and the founder and CEO of the economic consulting company Boskin & Co. He was formerly the president and director of Exxon Mobil.) “Economic growth is the best way to raise living standards”; The Guardian <https://www.theguardian.com/business/2019/dec/13/how-to-expand-american-economic-pie>

“In 2019 we have witnessed rising political extremism (on both the left and right) and polarisation, increased government instability and growing tensions between central and subnational governments. Each trend will continue in 2020. Almost everywhere one looks, there is a growing gap between what people demand of governments and what governments can deliver. The reasons vary but a significant underlying cause explains many of the grievances: sluggish economic growth. While rising inequality – a problem that the [data](https://www.economist.com/briefing/2019/11/28/economists-are-rethinking-the-numbers-on-inequality) suggest is real but overstated – has moved to the centre of public debate, the key issue is that living standards are not improving fast enough among those who are falling behind.”

Economic Growth Protects Life

Harvard educated policy analyst Peter Ferrara January 2014 (Ferrara has an B.A. in Economics and a J.D., both from Harvard. He is Director of Entitlement and Budget Policy at the Heartland Institute, and holds senior positions at several other think tanks. He served in in the White House Office of Policy Development under President Reagan, and as Associate Deputy Attorney General of the United States under President George H.W. Bush.) “Why Economic Growth Is Exponentially More Important Than Income Inequality”; Forbes<https://www.forbes.com/sites/peterferrara/2014/01/14/why-economic-growth-is-exponentially-more-important-than-income-inequality/#40362d181483>

“Such economic growth has produced dramatic improvements in personal health as well. Throughout most of human history, a typical lifespan was 25 to 30 years, as Moore and Simon report. But “from the mid-18th century to today, life spans in the advanced countries jumped from less than 30 years to about 75 years.” Average life expectancy in the U.S. has grown by more than 50% since 1900. Infant mortality declined from 1 in 10 back then to 1 in 150 today. Children under 15 are at least 10 times less likely to die, as one in four did during the 19th century, with their death rate reduced by 95%. The maternal death rate from pregnancy and childbirth was also 100 times greater back then than today.”