Negative: Economic Welfare

By Mark Csoros

Resolved: Economic stability is more important than economic growth.

This Negative case is designed to counter the Affirmative case that shares the same value, although it can also be used to counter any number of Aff cases. Like the Affirmative Economic Welfare case, this Negative is very straightforward and policy-focused. However, it features just one contention and one very big application: the Great Depression.

The Great Depression is a recognizable economic phenomenon in world history, and so it has a lot of persuasive power. Your job is to prove that economic stability is primarily at fault for the Great Depression, and that policies valuing economic growth would have prevented, or at least lessened the impact of, that economic downturn. Make sure you read and understand the evidence thoroughly, because there’s a lot of economic analysis that can be difficult to process. That complexity also makes it difficult to refute, but you have to understand your own support in order to effectively use it. If you can properly implement the analytical and persuasive tools of this case, it’s going to be very difficult for your opponent to gain traction and win the ballot.

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 Decreases Economic Welfare

Stabilization Policies Harm Economic Welfare

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>

By means of various quantitative methods, the Fed’s economists have established that at present policy makers must aim at keeping price inflation at 2%. Any significant deviation from this figure constitutes deviation from the growth path of price stability. Observe that Fed policy makers are telling us that they have to stabilize the price level in order to allow the efficient functioning of the market economy. Obviously, this is a contradiction in terms since any attempt to manipulate the so-called price level implies interference with markets and hence leads to false signals as conveyed by changes in relative prices. By means of setting targets to interest rates and by means of monetary pumping it is not possible to strengthen economic fundamentals, but on the contrary, it only makes things much worse.

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.

**Application: The Great Depression**

Stability Policy Hid Warning Signs

Columbia Ph.D. of Economics Murray Rothbard, 1963. (Rothbard was a prolifically published economist of the Austrian School, and is remembered as the founder and leading theoretician of anarcho-capitalism and a central figure in the libertarian movement. He taught economics, founded the Center for Libertarian Studies and the Journal of Libertarian Studies, and co-founded the Ludwig von Mises Institute.) “America’s Great Depression”; The Ludwig von Mises Institute. page 169. <https://cdn.mises.org/Americas%20Great%20Depression_3.pdf>

One of the reasons that most economists of the 1920s did not recognize the existence of an inflationary problem was the widespread adoption of a stable price level as the goal and criterion for monetary policy. The extent to which the Federal Reserve authorities were guided by a desire to keep the price level stable has been a matter of considerable controversy. Far less controversial is the fact that more and more economists came to consider a stable price level as the major goal of monetary policy. The fact that general prices were more or less stable during the 1920s told most economists that there was no inflationary threat, and therefore the events of the great depression caught them completely unaware.

Stability, not Economic Growth, Caused the Depression

Columbia Ph.D. of Economics Murray Rothbard, 1963. (Rothbard was a prolifically published economist and economic historian, and is remembered as the founder and leading theoretician of anarcho-capitalism and a central figure in the libertarian movement. He taught economics, founded the Center for Libertarian Studies and the Journal of Libertarian Studies, and co-founded the Ludwig von Mises Institute.) “America’s Great Depression”; The Ludwig von Mises Institute. pages 170-171. <https://cdn.mises.org/Americas%20Great%20Depression_3.pdf>

The stability of the price level in the 1920s is demonstrated by the Bureau of Labor Statistics Index of Wholesale Prices, which fell to 93.4 (100 = 1926) in June 1921, rose slightly to a peak of 104.5 in November 1925, and then fell back to 95.2 by June 1929. The price level, in short, rose slightly until 1925 and fell slightly thereafter. Consumer price indices also behaved in a similar manner. On the other hand, the Snyder Index of the General Price Level, which includes all types of prices (real estate, stocks, rents, and wage rates, as well as wholesale prices) rose considerably during the period, from 158 in 1922 (1913 = 100) to 179 in 1929, a rise of 13 percent. Stability was therefore achieved only in consumer and wholesale prices, but these were and still are the fields considered especially important by most economic writers. Within the overall aggregate of wholesale prices, foods and farm products rose over the period while metals, fuel, chemicals, and home furnishings fell considerably. That the boom was largely felt in the capital goods industries can be seen by (a) the quadrupling of stock prices over the period, and by (b) the fact that durable goods and iron and steel production each increased by about 160 percent, while the production of non-durable goods (largely consumer goods) increased by only 60 percent. In fact, production of such consumer items as manufactured foods and textile products increased by only 48 percent and 36 percent respectively, from 1921 to 1929. Another illustration of Mises’s theory was that wages were bid up far more in the capital goods industries. Overbidding of wage rates and other costs is a distinctive feature of Mises’s analysis of capital goods industries in the boom. Average hourly earnings, according to the Conference Board Index, rose in selected manufacturing industries from $.52 in July 1921 to $.59 in 1929, a 12 percent increase. Among this group, wage rates in consumer goods’ industries such as boots and shoes remained constant; they rose 6 percent in furniture, less than 3 percent in meat packing, and 8 percent in hardware manufacturing. On the other hand, in such capital goods’ industries as machines and machine tools, wage rates rose by 12 percent, and by 19 percent in lumber, 22 percent in chemicals, and 25 percent in iron and steel. Federal Reserve credit expansion, then, whether so intended or not, managed to keep the price level stable in the face of an increased productivity that would, in a free and unhampered market, have led to falling prices and a spread of increased living standards to everyone in the population. The inflation distorted the production structure and led to the ensuing depression–adjustment period. It also prevented the whole populace from enjoying the fruits of progress in lower prices and insured that only those enjoying higher monetary wages and incomes could benefit from the increased productivity.

The Great Depression Resulted From Stabilization

Columbia Ph.D. of Economics Murray Rothbard, 1963. (Rothbard was a prolifically published economist and economic historian, and is remembered as the founder and leading theoretician of anarcho-capitalism and a central figure in the libertarian movement. He taught economics, founded the Center for Libertarian Studies and the Journal of Libertarian Studies, and co-founded the Ludwig von Mises Institute.) “America’s Great Depression”; The Ludwig von Mises Institute. pages 171-172. [Brackets added for context, italics added to identify quotations.] <https://cdn.mises.org/Americas%20Great%20Depression_3.pdf>

There is much evidence for the charge of Phillips, McManus, and Nelson that “the end-result of what was probably the greatest price-level stabilization experiment in history proved to be, simply, the greatest depression.” Benjamin Strong [governor of the Federal Reserve Bank of New York from 1914 to 1928] was apparently converted to a stable-price-level philosophy during 1922. On January 11, 1925, Strong privately wrote: “that it was my belief, and I thought it was shared by all others in the Federal Reserve System, that our whole policy in the future, as in the past, would be directed toward the stability of prices so far as it was possible for us to influence prices.” When asked, in the Stabilization Hearings of 1927, whether the Federal Reserve Board could “stabilize the price level to a greater extent” than in the past, by open-market operations and other control devices, Governor Strong answered, “I personally think that the administration of the Federal Reserve System since the reaction of 1921 has been just as nearly directed as reasonable human wisdom could direct it toward that very object.”

Boom in 1920s Wasn’t True Economic Growth

Journalist, Historian and Presidential Medal of Freedom recipient Paul Johnson, 1999. (Johnson is an Oxford-educated author, journalist, and historian, who has written over fifty books and contributed to numerous publications. In 2006, he was awarded America’s highest civilian honor, the Presidential Medal of Freedom, in recognition of his “great breadth of knowledge and moral clarity, and a deep understanding of the challenges of our time.”) Evidence excerpted from Johnson’s 1999 Introduction to “America’s Great Depression,” written in 1963 by Murray Rothbard; The Ludwig von Mises Institute. Pages xiii-xiv. <https://cdn.mises.org/Americas%20Great%20Depression_3.pdf>

By 1929, some stocks were selling at 50 times earnings. A market boom based entirely on capital gains is merely a form of pyramid selling. By the end of 1928 the new investment trusts were coming onto the market at the rate of one a day, and virtually all were archetype inverted pyramids. They had “high leverage”—a new term in 1929—through their own supposedly shrewd investments, and secured phenomenal stock exchange growth on the basis of a very small plinth of real growth. United Founders Corporation, for instance, had been created by a bankruptcy with Introduction to the Fifth Edition xiv an investment of $500, and by 1929 its nominal resources, which determined its share price, were listed as $686,165,000. Another investment trust had a market value of over a billion dollars, but its chief asset was an electric company which in 1921 had been worth only $6 million. These crazy trusts, whose assets were almost entirely dubious paper, gave the boom an additional superstructure of pure speculation, and once the market broke, the “high leverage” worked in reverse.

Economic Growth Ended the Great Depression

Journalist, Historian and Presidential Medal of Freedom recipient Paul Johnson, 1999. (Johnson is an Oxford-educated author, journalist, and historian, who has written over fifty books and contributed to numerous publications. In 2006, he was awarded America’s highest civilian honor, the Presidential Medal of Freedom, in recognition of his “great breadth of knowledge and moral clarity, and a deep understanding of the challenges of our time.”) Evidence excerpted from Johnson’s 1999 Introduction to “America’s Great Depression,” written in 1963 by Murray Rothbard; The Ludwig von Mises Institute. Page xv. <https://cdn.mises.org/Americas%20Great%20Depression_3.pdf>

This pattern was repeated all over the industrial world. It was the worst slump in history, and the most protracted. Indeed there was no natural recovery. France, for instance, did not get back to its 1929 level of industrial production until the mid-1950s. The world economy, insofar as it was saved at all, was saved by war, or its preparations. The first major economy to revitalize itself was Germany’s, which with the advent of Hitler’s Nazi regime in January, 1933, embarked on an immediate rearmament program. Within a year, Germany had full employment. None of the others fared so well. Britain began to rearm in 1937, and thereafter unemployment fell gradually, though it was still at historically high levels when war broke out on September 3, 1939. That was the date on which Wall Street, anticipating lucrative arms sales and eventually U.S. participation in the war, at last returned to 1929 prices.

Affirmative Counter-Brief:

To counter this Negative case, you should couple the positive aspects of economic stability (which are covered in the Aff Economic Welfare Case) with the negative aspects of economic growth, which are covered in this Aff Counter-Brief.

Be sure to make it clear that we live in a very different economic landscape than we did in the 1920s and 30s. Yes, it’s entirely possible that economic stability led to the Great Depression, and that a focus on economic growth would have prevented or ameliorated the Great Depression, but that isn’t an indication of what we, here in the 21st century, ought to value. Use your evidence to underscore how different the economic situation is, and how our current economic situation means that we ought to treat economic stability as more important than economic growth.

Economic Growth Degrades Economic Foundations

The Center for the Advancement of the Steady State Economy. (CASSE was founded as a U.S.-based nonprofit organization in 2004 to refute the dangerous rhetoric that “there is no conflict between growing the economy and protecting the environment.” CASSE has become the leading organization promoting the transition from unsustainable growth to a steady state economy.) “Downsides of Growth”; CASSE (No date, but the article must have been written after 2004, since CASSE was founded in 2004) https://steadystate.org/discover/downsides-of-economic-growth/

A healthy environment is the foundation of a healthy economy. We need healthy soils for agriculture, healthy forests for timber, and healthy oceans for fisheries. Along with clean air for breathing and clean water for drinking, these are the building blocks of a prosperous economy and a good life. When economic growth threatens the environment and economic sustainability, social unrest is the result, and national security is compromised. Economic growth was once used for building military power, but in an overgrown global economy, economic sustainability is more conducive to diplomacy and stability among nations. The conflict between economic growth and environmental protection is becoming more apparent as the oversized economy bumps up against limits.  From depletion of ocean fisheries to loss of pollinators, from groundwater drawdown to deforestation, from climate change to increasing concentrations of toxic pollution (not to mention increasing childhood cancer rates), from massive urban slums to degraded rural lands, the consequences of too much economic growth are observable all around us. Ecological footprint analysis also reveals that the economy has become overgrown.  The footprint measures how much land and water area a human population requires to produce the resources it consumes and to absorb its wastes under prevailing technology. According to data from the Global Footprint Network, the footprint of all nations exceeded the biological capacity of the planet in the mid- to late 1980s. We find ourselves in a global state of overshoot, accumulating ecological debt by depleting natural capital to keep the economy growing.

Economic Growth Leaves out Well-Being

The Atlantic, November 2016. “Does the Economy Really Need to Keep Growing Quite So Much?”; by Atlantic correspondent Alana Semuels. https://www.theatlantic.com/business/archive/2016/11/economic-growth/506423/

As the thinking goes, growth of gross domestic product (GDP), which measures the goods and services produced in an economy every year is essential to a country’s stability and prosperity. It is growth that is responsible for each generation being better off than its parents’ generation, economists say. “More growth is better, period,” Robert Gordon, a Northwestern economist, told me. But some economists are now challenging that view, arguing that it makes more sense to focus on measures of well-being other than growth.  After all, despite a growth rate that has averaged three percent over the last 60 years (which is quite robust), there are still 43 million Americans living in poverty, and most people’s wages are essentially unchanged from the end of the Reagan administration. In fact, the median income of households in 2014 was 4 percent lower than it was in 2000, despite positive economic growth in all but two of the years during that time period.

Economic Growth has Hidden Costs

The Atlantic, November 2016. “Does the Economy Really Need to Keep Growing Quite So Much?”; by Atlantic correspondent Alana Semuels. https://www.theatlantic.com/business/archive/2016/11/economic-growth/506423/

It’s not just that maximizing growth doesn’t necessarily help people, but also that rapid growth can itself come at a cost, such as when the pursuit of growth is used to push through policies that are expected increase the GDP but may have negative consequences for millions. For example, companies often say they could grow more quickly and produce more with fewer regulations, but loosening those regulations might also lead to more pollution and accidents in factories. Other times, policies that might be necessary for the country’s long-term survival are avoided because of fears they might harm GDP.

Growth-Causing Activities Aren’t Inherently Good

The Atlantic, November 2016. “Does the Economy Really Need to Keep Growing Quite So Much?”; by Atlantic correspondent Alana Semuels. https://www.theatlantic.com/business/archive/2016/11/economic-growth/506423/

Indeed, GDP measures activity in the economy, but there’s no way to know whether that activity is actually good for society. Merely sitting in traffic can cause GDP to go up, since people need to buy all that gas, but it has no societal benefit whatsoever, and additionally has negative consequences, such as pollution and frustration, that don’t show up in GDP at all. The BP oil-rig explosion, which killed 11, and the subsequent spill, which leaked 3 million barrels of oil into the Gulf, actually[lifted GDP](http://blogs.wsj.com/economics/2010/06/15/oil-spill-may-end-up-lifting-gdp-slightly/), analysts said, because of the amount of money spent cleaning it up.

Growth Doesn’t Necessarily Decrease Inequalities

The Atlantic, November 2016. “Does the Economy Really Need to Keep Growing Quite So Much?”; by Atlantic correspondent Alana Semuels. https://www.theatlantic.com/business/archive/2016/11/economic-growth/506423/

But even with growth, there’s no guarantee that inequality will decrease—in fact, the economy’s current trajectory is of increasing inequality. And proposals for addressing inequality, such as raising taxes on the rich, are often nixed because some economists say such prescriptions[might reduce](http://www.ncpa.org/sub/dpd/index.php?Article_ID=25285) economic growth. If growth were less of an imperative, policymakers could prioritize distributional policies more than the current economy does, O’Neill said. That might mean raising taxes on the rich, or increasing tax credits for the working poor or middle class. Redistribution could be achieved by providing[better educational](http://hbswk.hbs.edu/item/how-should-wealth-be-redistributed) or job opportunities for the disadvantaged, without worrying about the downsides of such government spending. It could also mean providing a basic income for the poor, something the Dutch city of Utrecht is[about to test](https://www.theatlantic.com/business/archive/2016/06/netherlands-utrecht-universal-basic-income-experiment/487883/).