

Proof

**Part II**

**Economic Liberties,  
Growth and Human  
Rights**

Taylor & Francis  
Not for distribution

Proof

Proof

**Taylor & Francis**  
Not for distribution

Proof

## 5 Global Justice and Economic Growth

### Ignoring the Only Thing That Works

*Dan Moller*

#### 1. Introduction

This chapter argues that philosophers have widely ignored the only thing that has worked to bring large numbers of people out of poverty—economic growth—and that this is an important mistake. Most philosophers instead focus on altruism and foreign aid, even though these don't seem ever to have worked at scale. Britain, Botswana, Japan, China and Brazil escaped absolute poverty overwhelmingly through internal economic growth, not through external assistance (which isn't to say aid can't do some good).

I begin by explaining the nature and importance of economic growth, and the way in which economic history should affect our thinking about international poverty. I go on to consider prominent work on global justice, and point out that such work rarely mentions economic growth, or engages any of the literature on the subject. However, I also acknowledge that things are not so straightforward: economic growth may seem to lack practical valence in light of how hard it has proven to reliably *induce* growth. Perhaps we are like neighbors rescuing people from a burning building: what we need is a firetruck, but if we don't have one, rescuing some people one at a time is better than nothing.

I conclude with some lessons that growth and the invisible hand have to teach us about global justice all the same. In particular, focusing on growth can help us avoid offering counterproductive solutions to problems of dire poverty, and misguided criticisms of other people's solutions. More importantly, a focus on growth suggests changes in how we respond, both institutionally and individually. Although unlocking growth is difficult, almost everyone agrees that growth-oriented policies in poor countries will include promoting property rights and encouraging an entrepreneurial class, e.g., by making it easier to start and run a business. To the extent that advocates of global justice insist that severe poverty is a human rights violation, it is puzzling why they wouldn't see these kinds of economic rights, liberties and norms as subsidiary rights. And yet this connection it is still too rarely made by philosophers.

Closer to home, a time-traveling altruist would recognize that 18th-century Britain had many malnourished children worthy of assistance. But there would be a serious case to be made that he should instead devote his efforts to promoting commerce and economic growth. Buying railroad stock and so capitalizing firms participating in industrialization would be an eminently worthy (if unsentimental) approach to take. The same lesson applies today, as I argue. Altruism disconnected from the ultimate aim of growth is senseless.

## 2. Economic Growth

A large body of historical and economic research suggests that most of humanity has lived under conditions that readers would consider abysmal for most of our species' history. There have been exceptions, periods of relative affluence, especially for a fortunate aristocracy or royalty that managed to capture a surplus off the backs of a peasant-class or slaves (Roman aristocrats, say, or urban elites in Tang-era China), or the occasional hunter-gatherer group blessed by an absence of warfare, famine or disease. But the average human has lived a life that most of us would regard as deeply unfortunate until very recently, as recorded in life-expectancies, caloric intake, average height and disease burden.<sup>1</sup> We are all beneficiaries of what the economist Angus Deaton calls "the Great Escape," which he documents in rich detail (Deaton, 2013: chs. 2–4). This escape is overwhelmingly associated with economic growth. The phrase "economic growth" may connote industrial activity, exploited workers and wealthy capitalists, but the evidence suggests otherwise. As Gregory Clark sums up, "the biggest beneficiary of the Industrial Revolution has so far been the unskilled. There have been benefits aplenty for the typically wealthy owners of land or capital, and for the educated. But industrialized economies saved their best gifts for the poorest" (Clark, 2007: 2–3). For those societies lucky enough to have escaped abject poverty—workers and owners alike—the vehicle has largely been growth of the sort we now associate with macro-level facts and figures like GDP, employment rates and consumption levels. To be sure, it is possible to envision forms of growth that are more or less favorable to the worse off, and it is reasonable to favor the former over the latter. But historically, it is hard to think of examples of societies experiencing sustained high growth that didn't also raise up the worst off. Raising GDP *per capita* without raising the fortunes of the many is difficult over the long term, especially at the earlier stages of growth, if only because those benefiting will increasingly require higher degrees of social cooperation, infrastructure and investment opportunities for self-interested reasons.

There is, to be sure, room for some debate and qualification here (see e.g., Deaton, 2013: 87–100). I am focusing on poverty, but there is a complicated relationship between affluence and other aspects of

development, for instance health and science and technology. It is possible to argue that these have advanced for reasons independent of material prosperity, and in ways that could be replicated in poor societies simply by drawing on the relevant knowledge. Examples of such advancements might include the germ theory of disease and public health, basic physics and the invention of the steam engine. Disentangling these elements is of course difficult, and this is not the place to do so. But as a matter of simple association, it is striking how rarely materially poor societies manage to take advantage of pure knowledge; there seem to be many subtle connections between material prosperity and what at first glance seems like independent advancements.

Consider, for instance, the level of prosperity required for universal education, rapid transmission of goods and information and an incentive framework to seek out and promote these advancements. Without these, it seems doubtful that pure knowledge will translate into improved welfare. (If Aristotle had done a little less metaphysics, he could perhaps have invented the germ theory of disease through a series of experiments, but it would have remained difficult to construct water purification systems or to fund extensive testing regimes.) Nevertheless, let me simply concede that it is in principle possible to advance along some dimensions of welfare independent of material prosperity, and that we should leave room for at least some contribution to the Great Escape that is genuinely independent of economic growth. The point remains that the proximate reason most people in developed countries aren't poor by absolute standards (and enjoy at least some big chunk of their good health) is that we live in societies that have experienced economic growth. We can call this the *Growth Thesis*.

This thesis may seem true by definition. What is prosperity if not the end-result of growth? But this certainly isn't a conceptual truth. We can imagine societies that have sustained prosperity for 1,000 years without seeing much growth, even if that is unlikely in practice. At the end of the 1,000 years, it is not economic growth that explains this steady-state prosperity in any interesting sense. Things are rather different with us, whose grandparents were dramatically poorer. (I grew up polishing my grandfather's trophy for door-to-door salesman of the month—an occupation he used to provide for a family of five, and not unusually so.) Or again, certain remote communities—military compounds, oil towns—are rendered prosperous entirely from the outside, by an external supply. We naturally associate prosperity with growth, but the association is contingent.

What *is* growth? In a narrow sense, it is simply an increase in the goods and services available in a society per capita. (We usually think of this as resulting from an increase in production, but it's also worth noting increases due to efficiencies in consumption, as when there is more energy available to us because of longer-lasting lightbulbs; it's possible to

get richer by making *less* stuff.) More substantively, growth reflects an increase in productive activity that people value. Sheer activity isn't the point, of course—frantically digging holes and filling them in again does not constitute a form of prosperity (even if encouraging this could be a last-best solution to an economic crisis). Growth means that people are generating more and more value through what they do and create. For this reason, growth, it seems to me, is always intrinsically good, which doesn't mean it can't have negative side-effects. Even after growth has saved us from absolute poverty, growth means we are creating something of value—new ideas and technologies that let us do more, learn more and grow more in the personal sense. It is growth that allows for the Large Hadron Collider, international travel, *Blade Runner* and cancer treatment.

In this more substantive sense, economic growth is distinct from getting rich in the accounting sense, and this may tempt us to think that there are ways to get rich or at least escape poverty outside of economic growth. Natural resources come to mind. It is a conventional wisdom that supposed petro-states or diamond-states like Botswana have obtained middle-income status largely through extraction. These cases, however, are complicated. According to the World Bank, natural resources account for only around 20 percent of the wealth of developing countries (World Bank, 2011: xi). Using slightly different criteria, "natural" capital forms an insignificant part of the wealth of rich countries (about 2%) but isn't a massive contributor for middle- or low-income countries either (about 15% to 30%), and of course the tendency is to transition from stocks of natural capital to intangible assets, like an educated workforce (World Bank, 2011: 7). Individual country studies confirm this. In Botswana, for instance, famous for its diamond resources, the World Bank estimates that minerals make up less than 16 percent of economic output (World Bank, 2015a: 17). Of course, 15–30 percent is enough to offer a boost in the early phases of development, and the public-finance impact of these resources can be greater than the 15–30 percent might suggest, since natural resources may be the only source of exports and of hard currency, or they may substantially fund the budget. For example, in Nigeria, oil and gas make up less than 15 percent of GDP, contrary to stereotype, but they constitute 90 percent of Nigeria's exports and contribute 70 percent of the government's budget revenue (World Bank, 2015b: 2). But these facts must in turn be treated carefully, since, e.g., using natural resources to fund the national budget is often the result of bad policy, not necessity, as when people living in petro-states become addicted to huge fuel subsidies.

Overall, the evidence suggests that economic growth, not just in the statistical sense, but in the sense of becoming more innovative and productive, is key to escaping poverty, especially when the population is simply too large for natural resources to make a big dent, as in India or

Nigeria, as opposed to Trinidad and Tobago or Botswana; but even in smaller countries, as we have just seen, natural resources are unlikely to be enough. These have their place early in economic development, but no country is likely to escape dire poverty without substantive and exponential economic growth.

This should not seem surprising, in light of how currently rich or middle-income countries got that way. Consider Western Europe, the United States, Japan, China, Mexico, Turkey and Brazil. They all escaped poverty through economic growth. To a good approximation, economic growth is the only way anyone has ever escaped poverty. We can't consider this an iron law since it isn't a conceptual truth; perhaps some small island nation has gotten or could get by on natural resources and tourism alone, but again, to a good approximation, economic growth is the only thing that has worked. We can call this the *Only Growth Thesis*. Since it is obvious that sustained economic growth is *sufficient* for prosperity (you can't grow at 7% a year forever and remain in absolute poverty), we have arrived at a biconditional: at least to a good approximation, economic growth is both necessary and sufficient to escape poverty.

### 3. Philosophers and Growth

Given the crucial role of economic growth in escaping poverty, it comes as a surprise that most philosophers seem uninterested in the subject.<sup>2</sup> There is a vast literature on global justice, international poverty, the responsibilities of the rich countries and so on, and yet hardly any of this literature discusses the only thing that works.

Peter Singer's book-length discussion of effective altruism, for instance, never mentions economic growth, apart from a few sentences on "capitalism," despite being very much focused on global poverty (Singer, 2015: 50). Instead, the emphasis is overwhelmingly on individual donations. Of course, it's not fair to criticize someone for writing the book they wrote instead of some completely different book, but it's not as if Singer registers the facts described above and then suggests we should offer aid as well. The entire topic is simply passed over. Other prominent work in this area follows suit: there are stern rebukes of rich countries for not rendering enough aid to end global poverty, condemnations of colonialism and more recent foreign-policy debacles, critiques of institutions like the IMF and the World Bank (e.g., conditional loan policies and the Washington Consensus) and sometimes there are even positive proposals, such as Thomas Pogge's Global Resource Dividend, which would tax the use or consumption of natural resources such as oil in order to help alleviate global poverty. But there is little or no discussion of economic growth, or anything like the Only Growth Thesis, or the ramifications for global poverty and justice. It's hard to demonstrate this negative if anyone should question it, but the 700-page anthology *Global Justice*, which

collects major works in the field, clearly illustrates this neglect, which is substantial, if not absolute, as we will see further on.<sup>3</sup>

This may still all seem unfair. Perhaps it's just too obvious to be worth stating that economic growth is the antidote to poverty, and what are discussions of Global Resource Dividends, criticisms of trade policy and histories of iniquitous American meddling overseas if not discussions of impediments to and prospects for growth? The mere fact that the phrase "economic growth" rarely occurs doesn't demonstrate the absence of substantive engagement with the relevant issues. But although this last point is certainly correct—the issue isn't one of vocabulary—there really is a difference between fully recognizing that it is the productive, innovative, commercial activities within the countries themselves that are key to any serious hope of escaping poverty, on the one hand, and criticizing or proposing particular policies on moral grounds on the other. For example, once we are focused on growth, it makes much less sense to bicker over particular policies—trade agreements, agro-tariffs, debt forgiveness and the like. These policies may or may not be individually defensible, but it isn't plausible that wide swathes of rural India are poor because of these kinds of details. Few economists think that the growth rate of India is exquisitely sensitive to rich country policies, or that there is much to be done systemically for India's rural poor besides growing the economy as rapidly as possible. They are poor because India has not yet grown rich. Nor is it likely that we will focus on a Global Resource Dividend based on natural resources if we have growth in mind, both because wealth resulting from growth is overwhelmingly a product of services, not natural resources (Moller, 2017), and because the main problems for poor countries are impediments to growth, not a lack of access to capital. Both of these points matter. To the extent that we're struck by the vast disparities between rich and poor countries, we're confused if we seek to trace these back to differences in natural resources that should accordingly be taxed. Neither Japan, Israel, Germany or the U.S. is rich because of gold or oil deposits—their wealth resides in productivity that manifests itself in the service sector (the U.S. economy is 80% services by GDP). If we want to tax the rich, we should simply announce a global progressive tax on utilitarian grounds. And the main problem for desperately poor countries isn't access to the money needed to spur growth; there is plenty of capital available to fund investment in factories or infrastructure. The problem is that these investments don't reliably work in situations of abject poverty. This means that the funds generated by the Dividend would amount to charitable aid—which may be good, but that hardly can count as a form of acknowledging the importance of growth. At the very least, the appropriate way of discussing such topics is to analyze their impact on growth rates and to cite the relevant economic literature, which is not what happens in this body of work.



Perhaps the closest thing to a discussion of economic growth occurs in Henry Shue's *Basic Rights* (excerpted in *Global Justice*, it's worth noting), in the course of addressing economic deprivation. Shue discusses cases that involve complex international interactions, e.g., a peasant who takes up a contract to grow flowers for export instead of a food staple, whose price consequently rises, which causes local malnutrition, thus, it is suggested, violating people's subsistence rights. Shue concludes that this type of malnutrition is a "social disaster," as opposed to a natural disaster, and thinks that this kind of story is "typical" of what is (or was in 1980) happening around the world to people who were "threatened by forms of 'economic development' that lower their own standard of living" (Shue, 1980: 40–46). He goes on to cite a then-current analysis of Latin America, which identifies an "illiberal state capitalism" that is said to pursue a strategy of industrialization, export-led growth and the accumulation of hard currency to repay foreign debtors, all at the local population's expense. But although this discussion does touch on economic growth, at least tangentially, the main of the argument is actually to direct our attention *away* from the fact of growth and towards what Shue sees as instances of unjust growth or growth-associated policies. (It's not as if Shue elsewhere champions high-growth policies done in the right way; the impression left is that technocratic policies encouraging export-led growth, a good credit rating and so on are themselves dubious.) And neglecting the prime importance of growth is once again a mistake. Growth is associated with escaping the very subsistence conditions Shue decries, and although one can always challenge any given policy, the real tragedy isn't the kind of case Shue describes, but the absence of sustained growth, which, when it does occur, far outweighs the kinds of worries Shue has. It's crucial to consider not just farmers made worse off through the freedom to contract with exporters, but those, mostly invisible to us, who *aren't* going hungry *because* of such contracts—what matters is the net, which is what is captured in numbers like per capita GDP. For example, Shue mentions Brazil as an instance of the kind of development-pathologies highlighted by the flower-contract story. But while Brazil does face many challenges around crime, inequality, corruption and much else besides, it is crucial to observe that per capita GDP has risen by a factor of *four* since 1980, in real terms. Life expectancy has risen by *12 years* in the same period. Malnutrition rates have plummeted. Nor is this surprising—the same trends were obvious in 1980 when Shue was writing. (Growth was especially rapid during some periods of post-1985 civilian rule, but per capita GDP also grew by a factor of eight under the military dictatorship.) We shouldn't be cavalier about the many problems still outstanding, but it would be a gross error to neglect growth and the concrete benefits like rising life expectancy associated with it. Surely something is going right, over and above particular

pathologies, when the life expectancy, per capita income and health are going through the roof.

Alternatively, some writers who focus on aid rather than growth may simply reject the Only Growth Thesis. For instance, they may not feel bound by existing examples of escaping poverty, and they might assert that the aid they are calling for *would* make the relevant countries at least tolerably well off, if rich countries really did their duty. It's no fair, they might argue, to claim that growth is the only thing that works, if that is only so in virtue of rich countries refusing to do their bit! But could aid lift a country out of poverty without economic growth? Some economists doubt whether aid is even *helpful*. Angus Deaton, for instance, is skeptical: "The correlation between aid (as a share of national income) and growth remains *negative* even when other important causes of growth have been taken into account" (Deaton, 2013: 288). He worries that we face a kind of dilemma: "when the 'conditions for development' are present, aid is not required. When local conditions are hostile to development, aid is not useful, and it will do harm if it perpetuates those conditions" (Deaton, 2013: 273). If it turns out that the main driver of growth is the presence, say, of good institutions, and that large flows of aid do more harm than good in the presence of bad institutions, it certainly won't seem persuasive that we could help countries escape poverty without economic growth, just by aid. William Easterly (2006, esp. 37 ff.), a former World Bank economist, likewise argues that the effect of aid on development can often be negative, as does Dambisa Moyo, the Oxford-trained economist, who refers to "the vicious cycle of aid" that "chokes off desperately needed investment, instills a culture of dependency, and facilitates rampant and systematic corruption, with deleterious consequences for growth" (Moyo, 2009: 49). Of course, others disagree—more on them below—arguing that the problem lies with how aid is directed, that "aid" often consists of thinly disguised attempts to pursue national interest rather than genuinely help recipients, or that we just need one more big push (see, e.g., Sachs, 2014 and his Millennium Villages Project). Still, it is worth registering the remarkable fact that the data is messy enough that experts are divided over whether large aid flows do more good than harm, *let alone* whether aid might lift a country out of poverty absent economic growth. And even the optimists don't think aid will be enough independent of internal growth.

A plausible conjecture, in my view, is that aid can do a great deal of local (as opposed to systemic) good: outside groups can facilitate eradicating specific diseases, assist with infrastructure projects like building a dam, or solve short-term financial problems, but are more or less incapable of doing much systematic good. From this perspective, you cannot grow an economy for someone from the outside, or do much to improve systemic institutional problems by fiat. (Of course, this isn't a reason not

to invest in fighting malaria or AIDS for reasons that have nothing to do with growth or international poverty.)

#### 4. Engineering Growth

What explains philosophers' lack of interest in economic growth? I suspect there are boring sociological explanations—disciplinary parochialism, the scholar's traditional aversion to the merchant-class. More importantly, philosophers have long focused on distribution and redistribution in their discussions of poverty, which tends to blind us to the significance of creating wealth in the first place. This point bears some emphasis. It tends to be assumed that the reason others are in poverty is distributive—we (or someone else) haven't given them enough. Sometimes this *is* the right explanation, as when parents with an obligation to provide for their young children simply refuse. But the deep reason that Bangladesh or large swathes of China remain quite poor isn't that Germany or Japan hasn't sent them money—could anything be more condescending?—it's that the people themselves haven't managed to generate significant wealth of their own as yet. An imperfect comparison: your child graduates and enters the labor force, and starts off in a cramped apartment living hand to mouth—perhaps you should help out, but it would be bizarre to analyze the overall state of affairs in terms of wealth distribution rather than wealth creation, even if you could gift your child a lavish lifestyle. But set these sociological speculations aside. A sober reason to focus on effective altruism, say, or on foreign aid, is that there may not be much we can *do* about growth.

Even if we grant the Growth and Only Growth theses, it doesn't follow that those concerned about global justice should focus their efforts on growth. If there is no way we can impact growth rates, then we might reluctantly conclude we should go back to emphasizing personal charity. More subtly, growth rates are affected by things like public health and education, and it may be easier for us to affect those than to encourage growth directly. And in fact, some economists have suggested that there are sharp limits to our ability to make growth happen by fiat. Easterly, for instance, has argued at length not just that aid hasn't worked well, but that attempting to promote growth from the outside generally doesn't work, and that the reasons for this aren't (as the global justice literature might suggest to us) malice, indifference or gross negligence. In his aptly titled *The Elusive Quest for Growth*, he catalogues successive theories of economic growth and how the best minds (of academics and institutionalists—not politicians) have thought about promoting growth in poor countries. And he shows how unsuccessful these ideas have been. It is easy to dismiss official country-level aid as misdirected or inadequate, but what is striking in Easterly's catalogue is that *there isn't even a*

*good theory* of how to successfully promote growth, and trying to do so has rarely worked at scale.<sup>4</sup>

In the modern period, when academics began theorizing about the nature of growth the focus was initially on investment. The theory was that growth would be proportional to investment in machinery, which fit the recent experience of the U.S. and Western Europe (the Harrod-Domar model). But perhaps unsurprisingly, investment in physical systems like machines or infrastructure is no panacea, and seems related to growth only under specific conditions that rarely obtain in very poor countries. Institutional literature continues to emphasize the importance of investment, which is no doubt a necessary condition for growth, but has proven far from sufficient. The growth-theorist Robert Solow pointed out that increasing the machinery available per worker runs into diminishing returns, and that calculations of capital income as against wages suggest that investment isn't the limiting factor in the United States, but rather technological change, which produces a general increase in productivity. But this, too, is unhelpful from an international development standpoint: clearly the problem isn't the mere availability of new technology, but complicated facts about its utilization. (North Koreans don't live in the dark because they lack the technology for light.)

In general, mono-causal recipes and panaceas have usually turned out to be misguided. As one specific example, debt forgiveness was a fashionable approach not long ago, praised by rock stars and the Dalai Lama. Intuitively, it seems wrong to press poor countries to repay their debts when they are already desperate. But, as Easterly argues, forgiving countries their debts often does them no good at all or does harm. The absence of debt simply means that leaders can go into debt once more, which they frequently do, and whatever general causes of being in debt in the first place that were operative before continue to operate (Easterly, 2002: 128). There are, of course, many other ideas to pursue, like education and human capital, which might seem like the missing ingredient besides investment and technology, but comparatively massive increases in education levels in many poor countries did not result in growth in the 1960s, 1970s and 1980s. And even if we are suspicious of the numbers on education (classroom time doesn't equal real education), there is little evidence that rich countries are good at increasing human capital from the outside.

Theories of growth tend to be designed to explain growth across time in countries that are already in relatively good shape, like the United States 1900 to 1950, or across advanced countries, where the main issues are simply adopting technology invented elsewhere, and investing to make use of it. By contrast, the challenges in very poor countries are often entirely different, involving *sui generis* problems with health care, political organization or culture that are not well addressed by technical work drawing on mathematical economics ("How much investment will

produce X% growth next year?”), and which are probably better studied under the headings of history, politics or anthropology.

Not everyone agrees with this pessimistic take on foreign aid. There is an optimistic school of “aid empirics” that holds that recent advances allow us to claim that aid *does* contribute to economic growth. A representative overview finds that, “The weighted average result from these studies indicates that a sustained inflow of foreign aid equivalent to 10 percent of GDP is expected to raise growth rates per capita by about one percentage point on average” (Arndt et al., 2016: 469). However, these empirics are in turn disputed. A recent meta-analysis reports that:

The AEL [Aid Effectiveness Literature] is now 43 years old. Our study covers 141 papers with 1,777 estimates of the effect of aid on growth. When corrected for censoring the average is  $+ 0.03 + 0.01$ . This result has proved remarkably stable over time. Thanks to the large number of estimates the average is statistically significant, but it is economically negligible.

(Doucouliagos and Paldam, 2015: 345)

Suffice it to say, there is no social science consensus as of yet. The important thing to bear in mind is that even those who think aid does something don't think it does all that much relative to the escape from poverty, meaning internal growth really is crucial, and that there's plenty of room for the skepticism that motivates the objection about growth we've been entertaining.

From another, positive point of view, many economists emphasize institutions as crucial to explaining success and failure at the national level. Institutions, especially in the form of political and economic arrangements, structure people's incentives to innovate, save, educate and invest, which in turn shapes growth. But this, too, is cause for pessimism in the current context, since institutions are very difficult to mold from the outside. All kinds of techniques have been tried, like making loans conditional on institutional improvements of various sorts, without much success. Towards the end of their survey of the institutional approach, Daron Acemoglu and James Robinson write that, “foreign aid is not a very effective means of dealing with the failure of nations around the world today. Far from it. Countries need inclusive economic and political institutions to break out of the cycle of poverty.” Moreover:

Attempts by international institutions to engineer economic growth by hectoring poor countries into adopting their policies and institutions are not successful because they do not take place in the context of an explanation of why bad policies and institutions are there in the first place.

(Acemoglu and Robinson, 2012: 454, 447)

However, they don't suggest easy solutions to these problems, even when the requisite understanding *is* in place.

I should mention, in all candor, that I am skeptical of this now-popular institutions approach, which seems to me either to conflate institutions with culture (especially if *informal* institutions count, like attitudes towards taking bribes, or showing up to work on time), or else simply to underestimate the role of culture, which is difficult to measure and often has a politically incorrect flavor, but which seems to me essential all the same. Germany isn't richer than Spain because of formal institutional differences, nor northern Italy than southern Italy, nor Massachusetts than Oklahoma, nor Nigerian Americans than average Americans. Since institutions in very poor countries are typically bad for all kinds of reasons, everyone can agree that it would be good to improve them, and that in cases like Zimbabwe this would make a great difference. But if teachers don't show up to their jobs, or women are excluded from economic activity, or clan structures retard political reform, it's unclear that formal institutions are the place to look for fixes, or that these are more than a symptom. Still, this only buttresses the pessimistic suggestion we have been pursuing, since nebulous formations like culture are even harder to meaningfully influence or export.

## 5. Why Growth Still Matters

However, in my view, ignoring growth remains a mistake, for three main reasons. First, it is crucial to have a clear understanding of what the goal is in addressing international poverty, and how our actions relate to that goal. Discussions of global justice typically take the form of inveighing against the iniquities of the rich countries in light of extreme poverty, and issuing calls for remediation in the form of more foreign aid (directed towards development, not the cultivation of military allies), or else reparations, or schemes like the Global Resource Dividend. But if we conclude that the real issue is economic growth, there are several ways in which such proposals should be reframed, if not rejected. First, none of these proposals seems likely to succeed at its self-given aims. It is unclear whether foreign aid produces growth, or doesn't in fact produce *harm*, even in countries where there is proportionately a lot of it, even when it is designed to advance the recipients' interests. And in the absence of growth, poverty will remain. It's probably fair to say that there are no or exceedingly few long-term success stories at the national level. (This may surprise us less when we consider natural experiments, like Nigeria or Congo turning out to be resource-rich, which is analogous to getting large aid flows.) There is no undisputed evidence that the main problem for severe international poverty is a lack of access to capital or investment, and plenty to the contrary. Or to put it the other way around, it is hard to think of plausible cases of societies showing promise for growth

but failing to do so because of a lack of aid or savings to fund investment, improved human capital and so on. Setting up a fund to send lots of money to countries with severe, systemic institutional problems seems unlikely to be successful in light of the evidence we have reviewed.

More generally, attaining growth is just very difficult. The countries that first discovered sustained growth, like Britain, did not do so through deliberation, but by stumbling into it more or less by accident, and often while doing almost anything they could to suppress growth (e.g., by mercantilism or colonial misadventures). Even a century after clear, sustained growth *had* been shown to be possible, places like China found it impossible to copy for various cultural and institutional reasons. There is no simple recipe. This means that there probably isn't a real substitute for leaving countries to stumble towards growth as best they can, while being supportive whenever possible, and addressing specific, technical obstacles that can be overcome by parachuting in expertise or equipment, e.g., specific medical technologies, like antiretrovirals or disease-eradication campaigns.

Finally, many of the obvious policies that would have to be part of any sensible plan for growth—even if they function only as necessary and not sufficient conditions—are ones we hear very little about in philosophical work. These include economic rights, liberties and norms that would encourage entrepreneurship, business activity and free trade. Growth broadly reflects productivity, and it is impossible to foster productivity without the appropriate incentive structures. No one will start a business if they cannot enforce contracts, own capital or reap a decent share of the profits. The World Bank's Doing Business rankings (2018) attempt to chart this particular dimension of economic liberty, and make it clear that there is a vast difference between what it is like trying to run a business in Bangladesh rather than Romania, say, meaning there is ample but non-obvious room for improvement and public discussion (World Bank, 2018). Philosophers concerned about global justice should urge attention to this type of consideration to the extent that they care about growth and escaping poverty, and draw on economic literature in doing so (see e.g., Rodrik, 2007: 99–152; Easterly, 2006: 341–364). (They should also continue to criticize particular failings in rich countries that pose barriers to international development, such as indefensible subsidies, particularly of agriculture, even if these don't in themselves seem to explain persistent poverty.)<sup>5</sup> To the extent that we think that severe poverty constitutes a human rights violation, we should presumably insist on economic liberties and growth-oriented property regimes as correlative rights. So, to sum up this first point, many existing positive proposals are inconsistent with a focus on economic growth and what is (not) known about the subject, and many analyses of the problem and attendant calls for short-order solutions look similarly misguided, or ignore institutions and norms that are prerequisites for growth.

The second point is complementary to the first: many policy *criticisms* emerging from global justice circles are misdirected, because they don't sufficiently attend to growth. I mentioned the case of Brazil earlier, which was lamented as an example of baleful policies hurting the poor even as it was in the midst of a growth miracle. The problem here isn't criticizing a military dictatorship or any particular devaluation policy, say. Dictatorships are bad, and devaluation policies can be wrong. The problem is rather failing to recognize the importance of growth, and recognizing that this is what we should be tracking for purposes of international poverty. From a global justice perspective, it makes no sense to rail against a regime for impoverishing its people, and against rich countries for their complicity in the form of institutional support or financial cooperation, in the midst of a growth spurt. To take the present case of China, there's plenty of room for human rights-based criticism, but not for denouncing the WTO, say, for some nefarious role in keeping the people of China down.

The confusion involved here sometimes seems more systematic. To stick with our Latin American example, one standard history of Nicaragua, focused on the *bête noire* of American influence, describes the goal as one of turning Nicaragua into a client-state focused on generating wealth for rich elites by producing an economy "overwhelmingly externally oriented, placing great emphasis on the production of products for export" (Walker and Wade, 2011: 85–86), while neglecting domestic consumption entirely. Citizens are viewed as insignificant laborers for production, instead of valued consumers. This has the flavor of Henry Shue's remarks noted earlier. But the main problem for Nicaragua hasn't been an excess of production, alas. Redistributing its product more widely wouldn't make much difference since there isn't much to distribute in the first place. Once again, the focus on distribution has blinded us to the importance of creating wealth in the first place. The tragedy isn't that Nicaragua is a successful export-oriented economy, but that it isn't. Countries like Britain, Japan and now China got or are getting rich precisely by becoming productive enough to engage in free trade at scale. China is getting rich by harvesting European and Americans surplus wealth, not by trying to extract the (non-existent) native riches and keeping them.

This misunderstanding is endemic in certain quarters of popular consciousness. Naomi Klein argues that the system of cheap labor in sweatshops produces the mirage of growth, one that disappears as labor is chased to ever-cheaper sources: when "the multinationals first landed in Taiwan, Korea and Japan, many of their factories were owned and operated by local contractors" (Klein, 2009: 224). But following pressure for higher wages, "the swallows once again took flight" (*ibid.*), only to repeat this performance in places like China and the Philippines. The frontiers are Indonesia, Thailand and eventually Vietnam (*ibid.*). But what Klein



is tracing is the course of development. The “victims” she cites keep getting rich. Klein and others eagerly seize on the Asian financial crisis or other local setbacks. But the trend is unmistakably towards growth, and the problem for a Nicaragua is that it *hasn't* gotten to participate in these export-dominated and often elite-led enterprises that made Britain, the U.S. and now swathes of Asia prosperous.

A somewhat different confusion can be seen in some of the criticisms of Bretton Woods institutions and neoliberalism, notably the 1980s/1990s-era Washington Consensus, which emphasized things like fiscal discipline, tax reform, privatization of state markets, deregulation, securing property rights and trade liberalization. Economists like Joseph Stiglitz (2003) have subjected these policies and their implementation to withering criticism, precisely for being inimical to growth; a UN report declared that, “The emphasis of the Washington Consensus-related policies on static comparative advantage virtually amounted to a prescription for non-development in the sub-Saharan region” (UNCTAD, 2010: 123). Clearly there is room for criticism of the merits of these policies. But philosophers like Richard Miller have drawn the normative conclusion that rich countries’ “restraint in imposing prescriptions of submission to market forces has not kept pace with evidence undermining warranted confidence in their efficacy” (Miller, 2010: 151). As a result, he says, the U.S. has both shaped the landscape of poor countries for the worse (through structural adjustment loans and the like), and now has incurred an enormous obligation to fix things in the developing world. The problem with this kind of view is that it neglects the *good faith effort* to promote growth, and how incredibly difficult it has proven to promote growth from the outside, as reviewed earlier. Obviously, there are plenty of specific cases to criticize—instances in which ill-considered foreign-policy objectives impede development. But institutional ideas like the Consensus aren’t like that, and criticizing serious attempts to promote growth just because they end up failing or aren’t immediately revoked is incompatible with the evidence on jump-starting growth from the outside, and risks disincentivizing further work on the problem.

It’s worth going into a little more detail. To be clear, I am not asserting the Washington Consensus (or austerity measures, or various conditional loan policies) really *are* good. In fact, I’m rather impressed by the evidence that lots of rich countries have gotten or are getting rich without observing the neoliberal shibboleths (e.g., Japan and the Asian Tigers), and that countries that have off and on tried haven’t always done well (Chile’s record has been mixed). This suggests we shouldn’t be too doctrinaire beyond the kinds of basic economic rights and liberties fundamental to enterprise and should instead emphasize a pragmatic, experimental approach (see Chang, 2007; Rodrik, 2007: 16–35). We can insist that China wouldn’t have grown while it yet discouraged enterprise and ownership, while allowing for disagreement about various austerity programs.

My point is merely that it's a mistake (both backward- and forward-looking) to read into the evidence something nefarious rather than the elusiveness of growth—as the more reasonable critics like Stiglitz tend to concede. The term “Washington Consensus” and the core prescriptions are due to the British think-tank economist John Williamson, who was offering his best suggestion on how to promote growth, not due, say, to lobbyists for American corporations. Williamson's career includes stints at the UK treasury, the IMF, MIT, as chief economist for the World Bank South Asia, and as a UN planning director; his publications include *Reference Rates and the International Monetary System*, *Delivering on Debt Relief*, *The Crawling Band as an Exchange Rate Regime*, *Estimating Equilibrium Exchange Rates*, *Currency Convertibility in Eastern Europe*, and *Targets and Indicators: A Blueprint for the International Coordination of Economic Policy*. Williamson, I submit, isn't very promising as a Machiavellian architect of imperial domination. (In personal communication, Williamson admits he overestimated the degree of consensus in the Consensus, noting, inter alia, that the Japanese contested some of the policies, but he still thinks the evidence supports many of its key features.) Conflating the severe epistemic limitations on the quest for growth, and technocratic failure of the sort Easterly documents, with nefarious intent can only discourage the ongoing search for solutions.

The first two reasons for being clear about growth involve analytical clarity in our positive proposals and our negative criticisms. The third reason is that we should consider growth even in our personal decision-making about what to spend our time and money on. It may seem as if health or malnutrition programs should always get priority, if nothing else because sick and malnourished people aren't in a position to participate in the economy. (Though, in fact, it is unclear whether improving health does much for economic growth [Ashraf et al., 2009].) These are obviously worthy efforts, but it is useful to think more carefully about the wisdom of the invisible hand in this context. When we reflect on growth, we realize that what we really are after, in the end, is mainly self-interested commercial activity; growth in per capita GDP, which is reflected in roads, plumbing, X-ray machines and other nice things that economic activity and a tax base make possible, is mostly the result of people responding to incentive structures and idiosyncratic personal interests. There is no need to declare that *all* of this is selfish or even self-interested; plenty of teachers and doctors are motivated by a complicated mix of wanting to help others and to earn a living. But what is happening when a society moves from deep poverty to middle income is fundamentally economic activity that individuals are being *paid* for (hence the economic value of the goods and services). Britain didn't go from being an impoverished agricultural society to being well off through acts of altruism, but through commercial activity (supported by, and supporting, we can acknowledge, non-commercial or impurely commercial activities like

medical and STEM research). Given all of this, there is a case to be made that we can promote international development and global justice simply by promoting commerce. Altruism didn't work for Britain or Japan; those of us eager to see other countries join them in development might consider helping them do what those countries did.

How might we do this, apart from donating to health or nutrition-focused organizations? Ideas like microfinance perhaps gesture in the right direction, but I have more directly commercial proposals in mind. These might range from scholarships for business students in developing countries—not the most intuitive or worthy-seeming recipient-class—to promoting telecom development in sparsely populated areas that are candidates for leapfrogging technology platforms, e.g., by guaranteeing loans to firms interested in exploiting such opportunities. At the level of aid, such proposals could take the form of funding tax breaks for certain types of companies or business ventures. At a more personal level, altruists sometimes urge their students to get rich and then donate to famine relief. But the lessons of growth suggest a better strategy: promote business development overseas, for instance by going to work for a company that does business in a way that promotes local commerce (say, by facilitating transportation or communications). Or go to work for a business in a developing country that you can help make profitable. Or buy products from businesses in developing countries, while avoiding “sustainable” or “fair trade” products that incentivize uncompetitive industries.

We can close by considering the measurement problems that beset attempts to be effective in promoting prosperity. Effective altruism is a bit like “evidence-based medicine”—who would want any other kind? But there are serious problems with the suggestion that we measure the good that we are doing, say, with randomized controlled trials of different kinds of interventions. Consider, once again, Britain before growth, at the dawn of the Industrial Revolution. Even in retrospect, it is hard to compare the good done by feeding orphans, say, rather than sponsoring the construction of railways or steam engines. Should the time-traveling altruist buy bread for orphans, or help capitalize a railway company, or sponsor steam engine R & D? It seems to me unclear that the answer isn't the latter. But of course, this would be extremely difficult to demonstrate, and in the short term it would seem quite irresistible to spend on feeding the life in front of you rather than promoting abstract and distant well-being in the future. Essentially, we face a trade-off between aiding identifiable individuals in the present or taking more abstract, growth-oriented measures that we believe will produce greater good in the future. (As I have noted elsewhere, more generally, all of us face a difficult trade-off between helping fewer people now or more people in the future [Moller, 2006].) But I take it to be obvious that there *is* a serious case to be made for the time traveler to focus on accelerated industrial development, just not one it is easy to capture in terms that can survive a faux-rigorous

comparison with more immediate measures. The same point applies, *mutatis mutandis*, to us and international poverty.

## Notes

- 1 See, e.g., Clark, 2007; Morris, 2010. See Moller, forthcoming: ch. 12 for details and further argument.
- 2 With important exceptions, of course. See, e.g., Brennan and van der Vossen, 2018, esp. chs. 1 and 10.
- 3 Pogge and Moellendorf, 2008. On the Dividend, see pp. 466–471. Other anthologies that demonstrate a similar neglect include Barry and Lawford-Smith, 2012; Brock and Moellendorf, 2005 (whose index is a testament to the absence of growth from the discussion).
- 4 The following paragraph is loosely based on Easterly, 2002: chs. 2–4.
- 5 See Moyo, 2009: 114–125 for discussion and criticism.

## References

- Acemoglu D and Robinson J (2012) *Why Nations Fail*. New York: Crown Business.
- Angus D (2013) *The Great Escape*. Princeton: Princeton University Press.
- Brennan J and van der Vossen B (2018) *In defense of Openness: Why Global Freedom is the Humane Solution to Global Poverty*. New York: Oxford University Press.
- Brock G and Moellendorf D (eds) (2005) *Current Debates in Global Justice*. Dordrecht: Springer.
- Chang H (2007) *Bad Samaritans*. New York: Bloomsbury.
- Channing A, Jones S and Tarp F (2016) What Is the Aggregate Economic Rate of Return to Foreign Aid? *The World Bank Economic Review* 30: 446–474.
- Christian B and Lawford-Smith H (eds) (2012) *Global Justice*. Farnham: Ashgate.
- Clark G (2007) *A Farewell to Alms*. Princeton: Princeton University Press.
- Doucouliagos H and Paldam M (2015) Finally a Breakthrough? The Recent Rise in the Size of the Estimates of Aid Effectiveness. In: Arvin M and Lew B (eds) *Handbook on the Economics of Foreign Aid*. Cheltenham: Edward Elgar.
- Easterly W (2002) *The Elusive Quest for Growth*. Cambridge: MIT Press.
- Easterly W (2006) *The White Man's Burden*. New York: Penguin.
- Klein N (2009) *No Logo*. New York: Picador.
- Miller R (2010) *Globalizing Justice*. Oxford: Oxford University Press.
- Moller D (2006) Should We Let People Starve—For Now? *Analysis* 66: 240–247.
- Moller D (2017) Property and the Creation of Value. *Economics and Philosophy* 33: 1–23.
- Moller D (Forthcoming) *Governing Least: A New England Libertarianism*. Oxford University Press.
- Morris I (2010) *Why the West Rules—For Now*. New York: Farrar, Straus and Giroux.
- Moyo D (2009) *Dead Aid: Why Aid is Not Working and How There is a Better Way for Africa*. New York: Farrar, Straus and Giroux.
- Pogge T and Moellendorf D (2008) *Global Justice*. St. Paul: Paragon House.

- Quamrul A, Lester A and Weil D (2009) When Does Improving Health Raise GDP? *NBER Macroeconomics Annual* 23: 157–204.
- Rodrik D (2007) *One Economics, Many Recipes*. Princeton: Princeton University Press.
- Sachs J (2014) The Case for Aid. *Foreign Policy*. Online.
- Shue H (1980) *Basic Rights*. Princeton: Princeton University Press.
- Singer P (2015) *The Most Good You Can Do*. New Haven: Yale University Press.
- Stiglitz J (2003) *Globalization and Its Discontents*. New York: WW Norton.
- United Nations Conference on Trade and Development (UNCTAD) (2010) Trade and Development Report: Employment, Globalization and Development. United Nations Publication. New York and Geneva.
- Walker T and Wade C (2011) *Nicaragua: In the Shadow of the Eagle*. Boulder: Westview Press.
- World Bank (2011) The Changing Wealth of Nations. Available at: <https://site-resources.worldbank.org/ENVIRONMENT/Resources/ChangingWealthNations.pdf> (accessed 26 August 2018).
- World Bank (2015a) Botswana: Systematic Country Diagnostic. Available at: <http://documents.worldbank.org/curated/en/489431468012950282/Botswana-Systematic-country-diagnostic> (accessed 26 August 2018).
- World Bank (2015b) Nigeria Economic Report. Available at: <http://documents.worldbank.org/curated/en/684961468197340692/Nigeria-economic-report> (accessed 26 August 2018).
- World Bank (2018) Doing Business Rankings. Available at: [www.doingbusiness.org/en/rankings](http://www.doingbusiness.org/en/rankings) (accessed 26 August 2018).

Not for distribution