



Book Ferraris for All

In defence of economic progress

Daniel Ben-Ami
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Recommendation

If you’ve ever felt guilty about the accoutrements of life in the developed world – plentiful cars, abundant food, cheap energy – economics and finance journalist Daniel Ben-Ami says to stop. He contends that society’s elites are afflicted with wrongheaded ideas about how to improve the world. He argues that underprivileged countries desperately need capitalist growth to improve their people’s lives, and that developed nations should try to help them boom, not weigh them down with self-denial programs. Ben-Ami’s thinking and writing is spotlessly clear but unbendingly hard, and every once in a while he wanders off the path of logic. Nonetheless, he makes a formidable, controversial case. *BooksInShort* suggests his book to corporate managers working on global outreach, economists, and big thinkers who want to ensure the invisible hand is outstretched for a leg up, not a slap in the face.

Take-Aways

- Since the Industrial Revolution, economic growth and technological advances have vastly improved the quality of human life.
- But “growth skepticism” is now replacing the idea of economic expansion, which was dominant for over two centuries.
- Growth skepticism believes that natural resources are finite; it is a flawed, neo-Malthusian approach that shuns social change.
- Predictions about imminent depletion do not take into account increasing energy efficiency, future scientific breakthroughs or discoveries of new energy sources.
- The concept of “sustainable development” dampens any discussion of economic growth.
- Cautions against development in poor countries are manifestations of elitism.
- Despite remaining inequalities, growth has sharply reduced the worst global poverty.
- Progress across a society is not possible without economic growth.
- Impoverished countries should be able to enjoy the same amenities of modern life that developed countries do.
- Humans need to reassert control over nature, not live in harmony with it.

Summary

Life Is Good...Or Is It?

Life is immensely more enjoyable and considerably longer today than it was before the Industrial Revolution. Technological and medical advances have brought clean water, abundant electricity and the near-eradication of once-dreaded diseases. But for much of the developed world, progress is a cause for alarm, not celebration. Fears of exhausted resources, a ruined climate and a populace choking on consumerism have some serious thinkers proposing that the developed world scale back its living standards. Society’s elites believe that excessive greed is to blame for global fiscal collapse and the looming ruin of the physical world. But, on the contrary,

humanity's best hope lies in "greater affluence."

The Problem of "Growth Skepticism"

The idea of economic expansion as a societal good dates back to the Enlightenment. Adam Smith, David Ricardo and François Quesnay all saw increases in wealth as harbingers of progress. This was a radical concept since, until about 1800, humanity's basic lot had not improved appreciably from its earliest days. Industrialization changed all that for the better, but concerns about the benefits of wider prosperity emerged, particularly in Thomas Malthus's population-explosion theories.

"Popular prosperity has given us longer, healthier and more fulfilling lives."

Still, an optimistic belief in growth's benefits dominated for two centuries, even amid the Great Depression. However, today, some "deep green" thinkers see ecological balance as more desirable than progress. They consider development a destructive force and argue that humanity should abandon growth. Such growth skepticism is bound up with the idea of limits, the concept that natural resources are finite. These constraints spawn the notions of "social limits," wherein a lack of societal goods (like good leadership jobs) leads to overall frustration, and "moral limits," which posit that excessive consumption injures society.

"Rather than welcoming affluence, and seeking to take things even further, the prevalent mood in the developed countries is one of profound anxiety over popular prosperity."

The concept of "sustainable development" enshrines limitations. It dampens any discussion of economic growth and suggests that, when considering future needs, the world should prioritize assisting the poorest populations. Many use the unscientific idea of the "ecological footprint" – associated with carbon dioxide production, water use or any other resource depletion – as a tool of moral suasion to question the merits of growth. Environmental advocacy groups uphold that the developed world's resource use greatly exceeds the Earth's supplies. Such arguments encourage state intrusion into individual lifestyle choices and discourage poor nations from pursuing development, leading to neo-Malthusianism, the idea that the Earth's population will outstrip its resources. A fresh generation of thinkers believes the world is overpopulated. Al Gore, John Holdren (science adviser to Barack Obama), Thomas Friedman and Jeffrey Sachs have given this notion new life.

Breeding Antigrowth Ideas

Those in favor of scaling back consumption argue for austerity in terms of renewable energy and climate change. This antigrowth view is rooted in the leftist 1960s and overlaps with the environmental movement, which sees growth as destructive. Ultimately, the growth-skeptic position is elitist, championed by a privileged caste that fears prosperity for the classes beneath them. To protect their status, the rich favor a romanticized economic past that shuns industrial innovations and increases regulation.

"The notion of a 'carbon footprint' gives a veneer of pseudoscience to an irrational concept. There is no clearly identifiable 'footprint' for a given level of energy use."

Several factors contributed to the rise of unease about economic growth. The world wars destroyed the Victorian belief in progress. After World War II, the political Left, which traditionally backed economic growth, "internalized a pessimism toward growth." The end of the Cold War led to the conclusion that socialism is unviable. By then, the Left-Right political orientation – the Left in favor of "social change," the Right in favor of "tradition and continuity" – also lay in ruins, with both ends of the political spectrum agreeing on the need to restrain growth. Karl Marx had advocated progress and societal change, but his followers generations later, turned away from his ideas after the horrors of WWII. Their antigrowth views were an essential part of the 1960s counterculture.

"In the environmentalist imagination dominating nature is conflated with its destruction...From such a misanthropic perspective it is easy to attack human advance as destroying the planet."

The West's pervasive sense of fear exacerbated public worries about the consequences of growth: Risks such as climate change, violent crime and technological advances have increased. However, a more plausible explanation points to the erosion of community bonds that has left citizens feeling isolated and afraid. The West's growth has slowed since the 1973-74 recession, a consequence of energy shortages, encouraged the idea that oil use had reached some planetary limit. Since then, manufacturing's predominance in Western economies has eroded. Although the West produces more goods than ever before, manufacturing accounts for a smaller share of its economies than in the past due to the growth of the services sector, in particular the finance industry. Simultaneously, rapid industrialization of developing nations has caused the developed world to experience greater apprehension over the future and has led to further growth skepticism.

Taking On the Skeptics

Economic growth has improved human life by increasing the resources available for development. People live more than twice as long as they did before the Industrial Revolution, while the population has sextupled since then. Individual productivity and consumption have increased substantially, as additional prosperity has allowed societies to invest in scientific and technological advances, education, social welfare and the arts.

"It is the already rich who benefit from the propagation of growth skeptic ideas. In effect the elite is guarding its privileged position."

GDP is a useful measure of how much an economy makes, but it undervalues the real story of increased productivity, which has brought developed societies an immense range of goods created in ever-fewer man-hours. For example, technology has transformed agriculture into a productive business, fulfilling the old Enlightenment dream of human mastery of nature. Though deep green thinkers associate it with environmental rape, human control of the natural world has manifested itself in countless positive developments, from modern sewer systems to birth control. As a result, people live longer and in better shape than during most of human history. Critics dispute prosperity's role in this, crediting technological breakthroughs rather than increases in wealth. But growing economies foster innovation and spread its benefits, and, while improvements in human health aren't always a direct result of growth, greater affluence helps society improve.

"Many of the key problems still facing humanity are the result of not enough economic growth rather than too much."

Environmentalism posits that development is destructive, that it depletes finite resources and unleashes deadly forces such as climate change, so humans should consume less and leave the globe in sustainable shape. This view fails to give credit to human ingenuity. Consider resource exhaustion: Predictions about imminent depletion are always wrong because they do not account for the greater efficiency in using the resources, the discovery of new sources or the crafting of alternative energies. Given these three factors, oil is unlikely to run out, and, ultimately, some other fuel will take its central role. Technological advances, like desalination, also can address water scarcity. Today's world is a product of human creativity overcoming natural limits.

“By encouraging poorer countries to focus on survival, rather than economic growth, it helps to sustain international inequalities.”

Pollution resulted from the industrialization in the West, but the wealth generated in the process allowed Western countries to devise ways to clean it. Low-tech energy sources such as charcoal-burning stoves in undeveloped countries contribute significantly to global warming, which could be mitigated if those nations had Western-style energy sources. The underprivileged world needs more growth and technology to handle pollution.

“The Stone Age did not end for lack of stone, and the Oil Age will end long before the world runs out of oil.” (Sheikh Yamani, former Saudi Arabian oil minister)

Sustainable development is economically crippling and consigns undeveloped countries to poverty. Deep green thinkers focus on mitigating climate change, but forcing developing countries to limit carbon emissions would kill growth. Governments are dealing with climate change by looking at cutbacks when they should be investing in decarbonized energy sources like nuclear fission. The answer to global warming lies in changing the supply of electricity, not in discouraging demand. To improve the environment, humans must allow themselves to control nature. Developed nations should share the fruits of that control with poorer countries, particularly when it comes to providing electricity.

“Happy Talk”

Adherents of the “happiness movement” mute the importance of wealth creation by maintaining that the main goal of government should be to create happy citizens, whether prosperous or not. They cite studies that claim people’s happiness plateaus as they get richer, once they surpass a certain income threshold. Thus, happiness advocates assert that the “hedonic treadmill,” the acquisition of more and more consumer products with diminishing satisfaction, disproves the link between increased income and happiness. Supporters of this movement even liken wealth to an illness – “affluenza.” Remedies include self-denial, spirituality, therapy and higher taxes on the rich to institute greater equality.

“As the developed world enters a new age of austerity it is more important than ever to stand up for economic progress.”

However, the happiness argument sees humanity as a collection of undifferentiated consumer-satisfaction units, not as participants engaged in crafting a more just society. Certain goals, such as greater freedom for women, are positive for society even if, according to studies, women have become unhappier since the 1970s. The happiness movement’s damaging ideas include the belief that because the number of mentally ill people has risen along with global wealth, prosperity is to blame. An overly broad definition of depression, for one, has exacerbated the Western tendency to seek therapeutic solutions for everything, diverting attention from the truly disturbed in the process. The ultimate consequence of the focus on happiness is to welcome state intervention in people’s personal lives, and to make citizens accept limits on their desires.

The Inequality Argument

Antigrowth campaigners posit that growth widens the gap between the rich and the poor. Proponents of this ideology favor government intrusion to help people attain greater well-being. Politically, it means redistributing available wealth rather than increasing wealth for all. Critics of growth assail the World Bank’s \$1-a-day (now \$1.25) standard measurement of poverty as a flawed metric that underestimates global poverty. Other opponents of growth refer to the “bottom billion,” the one billion people who cannot escape serious want. Life expectancy, infant mortality and child malnutrition are worse for bottom-billion dwellers than for residents of developed countries.

“For the sake of the entire world, developed and developing, the reaction against economic growth should be resisted.”

Many antigrowth proponents recommend wealth redistribution as a cure for the growing global income gap. But this undermines the post-World War II development doctrine, in which the victorious West promoted bringing the Industrial Revolution and its urbanizing power to the undeveloped world through programs to secure basics, such as drinking water and shelter. Today, the consensus is on human fulfillment, putting psychosocial needs such as self-esteem on the same goals list as nutrition. The World Bank promotes “comprehensive development,” not economic growth. In 2008, the World Health Organization said that unless growth guarantees that its advantages are fairly shared, it doesn’t benefit health. Yet some of the assumptions underlying these conclusions are questionable. Indian economist Surjit Bhalla insists that the World Bank overstates the number of people living in dire poverty and that growth is the cure. One study showed that while inequality rose in China between 1980 and 2001, only 8% of the country was living below the poverty line in 2001, as opposed to 53% in 1980. Absolute poverty worldwide is on a steady decline, thanks to growth, but measuring social inequalities within and between countries is very difficult.

“There is still a long way to go before scarcity is vanquished. Prosperity may not be the entire story but it is a precondition for being able to live the good life.”

The world should seek more growth, not less. Growth is central to transforming poor economies. Yet the paradigm that redefines poverty and inequality in psychological terms posits a therapeutic role for government as a white knight rescuing helpless victims. This misses two fundamental points: Progress across a society is not possible without growth, and impoverished nations should be able to enjoy the same amenities of modern life that developed countries do. Without growth, the West addresses poverty as a problem of culture rather than a problem of insufficient cash that growth could cure.

The Real Solution

The world has given up on progress just when it should re-emphasize the idea that human needs are more important than the needs of the planet. Society should focus on getting more, not settling for less. To provide abundance for all, society should have 10 goals: raising productivity across the globe; asserting faith in the power of humans to overcome limits; reinforcing human dominance over nature; advancing current achievements in modernity; applauding, not scorning, consumption of consumer goods; encouraging women to make whatever childbearing decisions they prefer; abandoning the current emphasis on personal happiness; establishing growth as a central tenet of government; harnessing technology to produce huge quantities of inexpensive energy; and insisting on an economic overhaul, not the patchwork status quo. Only with prosperity can everyone enjoy a full life.

About the Author

British journalist **Daniel Ben-Ami** has covered economics and finance for more than 20 years. He is the author of *Cowardly Capitalism* and the editor of *Fund Strategy*, a London investment newsletter.
