**Economic Growth: Increasing the Quality of Life**

In the year 1900, 50% of the United States’ population lived in poverty. By 1969, poverty had been reduced to only 12.1% of the population. This sharp decrease in the poverty rate was the result of economic growth. Economic growth is usually defined as an increase in a country’s Gross Domestic Product (GDP) which is all of the final goods and services produced in a country within a given year. Economic growth, defined as an increase in a country’s gross domestic product, should be promoted as it provides many benefits. Even though economic growth conflicts with other goals such as environmental conservation at an early stage, growth ultimately leads to increased societal benefits. For this reason, economic growth should be desired and pursued by countries of all development levels.

Although high economic growth is desired, it is not necessarily easily achieved as it requires increases in a country’s stock of capital goods. Capital goods are those goods which aid in the production of other goods. According to the Solow Growth model, a country’s stock of capital goods is influenced by two factors: investment and depreciation (Mankiw, 2016). Investment in capital increases the capital stock, while depreciation of capital reduces the capital stock. When investment and depreciation equal each other the economy is considered to be at the “steady state” (Mankiw, 2016). This means that there is no change in the country’s capital stock. In order to increase its capital stock, the country must increase its savings rate in order to increase investment (Mankiw, 2016) . If investment increases while depreciation stays the same, the original steady state will rise to a new steady state with a higher capital stock and a higher level of output (Mankiw, 2016) . The increased capital stock will lead to increased production of goods in the future and thus, economic growth.

Since a country’s capital stock is largely determined by its savings, government policies that create national savings can have a critical impact on achieving growth. The easiest way for the government to increase national savings is to increase public savings (Mankiw, 2016) . An increase in public savings would be the result of a budget surplus which could be created through tax increases or decreased government expenditures. The government could also increase national savings by incentivizing private savings. Tax decreases for corporations or reductions in capital gains taxes could accomplish this goal (Mankiw, 2016) . Some economists propose completely replacing income taxes with consumption, but this could be a risky policy since the income tax is currently a large source of the government’s revenue. (Mankiw, 2016)

Regardless of the policy the government decides to use to promote growth, the benefits of economic growth are undeniable. The most obvious benefits come in the form of increased standards of living for a country’s residents. This includes increased life expectancy, lower infant mortality rates, lower rates of poverty, and increased access to consumer goods (Ferrara, 2012). For most of human history, the average life expectancy was 25 to 30 years (Ferrara, 2012). Then, starting in the mid-18th century until today, life expectancy in developed countries with high economic growth increased from less than 30 years to about 75 years (Ferrara, 2012). In the United States alone, life expectancy increased by more than 50% between 1900 and 2012 (Ferrara, 2012). Infant mortality declined from 1 in 10 in 1900 to 1 in 150 today, while the child death rate has plummeted by 95% (Ferrara, 2012). A major cause of the increase in average life expectancy among advanced countries was the elimination of deadly diseases as a result of economic growth. In 1900, “just three infectious diseases—tuberculosis, pneumonia, and diarrhea—accounted for almost half of all deaths” (Ferrara, 2012). All of these miraculous statistical improvements in the standard of living are the direct result of economic growth.

Perhaps the most physical manifestations of increases in the standard of living are the reduction in poverty levels and the quantity of goods and services people can purchase as a result of their higher incomes. Sustained, rapid economic growth in the United States has decimated poverty from 50% in 1900 to 12.1% in 1969 (Ferrara, 2012). Today, the living standards of the poor are “equivalent to the living standards of the middle class 35 years ago.” This increase in living standards is evident in the modern American home. In 1900, fewer than 20% of homes had indoor plumbing, flushing toilets, or gas or electric heat, while only 2% of homes had electricity (Ferrara, 2012). In 1950, less than 20% of homes had air conditioning, dishwashers, or microwave ovens (Ferrara, 2012). In America today, homes have all of these modern conveniences, and the homes are also larger and more likely to be built with swimming pools, hot tubs, decks, and central air (Ferrara, 2012).

There are few critics of the benefits created by economic growth, but many people lament the environmental destruction and resource depletion that is believed to accompany growth that occurs too rapidly. However, recent studies have shown that poverty, not growth, has a terrible impact on the biodiversity of an environment (The Effects of Growth: The Long View, 2013). Just as societal equality tends to rise during the early stages of growth and fall during the later stages, biodiversity tends to suffer in the early stages of growth and benefit in the later stages (The Effects of Growth: The Long View, 2013). When people accumulate more wealth, they begin to treat the environment better (The Effects of Growth: The Long View, 2013). As countries grow economically, they “become cleaner, more urban, more peaceful, more efficient and better informed, and their people have fewer children” (The Effects of Growth: The Long View, 2013). In regard to resources, wealthier countries have more money and opportunities to invest in greener, cleaner energy sources. While wealthier countries often prioritize goals such as environmental protection and resource conservation, poorer, developing countries often see these goals as limits to their economic potential. Therefore, the developing countries will forgo these secondary goals and strive to achieve the primary goal of economic growth.

In conclusion, although developed and developing countries may prioritize economic growth differently, all countries should promote economic growth due to the benefits it brings. These benefits include increased life expectancy, lower infant mortality rates, lower rates of poverty, and increased access to consumer goods. Although some critics of growth argue that it destroys the environment and depletes resources, studies have shown that economic growth and development actually increase the well-being of the environment and lead to the creation of more sustainable energy sources. However the government decides to increase its national savings, whether it be through increased taxes, decreased expenditures, or incentivizing private savings, it must pursue this goal fervently in order to increase its capital stock. Once the capital stock has been increased, economic growth can occur, benefitting everybody in the long run.

# **References**

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