Why are some countries rich and others poor? How does prosperity happen? Are there ways to improve the plight of the poorest people in our world today? Nobel laureate Robert Lucas (1988, p.5) famously stated that once one starts thinking about issues such as these, “it is hard to think about anything else.” Fortunately, for the non-expert as well as for the seasoned economist, this slim volume by Noell, Smith, and Webb is an excellent introduction to the nature and sources of economic growth. This book may introduce economists with other specialties to the modern understanding of economic growth, but it will truly hit its mark in the hands of a non-economist or a student in an introductory economics class. Indeed, I now use this book as a primary piece in the teaching of economic growth in my own principles-level classes.

The first chapter of Economic Growth nicely sets up the topic to be discussed. Early on, the authors point to data showing a sharp upturn in economic prosperity (as measured by GDP per capita) that began around 1800, with the greatest gains concentrated in Western Europe and the United States. After millennia of nearly static living standards around the world, the real GDP per capita in the United States increased more than twentyfold, and in Europe it grew more than tenfold. The world as a whole saw a fourfold increase. The authors use such data to argue that modern economic growth in the wealthiest parts of our world is the exception in human history rather than the norm, and they focus on how and why this exceptional state of being arose. Then they go one step further by making the case that economic growth is a moral goal. That is, the authors contend that economic growth facilitates creativity, stewardship, and moral behavior.

In Chapter 2, the authors set forth the main sources of economic
growth. Summarizing and condensing a vast literature, Noell, Smith, and Webb point to technological improvements, openness to trade, investment in both physical and human capital, and sound institutions as the best explainers of modern economic growth. After first defending GDP per capita as a viable proxy for human flourishing, the authors point out that income redistribution will not go far in alleviating poverty in a country such as Nigeria, with its GDP per capita of $1,980 in 2009. Under such circumstances, even perfect equality leads to widespread poverty. The point? “For raising material well-being, there is no alternative to growth. Redistribution alone will never be sufficient for sustained, shared improvement in living standards” (p. 17). Though they acknowledge the importance of trade and physical and human capital investment in facilitating economic growth, a much larger impact comes from technologies that increase the productivity of both human and physical capital (especially “general purpose technologies” such as electric power). Moreover, they emphasize the roles of beneficial institutions—such as protection of property rights and the emergence of social trust—in fostering technological innovation. Without good institutions, there can be no consistent long-run economic growth.

Chapters 3-5 take on common objections to focusing on economic growth as a goal. Chapter 3 takes on the concern that growing economies lead to greater income inequality. The authors acknowledge that economic growth is often accompanied by higher income inequality, but they emphasize that the poorest people in growing economies are consistently better off than they were before growth began. Moreover, the authors point out that income inequality across countries has declined in the era of modern economic growth; this declining inequality across countries extends to life expectancies, educational attainment, general health measures, and infant mortality.

In Chapter 4, the authors address objections that economic growth will harm the environment and ultimately be unsustainable. They begin by acknowledging that economic growth can cause initial increases in pollution and environmental degradation. However, they also acknowledge that empirically a clean environment becomes a normal good, such that higher incomes lead to greater demand for a cleaner environment. Similarly, on the topic of sustainability, the authors present a common economic view that human ingenuity and the informational functions of the market system will keep humanity from ever truly exhausting its resources. As demand grows for limited resources such as fossil fuels or water, higher prices will provide people with the incentive to find alternatives. In the end, economic growth itself will provide the ability to control any
environmental harm that may arise from early-stage economic growth.

A common objection to pro-growth policies made by philosophers, theologians, and even some economists is that an emphasis on markets will foster materialism and selfishness and will ultimately undermine the human communities that economic growth purports to help. Noell, Smith, and Webb respond to such claims in Chapter 5. They admit that greater material prosperity can encourage a materialist perspective and might be associated with declining personal morals and weakened communities. Yet, the authors contend that such outcomes reflect problems inherent in free human communities; at most, greater prosperity provides an opportunity for human flaws to find new ways to express themselves. Besides the material benefits of economic growth, the authors explain, thriving market economies foster and reward honesty and trustworthiness, which reinforce rather than degrade the virtues. And, perhaps ironically, economic growth and its associated improvement in material well-being will be greatest in “a culture that consistently endorses the virtues of human dignity, self-control, prudence, and honesty, and that fosters an orientation toward the future rather than present self-gratification and self-indulgence” (p. 76).

Chapter 6 addresses the link between economic growth and government deficits and debt. No other remedy can approach economic growth for its effectiveness in relieving government deficits. And profligate spending that results in higher levels of government debt can stifle the very economic growth that is essential to resolving fiscal shortfalls. As a result, the authors suggest that governments should aspire to a virtuous cycle of careful spending habits and pro-growth policies and avoid the “death spiral” of higher interest rates on government borrowing that can accompany doubts about the government’s ability to repay its debt.

So what is the best approach to governing if the goal is to foster more economic growth? The authors answer this question in Chapter 7: an impartial judicial system, a stable government free of corruption, a market system for allocating goods and services, and a functional financial system with a sound currency. Also critical is an openness to international trade in order to reap the greatest gains from specialization and exchange. By establishing sound institutions and supporting markets, governments can pave the way for economic growth. Yet, as the authors point out in the concluding Chapter 8, putting in place these recommendations is easier said than done, and many countries have struggled to implement what seems like a simple recipe for economic success. Even so, the moral imperative to help those in poverty recommends economic growth as the most virtuous option.

_Economic Growth_ by Noell, Smith, and Webb is a small volume
that packs quite a wallop. Well written and easy to read, it is a perfect gateway into the vexing field of economic growth. And it provides a great resource for talking with people—including our students—who may be far more reticent than most economists are about whether policies promoting economic growth are really all that great of an idea.

Endnote

1 In the interest of full disclosure, I am a faculty affiliate of the Values & Capitalism program, and, as a member of the editorial board of *Faith & Economics*, I have known authors Noell and Smith for years. However, one of my motives in affiliating with the V&C program at AEI was the chance to get a copy of this book, and I had already used it in my introductory economics classes prior to volunteering to write this review. I have not been compensated in any way for writing this review.

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