Negative: Fighting Poverty

By Josiah Hemp

***Resolved: Economic stability is more important than economic growth***

This case argues that economic growth leads to less poverty. Fighting poverty is a very unconventional value, but it is an important goal that most people find important. It meets the criteria of being something that is valuable, and something that we should seek to achieve.
One note: be sure that you do not lose sight of the fact that this resolution is not specifically about the United States. There is no specified actor, and the implied actor is governments or central banks. Many of the evidence cards in this case speak about developing countries. This case is also applicable to the U.S., but do not let the affirmative get away with dismissing the arguments contained in this case simply because they are not about the United States directly.

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“The best social program is a productive job for anyone who’s willing to work.”—Ronald Reagan.[[1]](#footnote-1) The best welfare is a job. We should try to help people get out of poverty through increasing opportunities for work—by promoting growth.

DEFINITIONS

Economic Stability

Business Dictionary. “Economic Stability.” <http://www.businessdictionary.com/definition/economic-stability.html> Accessed August 27, 2020.

“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

Oxford Reference. “Economic Growth” <https://www.oxfordreference.com/view/10.1093/oi/authority.20110803095741367>

“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.”

VALUE: Fighting Poverty

Reason to Prefer: Universal importance

Jeffrey Dorfman (professor of economics at The University of Georgia and consultant on economic issues to a variety of corporations and local governments), “Why Growth Matters.” Forbes. December 22, 2017. <https://www.forbes.com/sites/jeffreydorfman/2017/12/22/why-growth-matters/#49975e6b7141>. Accessed August 27, 2020.

“People on both sides of the political aisle would like to see less poverty and more families moving up the economic ladder to at least middle-class comfort. Similarly, everyone would like to see that middle-class comfort be more comfortable with the middle class having more in savings and fewer people living paycheck to paycheck. That is why raising the rate of economic growth is so important.”

CONTENTION 1: Poverty is a problem in the status quo

Poverty in the United States

JESSICA SEMEGA, MELISSA KOLLAR, JOHN CREAMER, AND ABINASH MOHANTY. “Income and Poverty in the United States: 2018” SEPTEMBER 10, 2019. Last revised June 26, 2020. The Census Bureau. <https://www.census.gov/library/publications/2019/demo/p60-266.html#:~:text=In%202018%2C%20there%20were%2038.1,17.4%20percent%20to%2016.2%20percent>. Accessed August 27, 2020.

“In 2018, there were 38.1 million people in poverty, approximately 1.4 million fewer people than 2017.”

But that is just in the United States. Worldwide, poverty is much worse.

Worldwide poverty

RAKESH KOCHHAR. “Seven-in-ten people globally live on $10 or less per day.” Pew Research Center. September 23, 2015. <https://www.pewresearch.org/fact-tank/2015/09/23/seven-in-ten-people-globally-live-on-10-or-less-per-day/>. Accessed August 27, 2020.

“The vast majority of the world’s population lives on a budget that falls well short of the poverty line in advanced economies. Specifically, 4.4 billion people – 71% of the global population of 6.2 billion – lived on $10 or less per day in 2011, according to a Pew Research Center analysis of the most recently available data.

“In stark contrast, the poverty line in the U.S. was $15.77 per day per capita for a four-person household in 2011. Moreover, the median daily income of poor Americans was $11.45 per capita, greater than the income of more than seven-in-ten people globally. (All dollar figures are expressed in 2011 prices and purchasing power parities.)”

Clearly, poverty is bad in the world. But what can we do to fight it?

CONTENTION 2: Economic growth fights poverty

A rising tide lifts all boats

John F. Kennedy. “John F. Kennedy Quotes.” Goodreads. <https://www.goodreads.com/quotes/266583-the-rising-tide-lifts-all-the-boats>. Accessed August 27, 2020.

“The rising tide lifts all the boats.”

As the economy grows, more people will be lifted out of poverty.

Growth fights poverty

DFID, G. B. (2008). Growth: building jobs and prosperity in developing countries. London: UK Department for International Development. August 27, 2020. <http://www.oecd.org/derec/unitedkingdom/40700982.pdf>

“Economic growth is the most powerful instrument for reducing poverty and improving the quality of life in developing countries. Both cross-country research and country case studies provide overwhelming evidence that rapid and sustained growth is critical to making faster progress towards the Millennium Development Goals – and not just the first goal of halving the global proportion of people living on less than $1 a day.”

How does growth fight poverty? Later they continue,

“Growth can generate virtuous circles of prosperity and opportunity. Strong growth and employment opportunities improve incentives for parents to invest in their children’s education by sending them to school. This may lead to the emergence of a strong and growing group of entrepreneurs, which should generate pressure for improved governance. Strong economic growth therefore advances human development, which, in turn, promotes economic growth.”

Not only is growth good for fighting poverty, it is necessary for fighting poverty.

“A successful strategy of poverty reduction must have at its core measures to promote rapid and sustained economic growth. The challenge for policy is to combine growth promoting policies with policies that allow the poor to participate fully in the opportunities unleashed and so contribute to that growth. This includes policies to make labour markets work better, remove gender inequalities and increase financial inclusion.”

Other sources

Many other scholars agree that growth is the best way to fight poverty.

Rodrik, D. 2018 (Ford Foundation Professor of International Political Economy at the John F. Kennedy School of Government at Harvard University. A.B. Harvard, PhD in Economics, Princeton. MPA, Princeton.) (2007). One Economics, Many Recipes: Globalization, Institutions and Economic Growth. Harvard University. Quoted in: Aijaz Ahmad Turrey & Tajamul Maqbool January 2018. (Ph.D. Research Students Central University of Gujarat),” RELATIONSHIP BETWEEN ECONOMIC GROWTH AND POVERTY: A STUDY OF DEVELOPING AND LESS DEVELOPED COUNTRIES” Towards Excellence: An Indexed, Refereed & Peer Reviewed Journal of Higher Education / GUJARAT UNIVERSITY. / Page 51-57 <https://hrdc.gujaratuniversity.ac.in/Uploads/EJournalDetail/19/33/4.pdf> Accessed August 27, 2020.

“‘Historically nothing has worked better than economic growth in enabling societies to improve the life chances of their members, including those at the very bottom’”

Lant Pritchett (BLAVATNIK SCHOOL OF GOVERNMENT, UNIVERSITY OF OXFORD. Director, Research on Improving Systems of Education (RISE). Research focuses on a range of development issues including economic growth, education, labor mobility, state capability, and health.) “Poverty Reduction and Economic Growth.” EconoFact (a non-partisan publication on economic and social policies. Published by the Edward R. Murrow Center for a Digital World at The Fletcher School at Tufts University.) February 2, 2020. <https://econofact.org/poverty-reduction-and-economic-growth>. Accessed August 27, 2020.

“1.1 Billion people have been lifted out of extreme poverty in the last 25 years. Broad-based growth is the most important source of poverty reduction.”

Later in the same article he writes,

“Broad-based growth, defined as the process that raises median income, is far and away the most important source of poverty reduction. There is no instance of a country achieving a headcount poverty rate below 1/3 of its population (at moderate poverty line of $5.50) without achieving the median consumption of that of Mexico. This is not to say that there do not exist anti-poverty programs that are cost-effective and hence should be expanded, or, conversely, that there are anti-poverty programs that are not cost-effective (or even have zero impact on poverty) and should be cut back or eliminated. Analyses of these types of programs would enable a more efficient use of resources devoted to poverty reduction. But large and sustained improvements in global poverty will almost certainly have to focus on how to raise the productivity of the typical person in a poor country, which is a key source of national income growth.”

All of this is to say, it is well attested to that the best way to fight poverty is through economic growth.

Application: Growth under Clinton

Jeffrey Dorfman (professor of economics at The University of Georgia and consultant on economic issues to a variety of corporations and local governments), “Why Growth Matters.” Forbes. December 22, 2017. <https://www.forbes.com/sites/jeffreydorfman/2017/12/22/why-growth-matters/#49975e6b7141>. Accessed August 27, 2020.

“Under President Bill Clinton inflation-adjusted economic growth averaged 3.8% per year. This rapid economic growth helped lead to a 3.6 percentage point decline in the poverty rate once government transfers are accounted for, a drop of 25%. Between economic growth creating jobs, boosting wages, and providing government with the revenue to afford social safety net programs, one in four people living in poverty escaped in those eight years. That is why raising the rate of economic growth is so important.”

CONCLUSION

Economic stability allows for some growth. But if we focus on stability over growth, we will not be able to adequately address poverty. While stability matters, we need to focus first on growth, so that we can deal with the problems of poverty.

Affirmative Counter-Brief: Poverty

This rebuttal attacks the weakest point of the negative case—it does not focus on stability. This is mainly because there are not many problems with stability. This brief points out that instability also hurts the poor. Further, stability is necessary for and will lead to growth. Thus, stability matters more.

Instability hurts the poor

Brian Ames, Ward Brown, Shanta Devarajan, and Alejandro Izquierdo. “Macroeconomic Policy and Poverty Reduction” Prepared by the International Monetary Fund and the World Bank. August 2001. <https://www.imf.org/external/pubs/ft/exrp/macropol/eng/index.htm#:~:text=Macroeconomic%20Instability%20Hurts%20the%20Poor,-In%20addition%20to&text=The%20reason%20is%20twofold.,incomes%20and%20assets%20from%20inflation>Accessed August 27, 2020.

“Macroeconomic Instability Hurts the Poor. In addition to low (and sometimes even negative) growth rates, other aspects of macroeconomic instability can place a heavy burden on the poor. Inflation, for example, is a regressive and arbitrary tax, the burden of which is typically borne disproportionately by those in lower income brackets. The reason is twofold. First, the poor tend to hold most of their financial assets in the form of cash rather than in interest-bearing assets. Second, they are generally less able than are the better off to protect the real value of their incomes and assets from inflation. In consequence, price jumps generally erode the real wages and assets of the poor more than those of the non-poor. Moreover, beyond certain thresholds, inflation also curbs output growth, an effect that will impact even those among the poor who infrequently use money for economic transactions.8 In addition, low output growth that is typically associated with instability can have a longer-term impact on poverty (a phenomenon known as “hysteresis”). This phenomenon typically operates through shocks to the human capital of the poor. In Africa, for instance, there is evidence that children from poor families drop out of school during crises. Similarly, studies for Latin American countries suggest that adverse terms-of-trade shocks explain part of the decline of schooling attainment (see, for example, Behrman, Duryea, and Szeleky, 1999).”

You cannot have growth without stability

Brian Ames, Ward Brown, Shanta Devarajan, and Alejandro Izquierdo. “Macroeconomic Policy and Poverty Reduction” Prepared by the International Monetary Fund and the World Bank. August 2001. <https://www.imf.org/external/pubs/ft/exrp/macropol/eng/index.htm#:~:text=Macroeconomic%20Instability%20Hurts%20the%20Poor,-In%20addition%20to&text=The%20reason%20is%20twofold.,incomes%20and%20assets%20from%20inflation>Accessed August 27, 2020.

“Macroeconomic Stability Is Necessary for Growth. Macroeconomic stability is the cornerstone of any successful effort to increase private sector development and economic growth (see Box 2). Cross-country regressions using a large sample of countries suggest that growth, investment, and productivity are positively correlated with macroeconomic stability (Easterly and Kraay, 1999). Although it is difficult to prove the direction of causation, these results confirm that macroeconomic instability has generally been associated with poor growth performance. Without macroeconomic stability, domestic and foreign investors will stay away and resources will be diverted elsewhere. In fact, econometric evidence of investment behavior indicates that in addition to conventional factors (i.e., past growth of economic activity, real interest rates, and private sector credit), private investment is significantly and negatively influenced by uncertainty and macroeconomic instability (see, for example, Ramey and Ramey, 1995).”

Stability means growth

*Frank Shostak 2019 (Frank Shostak is an Associated Scholar of the Mises Institute. His consulting firm, Applied Austrian School Economics, provides in-depth assessments and reports of financial markets and global economies. He received his bachelor's degree from Hebrew University, his master's degree from Witwatersrand University, and his PhD from Rands Afrikaanse University and has taught at the University of Pretoria and the Graduate Business School at Witwatersrand University.) “Does Economic Stability Contribute to Growth?” The Mises Institute (A economic thinktank that promotes Austrian/Monetarist/Chicago School Economics).* *https://mises.org/wire/does-economic-stability-contribute-growth*

“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.”

This means that economic stability means having constant growth. Stability will lead to growth. But instability will make growth impossible. Policymakers need to remember that stability must come first. When it does, we will also have growth. But without stability, the poor will only suffer more.

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