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Keynes's Mistake

> No bounds to riches have been fixed for man.
>
> – Solon

In 1928 Keynes addressed an audience of Cambridge undergraduates on the theme of 'economic possibilities for our grandchildren'. He knew they would be heavily disenchanted with capitalism and inclined to see the Soviet Union as a beacon of light. Keynes himself had recognized that progress was a 'soiled creed, black with coal dust and gunpowder', and that communism beckoned so alluringly because, for all its barbarity, it might be seen as 'the first stirrings of a great religion'.[1] If Keynes was to entice his audience away from this false god, he needed to persuade it that capitalism, too, was a utopian project – a more effective utopian project than communism, because it was the only efficient means to the abundance which would make possible a good life for all. His speech at Cambridge was the first outing of his utopian fancy.

Two years later, when Keynes revised his talk for publication, the Great Depression had struck: capitalism seemed economically as well as morally bankrupt; communism even more alluring. But Keynes adroitly adapted his message to the new situation. 'We are suffering,' he wrote, 'not from the rheumatics of old age, but from the growing pains of over-rapid changes, from the painfulness of readjustment between one economic period and another.' The Depression was, at least in part, a symptom of 'technological unemployment' – that is, 'unemployment due to our discovery of means of economising the use of labour outrunning the pace at which we can find new uses for labour'. Technological unemployment pointed to a workless future, but one which was voluntary, not compelled.

Keynes deployed economic logic in the service of prophecy. Basing his idea on historical rates of capital accumulation and technical progress, Keynes proposed that if capital equipment continued to grow at 2 per cent a year, and 'technical efficiency' at 1 per cent, 'the standard of life in progressive countries one hundred years hence will be between four and eight times as high as it is today.' This projection enabled Keynes to draw the 'startling conclusion' that, 'assuming no important wars and no important increase in population, the economic problem may be solved, or at least within sight of solution, within a hundred years'.*

What Keynes meant by this was that humanity would be able to satisfy all its material needs at a fraction of existing work effort – at most three hours a day to 'satisfy the old Adam in us'. The abundance of time thus freed up might lead to a 'nervous breakdown' of the kind already common among 'wives of the well-to-do classes'. But Keynes hoped not. Rather, he looked forward to a moment when the spontaneous, joyful attitude to life now confined to artists and free spirits was diffused throughout society as a whole. The essay culminates in a marvellous flight of rhetoric, interweaving Aristotle and the New Testament:

> I see us free to return to some of the most sure and certain principles of religion and traditional virtue – that avarice is a vice, that the exaction of usury is a misdemeanour, and the love of money is detestable, that those walk most truly in the paths of virtue and sane wisdom who take least thought for the morrow. We shall once more value ends above means and prefer the good to the useful. We shall honour those who can teach us how to pluck the hour and the day virtuously and well, the delightful people who are capable of taking direct enjoyment in things, the lilies of the field, who toil not neither do they spin.[2]

Keynes's friend, the philosopher Frank Ramsey, had a word for this paradisaical state. He called it 'Bliss'.

Capitalism, then, the life of economic striving and money-making, was a transitional stage, a means to an end, the end being the good life. What might such a life be like? Keynes was a disciple of the Cambridge philosopher G. E. Moore, who had written in *Principia Ethica* that 'by far the most valuable things we know or can imagine are certain states of consciousness which may be roughly described as the pleasures of human intercourse and the enjoyment of beautiful objects'. He went on to say: 'It is only for the sake of these things – in order that as much of them as possible may at some time exist – that any one can be justified in performing any public or private duty … It is they … that form the rational ultimate end of human action and the sole criterion of social progress.'[3]

This, Keynes later said, remained his 'religion under the surface'. As an economist and speculator Keynes lived most of his life in the nether regions of capitalist action, but he always had one eye on the heaven of art, love and the quest for knowledge, embodied for him by his Bloomsbury friends. His 'Economic Possibilities' essay is his attempt to reconcile these two sides of his character – the purposive and the spontaneous – by projecting them onto the present and future respectively.

'Economic Possibilities' was virtually ignored at the time, considered too fanciful for serious discussion. Indeed, it was a *pièce d'occasion*, a *jeu d'esprit*. Its vision and argument were contained in barely twelve pages. There were lots of loose ends, objections raised only to be dropped. 'Here was Keynes at his best and his worst,' wrote one of his students. 'His worst, because some of his social and political theory would not stand too close a scrutiny; because society is not likely to run out of new wants as long as consumption is conspicuous and competitive … His best because of the roving, inquiring, intuitive, provocative mind of the man.'[4]

But for all its futurism, 'Economic Possibilities' links up directly with Keynes's main preoccupation: the problem of persistent mass unemployment. It provides the 'ideal' motivation for the revolution in economic policy for which he is chiefly known: continuous full employment, uninterrupted by slumps, was the quickest route to the utopia towards which the essay beckoned. Keynes wanted to ensure that the capitalist system worked at full blast so as to hasten the day when it would come to an end.

More than eighty years have passed since he wrote his essay; we are his 'grandchildren', even his great-grandchildren. So how well has Keynes's prophecy turned out?

THE FATE OF KEYNES'S PROPHECY

Keynes's essay offered two predictions and one possibility. The predictions concerned growth and hours of work. Simplifying somewhat, Keynes thought that by now we in the West would be on the verge of having 'enough' to satisfy all our needs without having to work more than three hours a day. The possibility – not a prediction, because Keynes moots the alternative 'bored housewife' scenario – was that we would learn to use our extra leisure to live 'wisely and agreeably and well'. How have these speculations fared?

What Keynes expected to happen in the rich countries is illustrated diagrammatically in Chart 1. At the point of 'Bliss', in 2030, growth of income would stop (because everyone would have enough) and necessary work would fall towards zero (because almost everything people needed would be produced by machines).

Now let us compare the two predictions with actual outcomes. What has happened to growth in the rich countries plotted against Keynes's prediction is shown in Chart 2, while what has happened to hours of work in rich countries, plotted against Keynes's prediction, is shown in Chart 3. Growth of real income per capita has been much as Keynes expected. The coincidence is in fact a bit of a fluke. Keynes assumed no major wars and no population growth in the countries covered. In fact there was another world war, and population has grown by about one-third. But he underestimated productivity growth. The two mistakes cancelled each other out, with the result that per capita incomes indeed rose fourfold in the seventy years from 1930, up to Keynes's lower bound.

Chart 1. Keynes's Forecast

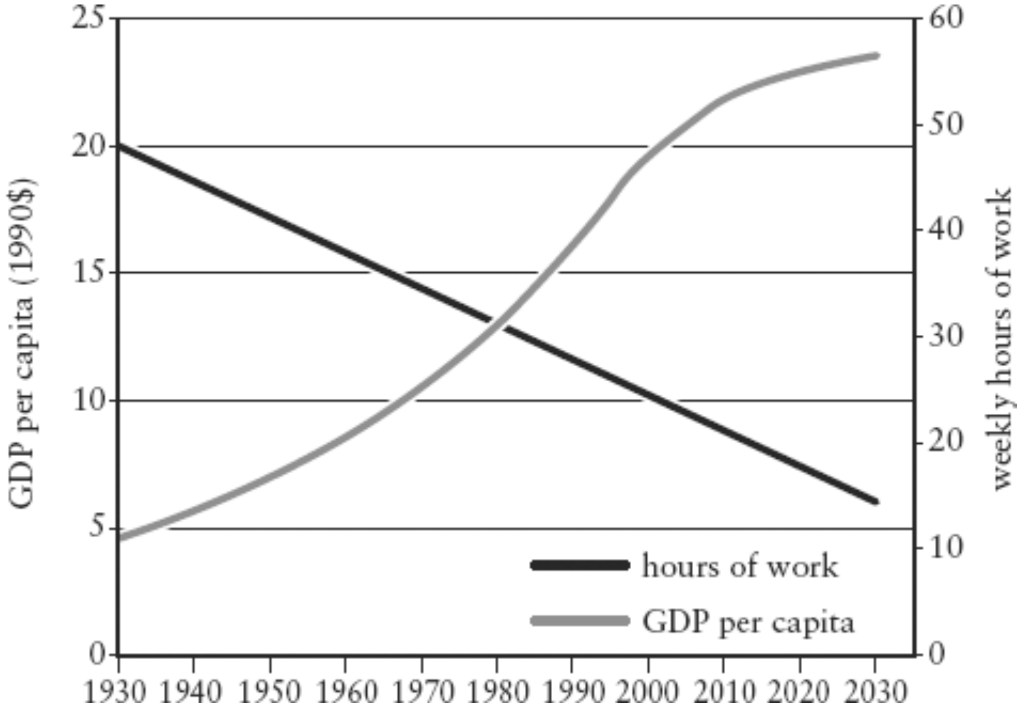
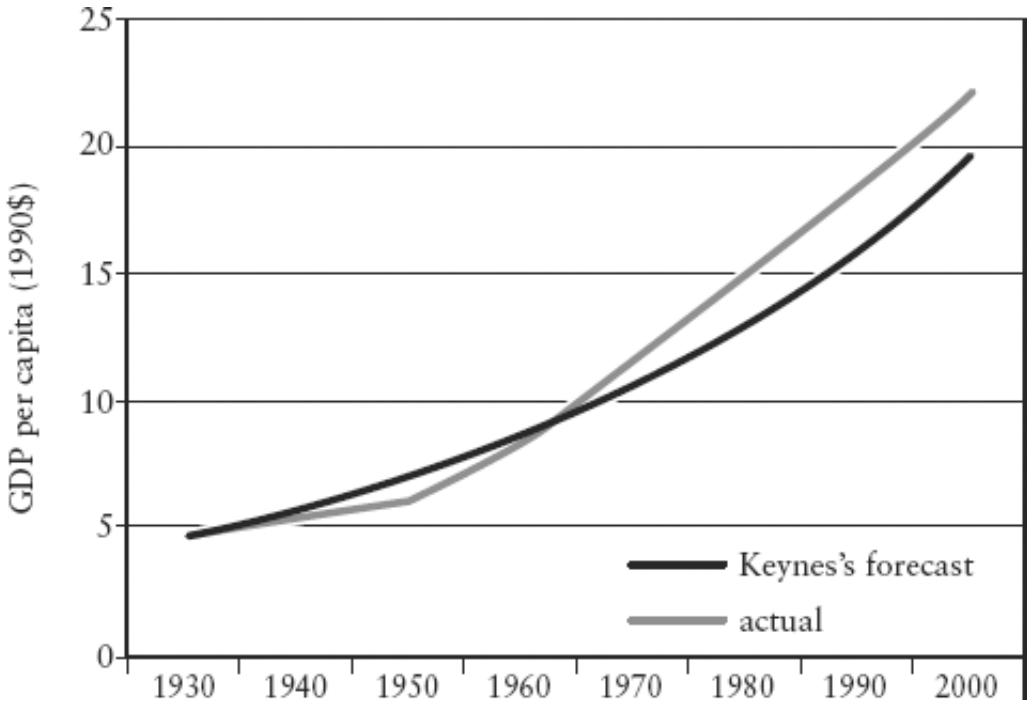
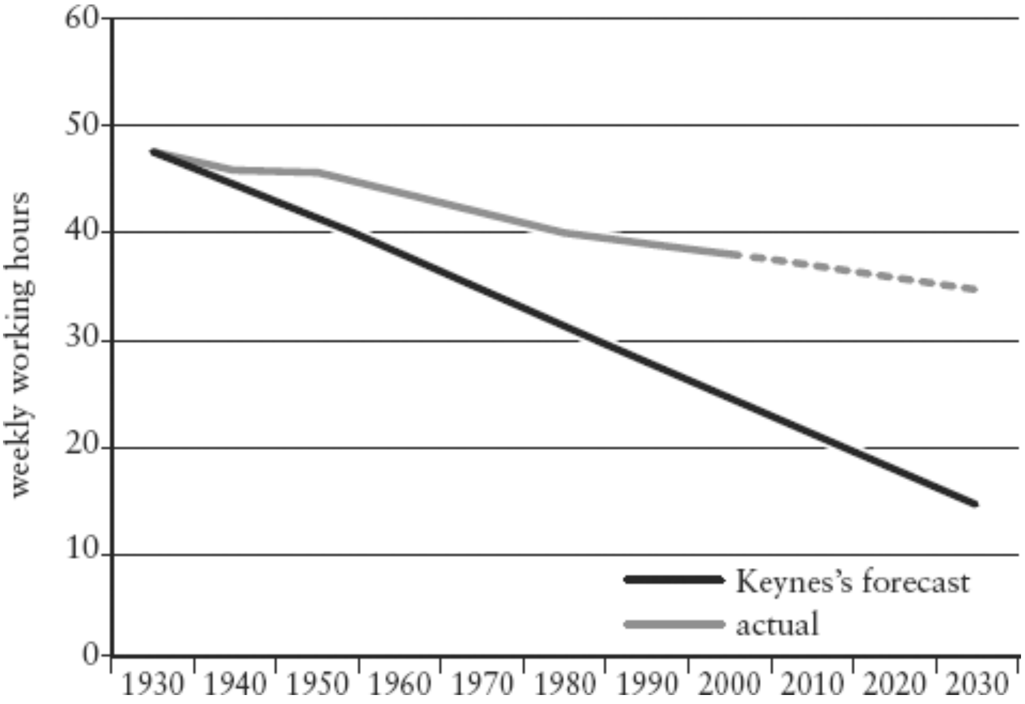


Chart 2. Growth since Keynes



Source: Angus Maddison, *The World Economy: Historical Statistics* (OECD, 2005); Measuring Worth (available at www.measuringworth.com); Eurostat; accessed 16 January 2012[5]

Chart 3. Weekly Hours since Keynes



Source: Michael Huberman and Chris Minns, 'The Times They are Not Changin': Days and Hours of Work in Old and New Worlds, 1870–2000', *Explorations in Economic History*, vol. 44 (2007), pp. 538-67

What, then, has happened to hours of work? Keynes's prediction that, under these conditions, hours of work would fall in line with productivity growth depended on the seemingly common-sense assumption that income had a diminishing marginal utility – that each extra bit of income yielded a little less extra satisfaction – so that as societies became richer they would increasingly prefer more leisure to more income. As a person's income rose, on account of his extra output per hour, his hours of work would fall until the utility of an extra hour of income was equal to that of an extra hour of leisure.

Things have not worked out like that. From 1870 to 1930 hours of work per person fell rapidly, and Keynes assumed that this fall would continue. 'In our own lifetimes', he wrote, 'we may be able to perform all the operations of agriculture, mining, and manufacture with a quarter of the human effort to which we have been accustomed'.[6] But, though incomes and productivity have risen much in line with his expectations, hours of work per person are far from having fallen by three-quarters since 1930. In 1930 people in the industrial world worked roughly a fifty-hour week. Today they work a forty-hour week. On Keynes's reckoning, we should by now be well on our way to a fifteen-hour week, if not there already. If we project present trends forward to 2030, we might get to a thirty-five-hour week, but nowhere near a fifteen-hour week. The problem is to understand why hours of work have fallen so much less than the growth of output per hour worked led him to expect.

Keynes placed no geographical limit on his prediction. He probably thought that by 2030 the poor countries would be close to catching up with the rich ones. He was not wholly wrong. A small group of East Asian economies have achieved Western living standards, and there is a much larger band of middle-income countries which will get there before too long. But the sheer growth of population, which he did not foresee, has kept a quarter of the world's population desperately poor. In 1930 the world's population was 2.7 billion. Today it is 7 billion, more than two and a half times larger. Even in the rich world it is more than 30 per cent greater. The awkward question Keynes did not face was how far the rich should go in postponing the arrival of their own 'Bliss' to help the poor.

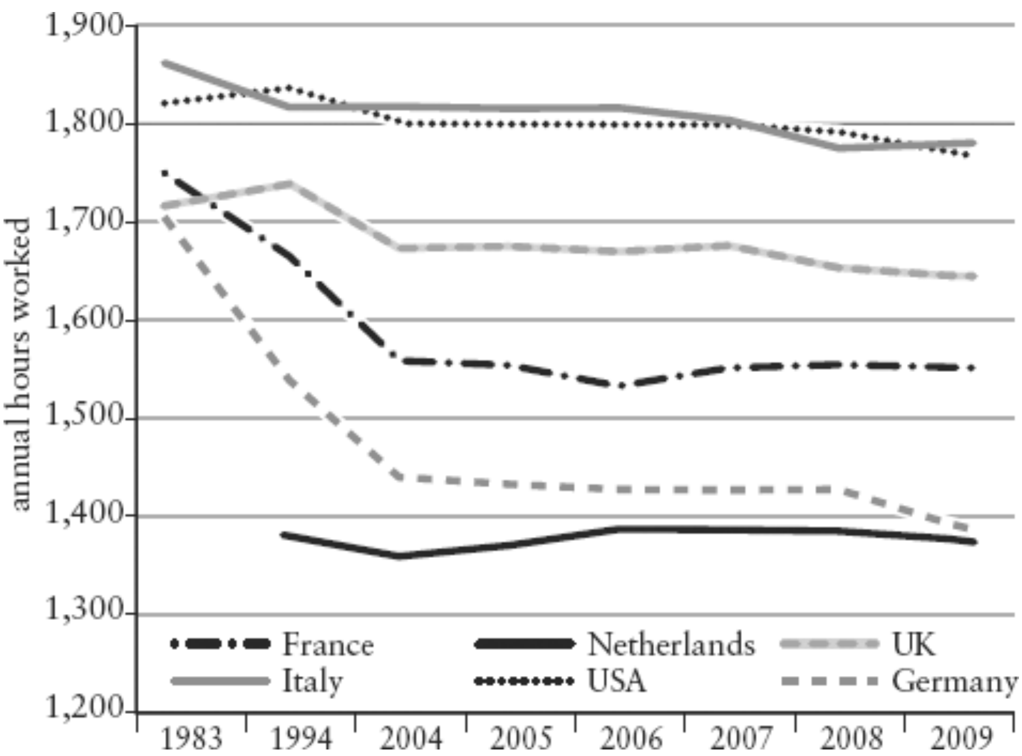
THE DELUSIONS OF AVERAGES

Before digging deeper into the question of why hours of work have failed to fall in line with the growth of the economy, we should be aware of what is concealed by our methods of measurement.

The average is simply the central tendency of a data set. Most people intuitively think of it as a 'typical' number. For example, if we know that the average income of people in Britain in 2011 is £25,000 a year, we tend to assume that most of them earn £25,000 a year, with a few earning more and a few earning less. But this need not be so. Take a population of ten people (say a factory) in which the managing director earns £160,000 and the nine workers earn £10,000 each. The *mean* average of their incomes is £25,000, but what most of them earn is £10,000. This is a stylized representation of the situation in Britain and America today, in which most people earn less than the mean, and a small number earn vastly more. In 2011, the UK mean income was £27,000, but the median was £21,500. That means 50 per cent of the population earned less than £21,500, and some much less.[7] The fallacy of deducing a 'typical' situation from the study of mean averages is most relevant for income distribution. One cannot say whether the 'welfare' of a country's citizens is going up or going down without knowing what has happened to income distribution. But the fallacy applies in many of the situations we are interested in.

First, the average number of hours worked hides sizeable (and growing) variations between countries, with industrious America at one end, 'old Europe' at the other, and Britain closer to the USA (see Chart 4). Although the flattening in the number of hours worked since the 1980s is common to all countries, we are left to explain why Americans and Italians work longer hours than the rest. 'Americans today', reports one survey in 2011, 'work an average of 122 more hours per year than the Brits, and 378 hours (10 weeks!) than the Germans.'[8] Some have suggested that in the United States hours of work have recently started to go up again. The Dutch have come closest to Keynes's state of 'Bliss'. In 2011, their 1,400 hours a year – or 34 hours a week – will gain them $42,000 per capita, whereas Britons' 1,650 hours get them only $36,000. (Americans get $48,000 per capita for 1,800 hours.)* It is tempting to trace these different attitudes to work, money and leisure to cultural divergences. In an immigrant society like America's, money-making was seen as the royal road to success; in Europe, the legacy of a hierarchical culture that limited opportunities for money-making both at the top and the bottom led to the adoption of ways of life which downgraded money-making as a goal. Britain is an intermediate case, more open to wealth-creation than Continental Europe, less socially egalitarian than the United States. These cultural differences are embedded in, and reinforced by, the specific institutions of the tax system, welfare system and labour market. It may well be that the long Italian hours miss out those who work only intermittent hours in the informal economy. (This seems to be a feature of all the Mediterranean countries.)

Chart 4. Hours of Work since 1983



Source: OECD Employment Outlook 2011

Secondly, the fall in average working hours conceals a divergence in hours worked by different groups within countries. While overall working hours have stalled, many lower paid workers are working less than they want to, while many of the rich are working more than they need to. It is a striking fact that working hours among the wealthy have risen, especially in the United States and Britain, reversing the negative relationship between work and income which, until recently, was widely supposed to hold.[9] In Keynes's day, the top of society worked shorter hours than the bottom. The aristocracy did no paid work at all; professionals spent remarkably few hours in the office. Today the 'workaholic' rich have replaced the 'idle' rich. Social status is no longer signified by immunity from labour. In our highly competitive society, people of talent but no fortune need to work ever harder to achieve the status effortlessly enjoyed in former times by people of fortune but no talent. This reversal of the traditional relationship between work and income is a good reason to believe that we are not heading for a workless future.

Thirdly, average hours worked per year show a bigger fall than average hours worked per week, because they include vacation time. In Europe, statutory paid vacations have quadrupled since Keynes's day, from one to four weeks a year – a clear gain for leisure. However, offsetting this gain is the increase in time spent commuting and on household work. Household work in the UK, surprisingly, absorbs half an hour more each day than in 1961, despite all the new labour-saving gadgets.* But in addition many more women than in Keynes's day also go out to work, the high post-war demand for labour having pulled women into the labour market and forged careers for them. In the USA, the proportion of women who worked in 1930 was 25 per cent; today it is 70 per cent, a trend mirrored in other industrialized countries.[10] The modern version of Keynes's housewife is less likely to have a nervous breakdown from involuntary idleness than from the stress of combining paid work with the extra time she has to devote to shopping (including travelling to and from supermarkets, and queuing to pay) and to childcare (including the supervision of previously unsupervised play and conveyance to and from school).[11]

Further, because the statistics on working hours, whether weekly or yearly, include only people in work, they do not reflect the years spent in education or that ever-expanding gap between work and death known as retirement. Should one count the added years spent in education as an extension of work or leisure? It probably depends on the kind of education. If it is training for work, as most of it now seems to be, it should count as work; if it is a preparation for the good life, it should count as leisure.

Retirement is more naturally regarded as part of leisure; its extension may therefore be counted an addition to the possibility of the good life. In 1948, men in the UK worked on average till they were 65, and died two years later. Today they retire at 67 and live another eleven years. However, it must surely be wrong to concentrate so much leisure in the last years of a person's life. Not only will people have had little preparation in their working lives for the leisure to come, but their capacity for enjoying it may well have diminished. Nor can one conclude that leisure for society as a whole is bound to go on increasing simply as a consequence of increasing longevity. Because saving out of income has not kept pace with the growing cost of retirement,* both in terms of years and medical expenses, the years of work are inexorably rising, anti-ageism policies giving this trend legislative force. Thus the collapse of household saving during working life will inevitably curtail the years of retirement, unless the unhealthy lifestyles of rich societies produce the same result by reversing the increase in life expectancy.

However much we interrogate the averages, the central puzzle remains: we in the rich world are four or five times better off on average than we were in 1930, but our average hours of work have fallen by only a fifth since then.

Before considering why Keynes's prediction that hours of work would fall towards zero has failed, we may ask why he ever thought it was plausible. Why did Keynes think that the more income people had the less they would want to work? And why did he fix on a four-to eightfold increase as 'enough'? Why not twice or three times or ten times as much?

The answer to the first question is that Keynes believed that people had a finite quantity of material needs which might one day be fully satisfied. He believed this because he failed to distinguish wants from needs; in fact, he used the two terms interchangeably throughout his essay. This, as we shall see, was a crucial error. Needs – the objective requirements of a good and comfortable life – are finite in quantity, but wants, being purely psychic, are infinitely expandable, as to both quantity and quality. This means that economic growth has no natural tendency to stop. If it comes to a halt, it will be because people *choose* not to want more than they need.

Why did Keynes think that four to eight times the average income of his day would constitute 'enough'? The answer almost certainly is that he was thinking about a middle-class standard of life, the standard of those whom he considered to be 'comfortably off'. Professionals in the 1930s earned on average just over four times the average pay of manual workers, with doctors and lawyers earning 5.2 and 7.5 times as much respectively.[12]

Keynes thought that when most people had incomes not much in excess of professional earnings they would have enough to lead a good life. Naturally enough, he would have made allowance for the general increase in standards of comfort. But he would have imagined that over time the poor would gain on the rich, as the rich, being closer to 'Bliss', would reduce their hours of work faster than those less well off. He did not foresee the rich racing ahead of the poor by increasing their hours of work.*

Keynes's notion of enoughness did not require complete equality of incomes. It was based on an idea of what was fitting for a particular social role. This view of the matter, which goes all the way back to Aristotle, was common among Keynes's contemporaries. Thus the economist Alfred Marshall reckoned that £500 a year was 'enough' for a thinking man. Virginia Woolf thought a writer needed £500 a year and a 'room of one's own'. These sums could be regarded as requirements of those particular occupations. The good life could be enjoyed at many different levels of income, provided the basic material needs, including standards of comfort, were satisfied for all.

Finally, what has happened to Keynes's 'possibility' – that we would use our leisure to live 'wisely and agreeably and well'? This is not a question we are yet in a position to answer, for leisure in today's rich societies is still an appendage to work, rather than its replacement. After grinding work, most people just want to 'flop out'. Holidays are used to recharge the batteries for the next period of work. Much of how leisure is spent today, therefore, is not a fair test of how it would be spent if hours of work were really much reduced from what they are at present, or even if the character of most work were not so alienating. Moreover, for the higher echelons of the business world, work and leisure have merged into a generalized purposefulness. The executive who attends 'off-site' meetings at exclusive golf clubs, hosts a party in order to 'network', and is in constant electronic communication with his office even while on holiday is acting purposively in Keynes's sense; he is doing things not for their own sake but for the sake of other things. If anything, the culture of today's opulent societies has become more purposive, not less, more harried, not more leisurely. To explain this paradox will be one of the purposes of what follows.

WHY DID KEYNES'S PROPHECY FAIL?

Explanations for the failure of average hours of work to fall in line with the growth of income fall into three broad camps. People are said to work the hours they do either because they *enjoy it*, or because they *are compelled to*, or because they *want more and more*.

The Joys of Work

'Who doesn't work, shall not eat,' proclaimed Lenin, echoing St Paul. Keynes followed the economics of his day in treating work as the cost of obtaining necessaries. As Adam Smith wrote, 'The real price of everything … is the toil and trouble of acquiring it.' Or, as Jeremy Bentham put it, 'Insofar as labour is taken in its proper sense, love of labour is a contradiction in terms.'[13] There was nothing novel in this treatment: the Bible tells us that man was condemned to work in painful expiation of his disobedience to God. But more recently, some have suggested that this age-old equation of work with 'toil and trouble' does not hold, or holds to a decreasing degree. Work is no longer labour in the economist's sense, but a labour of love: a source of stimulation, identity, worth and sociability. In short, work is not just a means to an end: it provides intrinsic satisfactions. This is why people go on working longer than they 'need'.

Apostles of the joys of work concede that the economist's view of work as joyless labour which has to be compensated by an income may have fitted the physically brutal, mechanical, stultifying work most people had to do in the past, but add that it is not true of work today. In the 'post-modern' era, work has become less physically demanding, more interesting, challenging, innovative. This is particularly true of professional jobs, and explains why the higher paid often work longer hours than the lower paid. We have an ever expanding 'creative' sector and much more choice of 'necessary' work than formerly existed. People can discover their souls not just in their purchases but in their jobs. Keynes, critics add, had a Bloomsbury disdain for business, which led him to overlook the intrinsic satisfactions which even then many people found in work.[14]

The counterpart to love of work is said to be fear of leisure. It is often asked: what will people do if they don't have to work? Get drunk or drugged? Spend the day slumped before the television? Underlying this kind of question is the view that human beings are naturally lazy, so that work is necessary to make them productive, keep them 'on the rails', stop them 'going to the dogs'. But there is something else. Work provides compulsory sociability; leisure can bring forced solitude. 'Me? I dread weekends,' remarks the workaholic journalist in Tom

Rachman's novel, *The Imperfectionists*. 'I wish I didn't have vacation time – I have no idea what to do with it. It's like a four-week reminder of what a loser I am.'[15]

It would be foolish to deny that paid work has always had elements of intrinsic satisfaction: most people have not worked for bread alone. People may work long hours for companionship or to escape the troubles, or boredom, of family life. The question is whether the 'joyful' element in work has been increasing over time. This is by no means clear. Some jobs have become more interesting; the number of vocational jobs – teaching, for example – has expanded. The Internet, it is often said, has made work more like play (even as it has made play more like work). It has also expanded opportunities for leisure at work; Facebook is only ever a click away. Work environments are increasingly designed to be 'fun'.* But the specialization which Adam Smith thought would take the skill out of work has also made much work less rewarding. What is called 'skilling' is too often a euphemism for rendering mechanical what once demanded at least a degree of knowledge, alertness and involvement. The skills of the craftsman, the mechanic, the builder, the butcher, the baker have decayed; a great deal of work, reduced to the purely routine, remains literally stupefying. The work routines of modern supermarkets and call centres have been dubbed 'digital Taylorism', in homage to the inventor of the conveyor belt.[16] Drastic cost reductions have reduced 'face time', as sociability is now called. The 'creativity' of many jobs is just branding: 'hard working passionate chefs creating every day' runs an advertisement for a well-known fast-food chain. Even for top financial professionals, the 'joys of work' come a distant second to salaries and bonuses.[17] The willingness of top earners to work longer hours than they did in the past may testify, not to the increasing interest of their jobs, but to the increasing insecurity of their incomes. A small proportion of jobs, and parts of jobs, may have become lovable; most continue to be unloved.

Despite the so-called joys of work and fear of idleness, more workers in most developed countries, including the United States, would prefer to work less rather than more. A recent survey on future employment options shows a widespread desire for shorter working hours, even knowing that this might mean lower pay – 51 per cent wanted shorter hours, with only 12 per cent choosing longer hours.[18] Similar results were found for Japan. In the United States, the figures were more evenly balanced, but the preference was still for shorter rather than longer hours (37 per cent as against 21 per cent).[19] What people say they would do in hypothetical circumstances is not, of course, what they would necessarily do if faced with those circumstances. Nevertheless, there remains at least a bias in favour of shorter hours.

The increasing pleasures of work, or fear of leisure, may be part of the explanation why hours of work have stopped falling, but it cannot be the main explanation. The curse of Adam may have lightened, but it has not entirely lifted.

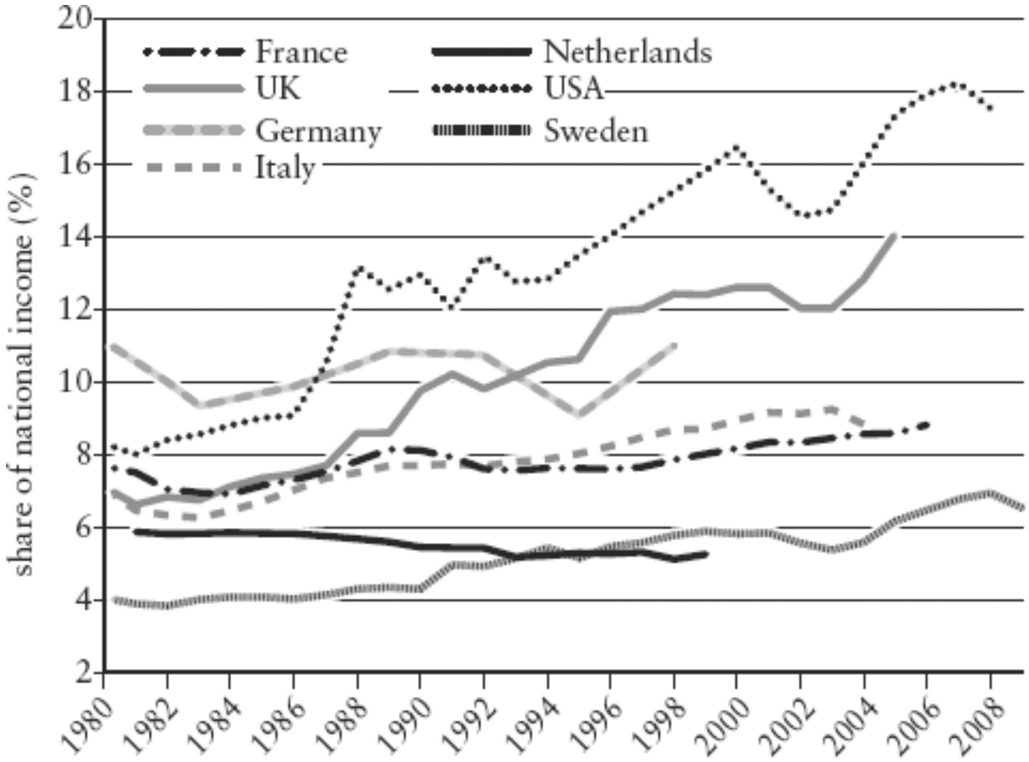
The Pressure to Work

Marxists have traditionally argued that workers under capitalism are forced to work longer than they need to, or would choose to, because they are 'exploited' – that is, paid less than their work is worth to their employers, whose control of the labour market makes this possible. That means that they are deprived of the full gains of increased productivity. In the 'social democratic' years of the mid-twentieth century, powerful trade unions were able to push up workers' real wages, and the state used the taxation system to redistribute non-wage income from the wealthy to the poor. But these equalizing trends encroached on profits and left the wealthy relatively worse off.

They were reversed in the 1980s, at about the same time as hours of work stopped falling. The explanation of the flat hours of work line seems obvious: workers have not reduced their work time because they have not in fact achieved those gains in real income which might have induced them to work less. Workers may determine their own trade-offs between work and leisure, but in a system in which the capitalist class calls the shots.

The data shows that inequality of wealth and income in the United States and Britain has grown hugely since 1980, with the rich gaining most from the increase in productivity (see Chart 5).

Chart 5. Income Share of the Richest 1 per cent



Source: World Top Incomes Database (http://g-mond.parisschoolofeconomics.eu/topincomes/)

The headline figures are well known: in 1970 the pay of a top American CEO was under 30 times that of the average worker; today it is 263 times.[20] In Britain, the basic pay of CEOs in FTSE top companies was 47 times the average worker's pay in 2000; by 2010, it was 81 times. Since the late 1970s, the income of the richest fifth has increased nine times as fast as the poorest fifth in the USA, and four times as fast in the UK.[21] Chart 5 confirms that the rich have been capturing an ever-increasing share of national income. This explains why, although average income has gone up in most countries, median income – that is, the income of the person in the middle of the distribution – has not risen as much, and in America has remained flat for more than forty years. According to a recent census, 46 million Americans live in poverty. 'In the UK,' writes Larry Elliott of the *Guardian*,

> the professional middle classes, particularly in the south east, are doing fine, but below them in the income scale are people who have become more dependent on debt as their real incomes have stagnated. Next are the people on minimum wage jobs, which have to be topped up by tax credits so they can make ends meet. At the very bottom of the pile are those who are without work, many of them second and third generation unemployed.[22]

The dominant recent influence on income distribution has been the growth of the service economy and the failure to use the tax system to offset the natural tendency of inequality to grow with the relative growth of services. Both have set a limit to the fall in hours worked. In Keynes's day, manufacturing in developed countries accounted for 80 per cent of output, services for 20 per cent. Today this ratio is reversed. Service jobs on average are less well paid than the manufacturing jobs they replaced, partly because they cannot be automated to the same extent – think of schoolteachers, nurses, hairdressers, taxi drivers – and partly because they cannot be unionized as effectively. The failure to redistribute income in the United States and Britain has meant that many of those employed in the lower ranks of the service sector of these two countries, especially in retail, hospitality and personal services, have had to increase their hours of work in order to escape poverty.*

The sociologist Juliet Schor has drawn attention to a specific feature of capitalist domination of the labour market. In *The Overworked American*, she argues that competitive pressures, combined with poor protection of workers' rights, has led to employers working their existing workforces longer rather than spreading the workload thinner over a larger number of workers, since the latter would involve the employer in additional costs of training and managing, not to mention statutory paid vacations, health insurance and the like. As Schor puts it, 'It becomes far more profitable for a company to hire a smaller number of people for long hours than to extend those hours over more workers (who would also be paid benefits).'[23] The consequence is that the labour force is becoming segmented into a shrinking core of full-time permanent employees, who probably work more than they want, and an expanded periphery of unemployed and partly employed who work less than they want, and whose wages need to be topped up with tax credits to keep them in employment at all.

In this type of account, consumerism figures as a sop to workers deprived of the leisure they crave. To relieve their frustration (and keep them docile), they are offered a stream of useless, mind-numbing consumer goods. Shopping is wittily, but accurately, called 'retail therapy' – a compensation for unpleasant or depressing experiences. The creation of artificial needs ensures workers' loyalty to the work ethic. As Schor puts it in her essay 'Towards a New Politics of Consumption', 'there may well be a path for the economy that involves less work and less stuff, and is preferred by people to the high work/high consumption track. But if that option is blocked, then the fact that we buy a lot can no longer be taken ipso facto as proof of our inherent consumer desires. We may merely be doing what is on offer.'[24] In other words, we adapt our preferences, ending up wanting what we get, not getting what we want.

The left-wing account of the income/leisure trade-off is not wholly persuasive. There is no denying that since the 1980s median incomes have not kept pace with average incomes, and this fact alone would explain a large part of the failure of hours of work to fall since then. But the Marxist account of consumer behaviour is less plausible. Even if consumer preferences can diverge from real needs, they cannot be entirely independent of those needs; they cannot be simply 'instilled' in us by the 'productive apparatus' or some other such monster. To assert this is to deny individuals all agency, to reduce them to ants or drones. The Marxist sociologist André Gorz seems to do this when he writes of the individual under capitalism: 'It is not "I" who acts, but the automated logic of social systems that work through me as Other.'[25] Advertising can shape desires, but it cannot create desires out of nothing. (It cannot, for instance, persuade us to buy dog turd, except possibly by associating it with some already existing object of longing.) There must be some prior tendency in human nature for advertising to latch on to; otherwise, its empire over us would be mysterious.

Structural explanations for failure of hours of work to fall must be supplemented, then, with an exploration of the intrinsic nature of human wants and satisfactions.

Insatiability

Keynes assumed that material wants could be sated, that we could 'have enough'. But suppose they are insatiable? By insatiability we mean what the dictionary says: a continuous, unsatisfied craving for more than one has. 'These "romantic" Jaipur tents [cost, £3,800] create excellent additional entertaining space in the garden,' runs one advertisement targeted at 'those who have everything'.[26] The question is: why do people who 'have everything' always seem to want more?

There are two approaches to answering this question, the first of which starts with the nature of human wants in isolation, and the second which considers them in relation to those of others. The opposition between the two is admittedly largely artificial. Wants are individual; but the way they get expressed, the way they are encouraged or suppressed, is social. Which explanatory variable the investigator chooses to emphasize depends largely on whether he is interested in establishing the facts of individual psychology or whether, taking these facts as given, he tries to work out their consequences for social behaviour.

A good example of the individualist approach is Tibor Scitovsky's influential 1976 book, *The Joyless Economy*. Scitovsky's explanation for insatiability was quite simply *restlessness*. We become bored with what we have. The satisfaction of all needs, the elimination of all discomforts, produces a state, not of contented tranquillity, but of dissatisfaction, which has to be relieved by novelty, as an itch needs to be relieved by scratching. As affluence increases, boredom grows, provoking an ever more frantic search for stimulating experiences. Our nature is such that we are never satisfied with what we have. So we keep on working to stimulate our jaded appetites.

A second individualist explanation for insatiability focuses on the inherent scarcity of certain goods. Holidays in top resorts, beautifully landscaped gardens and many other such rarities cannot be enjoyed by everyone in a society, however wealthy they are. Escalating demand presses on a fixed supply. The result is a continuous rise in the cost of such goods relative to average prices, which puts them permanently beyond the reach of ordinary incomes. But instead of accepting this unfortunate fact, people go on wanting the best, which, in the nature of things, they cannot all have. This, then, is another important source of insatiability.

Keynes's disciple Roy Harrod called such inherently scarce goods 'oligarchic', in an essay which implicitly punctured the rosy vision of his master.[27] A classic example is Old Masters. All the fine old paintings which exist have already been produced: their supply cannot be increased. Admittedly, everyone can get a glimpse of them in a museum, and this is the 'democratic' solution to this particular problem. But in terms of individual satisfaction, rationing by queue is much inferior to rationing by price, to having the best which has been created available for appreciation in the privacy of one's own home.

Oligarchic goods do not have to be physically scarce. They may also be 'socially scarce', meaning that their multiplication destroys the characteristics that made them desirable in the first place. 'Unspoilt' holiday resorts remain unspoilt only so long as access to them is limited. Harrod wrote:

> A young man may have the ambition that, when he grows rich, he will live in the choicest part of New York, have good seats at all the best plays and operas, go the most select night clubs … patronise the best living artists. And he may get all these things, if he grows rich oligarchically, but democratic wealth can never achieve them. If an unequal distribution prevails, the richer people will price these rare things beyond the pockets of the average man.

Harrod drew a further implication. Only the minority of the rich are able to afford servants and therefore the upkeep of 'great mansions to live in, private parks and gardens, stables … yachts', all of which require the existence of a servant class. But the more equal wealth becomes, the fewer servants will be available and affordable. No labour-saving inventions can compensate for the disappearance of the personal service needed for gracious living.

The economist Fred Hirsch relabelled Harrod's 'oligarchic' goods 'positional', because access to them depends not on our absolute level of wealth but on our *position* relative to others. Like top prizes in a tournament, positional goods cannot be won by everyone.[28] They will always be scooped up by the richest in society, whatever the overall level of affluence. Competition to acquire them will therefore never cease. In fact, it will intensify with growth, as a progressively larger proportion of household income is liberated for positional spending. The existence of positional goods dims Keynes's vision of a society in which everyone has 'enough'. For even if everyone earned the requisite £500 a year, or its modern equivalent, they would not all (logically) be able to live in the best houses or buy the best seats at the opera.

A third individualist explanation of insatiability draws heavily on the economist's picture of the human being as a rational utility maximizer. The pioneer work here is that of the American economist Gary Becker.[29] Keynes looked on leisure as a benefit universally desired, but another way of looking at it is as a cost – the cost of not working. Becker pointed out that the cost of an evening at the theatre is not simply the price of the ticket but the cost of not earning in those hours. Leisure is a subtraction from hypothetical income, and Becker pictured the individual balancing at the margin the advantages of earning income and of spending it. Stated this way, the choice between work and leisure is essentially a time-allocation problem. Leisure is not free time, it is costly time. And the higher your income, the costlier the time. If Becker is right, there is no a priori reason to believe that hours of work will fall as wealth grows. It is just as plausible to believe that they will rise, as the cost of not working increases.

The Swedish economist Staffan Linder wrote a book, *The Harried Leisure Class*, expanding on Becker's analysis. Linder's main point was that the return on leisure must become as high as the return on work if people are to give up working. The main way of increasing the 'yield' of leisure is to pack it with equipment. 'Just as workers become more productive by working with more tools and capital equipment, consumers get more out of their leisure time when more gadgets are used per time unit.'[30] A trip to the seaside or holiday resort becomes incomplete without barbecue, windbreaks, wetsuits, surfboards, tennis rackets, footballs, beach balls and golf clubs.

Linder is mainly concerned to explain the consequence for the nature of leisure of gadget-filled consumption, but his argument can be used to explain the failure of working hours to fall in line with Keynes's prediction. The more consumer durables – cars, boats, caravans, televisions, DVD players and so on – are used to augment leisure, the larger the incomes needed to afford them. The increasing array of goods required for productive consumption keeps us tethered to work.

None of these individualist explanations of insatiability – innate restlessness, positional competition, utility maximization – involves a comparison between what one wants and what others have. To that extent they are unrealistic, since the expression of wants always has a social character. The main sociological explanation of insatiability hinges, therefore, on the relative character of wants. At no level of material wealth will I feel satisfied with what I have, because someone will always have more than I do. Once competition for wealth – or the consumption by which it is normally signified – turns into competition for status, it becomes a zero-sum game, because everyone, by definition, cannot have high status. As I spend more on prestige goods, I gain status but cause others to lose it. As they spend more to regain status they reduce my own. There is no reason why the escalation of income to maintain and acquire status should ever end.

Oddly enough, Keynes was well aware of status spending. Human needs, he wrote in an important aside in his essay, fall into two classes:

> those needs which are absolute in the sense that we feel them whatever the situation of our fellow human beings may be, and those which are relative in the sense that we feel them only if their satisfaction lifts us above, makes us feel superior to, our fellows. Needs of the second class, those which satisfy the desire for superiority, may indeed be insatiable; for the higher the general level, the higher still are they. But this is not so true of the absolute needs – a point may soon be reached, much sooner perhaps than we are all of us aware of, when these needs are satisfied in the sense that we prefer to devote our further energies to non-economic purposes.[31]

Keynes raises the spectre of socially generated insatiability only to ignore it; the rest of his essay proceeds on the assumption that all needs are absolute. Why this oversight? Probably he thought 'relative needs' too insignificant to dwell on. Keynes lived in an era when the vast bulk of household expenditure was on bread, shelter, clothing, heating and other such utilities. Money devoted to competitive consumption was a small fraction of the total. Today, that situation is reversed: the bulk of household expenditure, even by the poor, is on items that are not necessary in any strictly material sense, but which serve to confer status. The very notion of a 'material good' has broadened to include anything that can be bought or sold, including ideas, scraps of melody, even identities.

Economists and sociologists have identified three types of spending designed to enhance status.[32] The details are technical, but the mechanisms are familiar. First, there are 'bandwagon goods': goods that are desired because others already have them. This is partly a matter of envy, but also of wanting to be like everyone else. Both longings are particularly strong in children, causing parents to work harder than they otherwise might to satisfy them. Then there are 'snob goods', goods that are desired because others do not have them. Snob goods cater to the desire to be different, exclusive, to stand apart from 'the crowd'. They are not necessarily the most expensive, but mark their possessors as having superior taste. Contemporary examples might include obscure underground bands, cult films and exotic restaurants. Snob and bandwagon goods are not of course mutually exclusive: many snob goods mutate into bandwagon goods, leading to their abandonment by true snobs. This perpetual circle is familiar from the worlds of art and fashion.

Overlapping with both snob and bandwagon goods are 'Veblen goods', so called in honour of the great American theorist of conspicuous consumption, Thorstein Veblen. Veblen goods are desired in so far as they are expensive and known to be expensive; they function, in effect, as advertisements of wealth. In the still hierarchical world of business, whether one travels first, business or economy class signals one's rank in the company. Another Veblenesque phenomenon is the 'bling effect'. The brand labels favoured by celebrities are widely known to be expensive, and that is a large part (perhaps the whole part) of their appeal: the higher the price, the more exclusive the brand. Were they to fall in price, demand for them might fall too. A Russian joke sums it up. Two newly rich Russians meet. 'How much did your tie cost?' asks one of them. 'A thousand dollars,' replies the other. 'Bad luck,' says the first. 'Mine cost two thousand.' Conspicuous consumption is a well-known characteristic of the nouveaux riches of all countries and ages.

Success in competition is usually signalled by more lavish consumption, but it need not be, nor need this be the motive for competition. Possession of money may be a sufficient index of success, without the need to display this possession in costly objects. In the past, spending money was the main means of signalling to the world that one had money, but, with the spread of public knowledge of people's incomes and fortunes through such league tables as the *Sunday Times* Rich List, competition for money has become detached from competition for goods. In the upper echelons of the business world, money is sought after not only as a means to consumption but as an index of superior achievement. As the late H. L. Hunt, then one of the richest men in the world, put it, money is 'just a way of keeping score'.

There is no denying that some forms of relational consumption have had beneficial effects. A good deal of philanthropy stems from conspicuous consumption. The desire to impress others with one's wealth, power or taste has adorned our cities with great buildings and commissioned most of the works of art now displayed in our museums. Today the same impulse is seen in the competition among American billionaires to give away their money. However, as Keynes's friend the art critic Roger Fry pointed out, it is only in periods of high civilization that snobbery has produced a critical mass of objects desirable for their own sake.[33] Most of today's benefactions have to be justified by utilitarian purposes.

Evidently, the individual and social sources of insatiability intertwine. Many goods described as 'socially scarce' are scarce mainly because of their snob appeal or because they provide opportunities for conspicuous consumption: a degree from a 'top' university has a snob value quite apart from the access it provides to 'top jobs'. Persons of refined taste may love the 'best things of life' for their own sake; but by their acquisition they are also signalling that they are persons of superior taste – and wealth. Linder's gadget-packed leisure does not simply reflect an individualist hunger for a 'yield' equivalent to work, but also a comparison with other people's gadgets. The failure to identify the overlap between the individual and social sources of insatiability is largely a creation of the way we divide up our disciplines, setting aggressive limits to their understanding of human behaviour.

But it is not necessary for us to choose between the various explanations of insatiability, or even weight them in order of importance. It is enough to realize that, if carried beyond a certain point, insatiability leads us away from the good life.

Is there any escape from this logic? A tendency to insatiability has long been recognized and condemned by philosophers and moralists, as we shall see in Chapter 3. It is rooted in human nature and the social character of man, not (as Marxists would have it) in the dynamics of a particular economic system, capitalism. But the Marxists are right to this extent: capitalism has inflamed our innate tendency to insatiability by releasing it from the bounds of custom and religion within which it was formerly confined. This inflammation takes four distinct though related forms.

First, capitalism's competitive logic drives firms to carve out new markets by (among other things) manipulating wants. Advertising may not create insatiability, but it exploits it without scruple, whispering in our ear that our lives are drab and second-rate unless we consume 'more'. Advertising is the 'organized creation of dissatisfaction', as a former director of General Motors Research Lab once nicely put it.[34]

Secondly, capitalism greatly broadens the scope of status competition. In his nineteenth-century classic, *Democracy in America*, Alexis de Tocqueville noticed that America's 'general equality of condition' was the most fertile soil for the growth of the work ethic and acquisitive instinct.[35] In Europe, Tocqueville claimed, no one cared about making money, because the lower classes had no hope of it, and the upper classes thought it vulgar to think about it. Only in the United States could workers believe that through hard work they might achieve the fortunes necessary to enjoy the luxuries of the rich. The American combination of social equality and income inequality has since become the capitalist norm, leading to a situation in which every member of society is in a sense competing against every other. And the greater the inequality, the greater the competitive pressure. 'If pay varies greatly,' writes economist Richard B. Freeman, 'there is a sizeable incentive to do what it takes to climb up the earnings distribution, including putting in long hours.' Countries with higher inequality tend to have longer working hours; workers in occupations with bigger wage variations tend to work harder than those in other occupations.[36] This plausibly explains why Americans and Britons work longer hours than continental Europeans.

Thirdly, the ideology of free-market capitalism has been consistently hostile to the idea that a certain sum of money could represent 'enough'. Such an idea is seen as effete and patronizing, as thwarting our natural desire to better our condition. 'There is scarce perhaps a single instant,' wrote Adam Smith, setting the tone, 'in which any man is so perfectly and completely satisfied with his situation as to be without wish of alteration or improvement.'[37] Smith's go-getter was for a long time held back by customary standards of gracious living (always stronger in Europe than the United States), but he has finally triumphed over all obstacles. In former times a banker bought an estate as soon as he could and retired from the business; now he may buy an estate but makes sure he stays in constant touch with the stock market so he can accumulate further. It would be preposterous today, as it would not have been eighty years ago, to explain why one did not work by saying 'I have enough to live as a gentleman.'

Finally, capitalism enlarges insatiability by increasingly 'monetizing' the economy. This has two aspects. First, because of its tendency to marketize more and more goods and services – that is, make them exchangeable for money – capitalism constantly enlarges the sphere of monetary measurement and thus the ease of direct comparison. Before land was valued in monetary terms two estates could not readily be assessed against each other. Today the comparison is easy and automatic. More and more things we value are 'priced' and thus enter the sphere of relational competition. Education, for instance, is increasingly seen not as a preparation for the good life but as a means to increase the value of 'human capital'.

More insidiously, by increasing the sphere of money measurement, capitalism inflames the love of money for its own sake. As Marx reminds us, quoting Goethe, money comes to have 'love in its body'.[38] Traders in futures, derivatives and other rarefied financial products need know nothing at all of the actual goods that lie at the end of their transactions. Living in a world of pure money, they lose feeling for the value of things. If cynicism is knowing the price of everything and the value of nothing, then the centres of world finance are breeding grounds of cynicism.

Keynes's mistake was to believe that the love of gain released by capitalism could be sated with abundance, leaving people free to enjoy its fruits in civilized living. This is because he thought of people as possessing a fixed stock of natural wants. He did not understand that capitalism would set up a new dynamic of want creation which would overwhelm traditional restraints of custom and good sense. This means that, despite our much greater affluence, our starting position for the realization of the good life is worse than it was in the more traditional society of his day. Capitalism has achieved incomparable progress in the creation of wealth, but has left us incapable of putting that wealth to civilized use.

How did we come to set up a system in which the love of gain was released from its moral constraints, and why has it become almost impossible to get it back under control? This is the subject of the next chapter.