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Exits from the Rat Race

> What is the meaning of this never-ending, breathless pursuit of a progress that always eludes one just when one believes one has conquered it sufficiently in order to enjoy it in peace?
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> – Pope Paul VI, *Octogesima Adveniens*

The Keynes generation of economists assumed that, as people became more efficient at satisfying their wants, they would – and should as rational agents – work less and enjoy life more. We have identified two blockages to the fulfilment of Keynes's prophecy: those arising from power relationships and those arising from the insatiability of human wants. The two work in combination to produce an ethic of acquisitiveness, which dooms societies to continuous, objectless, wealth-creation – something that did not exist in earlier times, and that remains, in some sense, peculiar to capitalism.

International rivalries add fuel to the acquisitive fire. Despite the high degree of affluence already achieved, we are constantly being told to gear up to further challenges, particularly from the Chinese and other poor but industrious peoples. 'Surviving the Asian Century' is a typical call to purposive action: 'The UK needs to be operating at the top of its game, and yet we remain bedevilled by four weaknesses … lower business investment, a weaker skills base, less innovative and productive firms, and a smaller presence in the most vibrant emerging markets.'[1] But why, if we already have enough, should we strive for a larger presence in the 'most vibrant emerging markets'?

For the sake of remaining 'at the top of our game' we maintain a system which continues to celebrate acquisitiveness at the expense of enjoyment. Our leaders can offer no more than a continuation of economic growth for ever and ever; and this despite the plentiful evidence that the capitalist system in our part of the world is entering its degenerative phase. The chief sign of this is the dominance of finance, in love with itself but increasingly bereft of useful things to do. The Anglo-American version of individualistic capitalism is kept going largely for the benefit of a predatory plutocracy, whose members cream off the richest prizes while justifying their predation in the language of freedom and globalization. Political leaders continue to enjoy the sound bites of power; the reality is well hidden from public scrutiny, or even understanding. At the core of our system is a moral decay which is tolerated only because the cleansing of its Augean stables is too traumatic to contemplate.

It is worth recalling that the ideal of economic growth as an end without end is of fairly recent origin. When British prime minister Harold Macmillan told the voters in 1959 that they'd 'never had it so good', he was echoing the widely held view at the time that the capitalist countries of the West were rapidly approaching a consumption plateau, and the main problem of the future would be to ensure that the fruits of the new abundance were democratically distributed. Galbraith's hugely influential *The Affluent Society* (1958) with its image of 'private affluence, public squalor' caught this mood. As we showed in Chapter 2, the assumption of abundance, and consequent revulsion against technology and psychological distancing from the world of work, was the imaginative backcloth of the American utopian movements of the 1960s.

The question is: why did the perception of imminent Bliss of the 1960s lead to the restoration of Darwinian capitalism in the 1980s? What brought Reagan and Thatcher to power and led to the renewal of free-market fundamentalism?

It is easy to see that, in the form in which the followers of Marcuse imagined it, Bliss was an illusion. For reasons analysed in Chapter 1, richer societies are likely to become more, rather than less, acquisitive, as the power of relative wants grows. But this secular trend does not explain the sudden collapse of the system of political economy which had brought the rich part of the world to the dawn of universal abundance.

The question is: why did economic growth, so quickly and decisively, come to trump all other objects of economic policy? The simple, though surprising, answer is that, with the assumed achievement of permanent full employment by policy, *there were no other objects of economic policy left*. In these circumstances, economic thinking was free to concentrate once more on the efficiency with which output was produced. This was more congruent with the *maximizing* spirit of economics, getting the most use out of a given stock of resources. That growth could become an object of economic policy was in large measure due to the development of national income statistics – GDP– which enabled comparisons between countries' economic performance. And, in the aftermath of two supremely destructive wars, to make peoples richer, rather than nations more bellicose, seemed an eminently civilized object of striving.

There were two ancillary reasons. The first was that the West as a whole felt it needed to speed up its rate of growth to maintain the arms race with the Soviet bloc. Not only did the Soviet system seem to be growing faster than Western capitalism in the 1960s, but, by suppressing private consumption, it was able to devote a much higher proportion of its growing wealth to military spending. The West needed to show it could produce both guns and butter. The second reason was that faster economic growth was a way of circumventing the facts of power. It offered a way of improving the position of the poor without having to increase taxes on the rich. In this second aspect, economic growth was a left-wing policy to benefit the working class without igniting latent class conflict over the distribution of the national product. The apostles of growth of the 1960s were mainly left-wing economists and politicians who had abandoned – or in the United States never embraced – public ownership as a mechanism, but retained their socialist aspirations for a more equal society. They hankered for a democratic version of the Soviet planning system, one which would nudge private enterprise to greater energy by means of targets, subsidies and tax incentives, while allocating an increasing share of the fruits of enterprise to education, welfare and public services. This was particularly appealing in slow-growing Britain.

However, this was still some way from the crisis-prone Darwinian capitalism of our own day. The essential ingredient which Thatcher (elected in 1979) and Reagan (elected in 1980) added to the philosophy of growth was an ideological faith in the market system. The way to faster growth lay not through planning, but freeing up markets from red tape, improving incentives through lighter taxes, reducing the power of trade unions and extending markets through privatization and deregulation. These steps in combination would make the allocation of capital more efficient. The Thatcher–Reagan dispensation also viewed the growth of income inequality as acceptable in so far as it improved the incentives of the 'wealth creators': there would be a 'trickle down' from rich to poor. This set of ideas became what Adair Turner calls the dominant 'instrumental conventional wisdom' across the political world over the following thirty years.[2]

In retrospect, it was the shift to a market-based philosophy of growth rather than to a growth-based philosophy as such which inflamed the insatiability of wants we identified in Chapter 1. 'Planning for growth' need have entailed nothing more than bringing the welfare of the poor gradually up to the standard of the rich. By contrast, reliance on market-led growth marked the abandonment of any interest in the *social* outcome of the growth process. The economic system was to be geared to the maximization of individual satisfaction as expressed in markets. Individuals were no longer to be viewed as part of wholes; the wholes were simply the sum of individual parts. This reduction of economic life to a crude individualism can be dated from the 1970s. In economics, microeconomics, the study of individual economic behaviour, replaced macroeconomics, the study of the economy as a whole; in political thought, the rights and duties of individuals replaced the rights and duties of groups. This kind of market order was bound, of course, by the rule of law; but there was no longer any moral, political or cultural restraint on individual pursuit of wealth; the only restraint might arise from natural limits to growth itself.

Any radical shift in consciousness requires the stimulus of crisis. For the free-marketeers it was the 'crisis of Keynesian economics' – that combination of rising unemployment and rising inflation identified by Milton Friedman as an ineluctable consequence of full employment policy. Free-marketers made some telling points: the existing system had become sclerotic, the power of trade unions excessive and rates of taxation not merely redistributive but punitive. However, more decisively destructive of Keynesian social democracy were the two big hikes in the price of oil in 1973 and 1979. These represented a cumulative transfer equivalent to $1,900 billion in today's money from the rich oil importers to the oil producers, mainly Middle Eastern sheikdoms. The rise in energy costs required a fall in the real incomes of the oil consumers. In the face of widespread union-led opposition to wage reductions, the brunt of this transfer initially fell on profits rather than wages. The restoration of the rate of profit via the abandonment of the full employment commitment, the elimination of trade union control over wages, and the restructuring of the economy from manufacturing to services became the concrete project for which the ideology of the free market lent an ideal support. In effect, the governments of Reagan and Thatcher handed economies back to the businessmen. The role of the state in management, ownership, regulation, allocation and distribution was drastically pared back. Governments gave up attempts to steer market forces to desirable social outcomes, limiting themselves to maintaining framework conditions for successful market performance. The wealth of nations would be made to grow faster by releasing acquisitiveness from its communal restraints, in a reprise of the arguments first advanced by Adam Smith and his followers.

In this kind of world there is no reason why capitalism should ever end, provided everything goes according to plan. Keynes's notion of satiety has no place: the progress of the system will create new wants and stimulate positional competition without limit. And any observed tendency for rich societies to rest on their laurels by working and consuming less can be countered by the logic of globalization and the stimulus of additional income inequality. But, of course, such a system will not, cannot, work according to plan. It is both economically and morally inefficient. It survives only because we have lost a sense of what wealth is for, a language of the good life. With a few exceptions to be noted below, the main currents in economics and political theory hold that the state should be neutral as between individual choices. But in our kind of system this inevitably and inescapably hands the choice of system and instruments to those with the greatest amount of wealth and power.

So we turn finally to the main question: what intellectual, moral and political resources still exist in Western societies to reverse the onslaught of insatiability and redirect our purposes towards the good life?

VIRTUE REVISITED

In his book *After Virtue*, the philosopher Alasdair MacIntyre asks the reader to imagine a catastrophe which has destroyed the natural sciences. All that survives is fragments of fact and practice detached from any knowledge of their theoretical context. MacIntyre suggests that 'in the actual world which we inhabit the language of morality is in the same state of grave disorder as in the imaginary world which I described'. What we possess are fragments of past moralities detached from the conceptual schemes and contexts which gave them coherence. But we do not recognize that any catastrophe has occurred. The academic disciplines which study moral questions are unaware of it. They are aware only of the fragments, about which they dispute furiously. That is why moral debate is interminable, and *neutrality* between different moral beliefs is regarded as the only possible stance of a modern liberal state.[3]

The catastrophe MacIntyre has in mind is the rise of the modern state and its accompanying ideology. Thus the only possible remedy he can foresee is a complete withdrawal from the political sphere – a new monasticism. 'What matters at this stage', he concludes in prophetic vein, 'is the construction of local forms of community within which civility and the intellectual and moral life can be sustained through the new dark ages which are already upon us … We are waiting not for a Godot, but for another – doubtless very different – St. Benedict.'[4] MacIntyre's words bring to mind the environmentalist communes that have sprung up across the West in the last thirty years, as well as initiatives such as the voluntary simplicity movement in America and the slow food movement in Italy and elsewhere.

MacIntyre offers us a powerful diagnosis of our civilization's ills, but he is too despairing of the possibilities of political reform. The fact is that, until recently, public policy in the Western world was shaped, implicitly if not always explicitly, by ideas of the good life and the good society. These ideas were not doomed to failure; they were defeated in the political struggle outlined above. Many of them remain powerful under the surface or in the margins of our public life. It would take only a modicum of political courage to restore them to their place at the centre. Private initiatives of the sort envisaged by MacIntyre are to be applauded, but they will remain precarious and marginal without public backing. St Benedict, it should not be forgotten, was preceded by the Emperor Constantine.

Of the fragments of older social moralities still available to us, the most extensive is Catholic social teaching, conveniently summarized in the twelve papal encyclicals starting with *Rerum Novarum* in 1891 and running to *Caritas in Veritate* in 2009. This teaching is, of course, the property of a particular Church, but one does not have to be a Catholic or even a Christian to appreciate it. Unlike many of its Protestant counterparts, the Catholic Church has always been open to the best of pagan wisdom. Its defence of property, its call for just prices and wages and its condemnation of avarice and usury owe as much to Aristotle as they do to the Gospels. Where Catholic teaching is distinctively Christian, and quite un-Aristotelian, is in its emphasis on work as the necessary expiation of man's sin. ('Man is born to labour as the bird to fly,' wrote Pius XI.) That said, Catholic social thought has never held up *unremitting* toil as an ideal. 'The true and rational doctrine', wrote Monsignor John Ryan, an early twentieth-century American theologian, 'is that when men have produced sufficient necessaries and reasonable comforts and conveniences to supply all the population, they should spend what time is left in the cultivation of their intellects and wills, in the pursuit of the higher life.'[5]

One of the many strengths of Catholic teaching is that it cuts in equal measure against state socialism and unrestrained capitalism. Leo XIII's *Rerum Novarum* (subtitled 'On the Condition of the Working Class') of 1891 opens with a splendid denunciation of capitalism of which Marx would have been proud:

> Hence, by degrees it has come to pass that working men have been surrendered, isolated and helpless, to the hard-heartedness of employers and the greed of unchecked competition. The mischief has been increased by rapacious usury … To this must be added that the hiring of labour and the conduct of trade are concentrated in the hands of comparatively few; so that a small number of very rich men have been able to lay upon the teeming masses of the labouring poor a yoke little better than that of slavery.[6]

The pontiff's remedies, however, were far from Marx's, whose doctrines he denounced as a pernicious error. The solution to the social question was 'justice between classes', specifically a wide distribution of property. The Catholic ideal was that of the small family farm or workshop. It was through property that a man (women did not feature in the early encyclicals except as wives and mothers) left the 'impress of his personality' on the soil and provided security for his family. Wages and conditions of work should be sufficient to enable the thrifty to save enough to acquire modest properties; holidays should be sufficiently ample to recover from the wear and tear of work and attend to the care of the soul. *Rerum Novarum* placed its faith, not in the state, but in intermediary bodies – we would now call them 'civil society' – chief of which was the Church itself. The rich had a duty of charity; employers and workers were encouraged to form Catholic political parties and trade associations. The role of the state, though initially restricted to that of back stop and final guarantor of justice, gradually expanded over the history of the encyclicals as the goal of 'justice between classes' became more ambitious.

These Catholic doctrines have variously been labelled 'distributivism', 'corporatism', 'personalism'. They may be seen as a defence of a non-capitalist, non-market form of private ownership as a crucial condition of personality; they stressed the duties rather than rewards of ownership, emphasized charity and demanded preferential respect for the poor.

All the popes insisted, though, that 'the things of earth cannot be valued aright without taking into account the life to come … Exclude the idea of futurity, and forthwith the very notion of what is good and right would perish; nay, the whole scheme of the universe would become a dark and unfathomable mystery.'[7] In short, religious belief, and the institutions of religion, were the only way to keep rapacity in check.

The chief secular fruit of Catholic social theory was the 'social market economy'.* Developed by a group of anti-Nazi intellectuals in the 1940s, its main purpose was to rebuild a heavily cartelized, shattered and compromised German economy on the basis of family businesses, thus securing the goal of dispersed ownership of assets, which was seen as an indispensable condition of freedom. Stiff inheritance taxes would ensure just initial conditions for all, 'co-determination' of employers and workers in large plants and at national level was needed to achieve the trust of all strata. These ideas were endorsed first by the Christian Democrats in 1948, then by the Social Democrats in 1959. The theory of the social market economy helped shape the social model of the European Union. A relatively weak state but strong civil institutions was its hallmark. There is a strong family resemblance between Continental social Catholicism, the sociological liberalism of French thinkers like Montesquieu and Tocqueville, the Burkean conservatism espoused by pre-Thatcherite leaders of the British Conservative party, and various hybrid forms of property relations (for example, mutual societies and employee cooperatives) which hark back to the medieval guilds.[8]

In the Protestant world, the parallel contribution to social Catholicism may be loosely labelled 'New Liberalism'. In contrast to its Catholic counterpart, this was secular, progressivist and broadly statist, but it converged practically on many of the same conclusions. The first wave of New Liberalism, in pre-1914 Britain, was similarly inspired by the distressed position of the poor. Influenced by Hegelian Idealism, it aimed to update the 'classical' liberalism of the political economists. *Homo economicus* gave way to a picture of the individual realizing himself in community with others; the state was elevated from an enforcer of rights and contracts into an embodiment of the common good. The New Liberals backed their reforming projects with two specific arguments. First, moral failure is not just, or mainly, the result of character defects, but the product of a diseased social environment. Secondly, unregulated capitalism provides the wealthy with an 'unearned increment' (or 'taxable surplus') which can be justly applied to the relief of poverty. The chief policy instruments of New Liberalism were thus the inheritance tax and progressive income tax, whose proceeds were to be spent on education, social protection and other improving measures. The New Liberal theory of the 'enabling state' – a state which enabled human flourishing – is a forerunner of many later theories, including those of Amartya Sen and Martha Nussbaum, which have had as their aim state action to facilitate individual 'capabilities'.

A second wave of New Liberalism associated with Keynes, Beveridge and Roosevelt took root in the troubled 1930s and 1940s and came of age in the 1950s and 1960s. Keynes aimed to fill the most important 'gap' in the classical market economy, its failure to provide for continuous full employment. In his *General Theory of Employment, Interest, and Money* (1936), he argued that it was the state's duty to maintain enough aggregate demand to ensure the continuous use of all potential resources. Continuous full employment was not only an essential condition of security, but, as we have seen, part of Keynes's ethical project for getting over the hump of 'economic necessity' as quickly as possible in order to open up the possibility of a good life for all. William Beveridge, founder of the British welfare state, and one of the original New Liberals, aimed to slay the five giant evils of squalor, ignorance, want, idleness and disease. The contribution of his famous Report (1942) was to provide people with 'cradle to grave' security, via compulsory social insurance, against the 'hazards' of retirement, unemployment and disability. A National Health Service and a school system, both financed by taxation, would complete Beveridge's grand design. The New Deal was introduced by President Franklin Delano Roosevelt to stave off the collapse of the US economy in the Great Depression. While New Deal policies were largely pragmatic responses to the problems of particular sectors of the US economy, in his inaugural speech of 1933 Roosevelt, in Aristotelian mode and biblical language, vowed to drive the 'money changers from the temple'. The New Deal programmes were continued, and even extended, in the 1960s, to improve the life chances of ethnic minorities.

A third fragment of social theory was provided by social democracy, which began as a late-nineteenth-century breakaway from revolutionary socialism. Its chief claim was that socialism, defined as the common ownership of productive instruments, could be achieved by democratic means (i.e. by parliamentary majorities). After the Second World War, democratic socialism, by now irrevocably severed from communism, split again between those who still aimed to bring about socialism, and those who, calling themselves social democrats, abandoned the socialist goal and put their faith in a reformed capitalism to improve the condition of the poor. Social democracy thus added a strong egalitarian commitment to New Liberalism in a 'mixed economy' of private and public sectors. With many variations on the basic model, it found political homes in Britain, France, Italy and Scandinavia.

Economics, too, retained fragments of older moralities. Scientific economics started off life by imposing substantial qualifications on the hegemony of the market. As well as a general obligation to maintain the conditions of competition, Adam Smith gave the state the three duties of defence, administration of justice and of 'erecting and maintaining' public institutions and works which, while beneficial to the whole society, would not repay private individual entrepreneurs to provide, and which might therefore be properly defrayed from taxation. Included in this third category was education.[9] These hints of non-market goods were developed into the modern theory of *public* goods and *merit* goods: goods which societies want, and should have, but which, for various technical reasons, markets will not produce. At the end of the nineteenth century, welfare economists developed utilitarian arguments for redistribution of income, based on the proposition that the last dollar or pound was worth less to the rich man than to the poor man, with the consequence that greater equality increased total utility or welfare. Typically, though, economics smuggled essentially ethical arguments into its utilitarian framework via the language of 'market failure', thus robbing them of their moral bite.

Nevertheless, these overlapping fragments of social theory were sufficiently influential in the first half of the twentieth century to enable Western society to make great strides towards realizing both the moral and the material conditions of Keynes's utopia. We cannot do justice here to the many variations on the central themes of policy, but one might summarize them by saying that governments consciously aimed to secure the material requisites of well-being for all citizens. Capitalism was not abolished, but it was restricted to such an extent that thinkers like Anthony Crosland (in the *Future of Socialism*, 1956) wondered whether it was any longer the same beast. The main achievements of the twenty-five years from 1950 to 1975 were the maintenance of continuous full employment, reduction in inequality through progressive income taxes, a big extension of social security and the preservation of peace. Increases in productivity enabled real wages to rise and working hours to fall, with only very moderate inflation. Degrading poverty of the nineteenth-century kind was abolished. There were advances in health, education, women's rights. For most of the period, economic growth was taken to be a by-product of the whole mix of policies, not an independent, much less the overriding, policy objective. There was strong social cohesion based on real improvements in the living standards of all classes.

In many ways the political economy of the period was admirably tailored to realizing our basic goods. The problem was that it lost the language for describing itself in these terms. This is the main reason why it failed to survive the economic and social troubles which beset Western societies in the 1970s. The historian Peter Clarke has usefully distinguished between 'moral' and 'mechanical' reformism. Moral reformism saw improvements in material conditions as ways of elevating the moral condition of the people; mechanical reformism simply aimed to increase their prosperity.[10] Deprived of their ethical language by the collapse of religion and the strongly individualist fashion in economics and political philosophy, 'moral' liberals were forced back on purely 'mechanical' arguments. They stressed the positive effect on productivity of a better fed, better housed, better clothed, healthier and better educated workforce. This was almost certainly true. However, once the commonly accepted language became one of efficiency, the moral reformers were vulnerable to the charge that their reforms had created inefficiency by lessening the incentives to work and save, and by stealing resources from the productive sector. The social liberalism of the 1950s and 1960s had nothing left to put in place of the profit motive, only qualifications which applied to particular examples of 'market failure'. So when the social liberal states ran into fiscal crisis in the 1970s, they had no intellectually cogent defences to offer against the restatement of the philosophy of untrammelled self-interest. Tax rates tumbled, the welfare state was reined in, state industries were privatized, the financial sector was set free.

The *coup de grâce* was delivered by the fall of communism. In the Cold War era, the West had to proclaim its own concept of the good life to counter the appeal of communism. This necessity was now gone; there was no ideological challenger left; in post-communist Russia, the acquisitive instinct, after long suppression, was ferociously unleashed. The recent crisis of capitalism has produced spontaneous outbursts of anti-capitalism but not yet given rise to any alternative ideology. Market individualism remains the only game in town.

However, the irony of our situation is that we no longer have to sacrifice the good life, as we have defined it, to efficiency. If, indeed, we have reached the point where, as Keynes put it, the 'accumulation of wealth is no longer of high social importance', we become free to discard 'all kinds of pseudo-moral principles … social customs and economic practices, affecting the distribution of wealth and economic rewards and penalties, which we now maintain at all costs … because they are tremendously useful in promoting the accumulation of wealth'. What will this mean in practice?

SOCIAL POLICY TO REALIZE THE BASIC GOODS

We are not in the business of writing a party manifesto, and can therefore only give broad indications. Nor are we suggesting that our goals can be immediately achieved. Like Keynes, we want to take 'flight into the future', though from a position at once more and less favourable than his: more favourable, because we are now four or five times as wealthy; less favourable, because we have lost a great deal of the moral language which came naturally to him and his readers; and because new sources of scarcity, resulting from population growth and depletion of natural resources, imperil our future.

What would an economic organization geared to realizing the basic goods look like? It would have to produce enough goods and services to satisfy everyone's basic needs *and* reasonable standards of comfort. It would furthermore have to do so with a big reduction in the amount of necessary work, so as to free up time for leisure, understood as self-directed activity. It would have to ensure a less unequal distribution of wealth and income, not just to diminish the incentive to work, but to improve the social bases of health, personality, respect and friendship. Finally a society which aims to realize the basic goods of friendship and harmony with nature would put more emphasis on localism, less on centralization and globalization. These material requisites hang together, and the failure of one jeopardizes the others, though to an unequal degree. If people have to work too hard to achieve their standards of material sufficiency, basic goods like leisure are sacrificed. Great inequality may be compatible with everyone having enough material goods, but the fact that a minority would in such circumstances have much more than is enough would stimulate insatiability and render wealth insecure. Finally, localism, whether in production or political life, seems inseparable from personality, respect and harmony with nature.

How far should policy be pushed to realize these aims? The crux of the matter is the extent to which a liberal state is justified in interfering with individual decisions about how much to work and what to consume. Liberal economists and philosophers are strongly committed to non-paternalism, that is, to the view that individuals are the best judge of their own interests; or, even if they are not, that they should be free to make their own mistakes. Economists believe that people should be allowed to work as long as they want, and that what consumers want to buy ought to determine what is produced, because only that allocation of goods which satisfies the wants of individual consumers maximizes the welfare of the community. More generally, most modern liberals believe that any departure from 'neutrality' in these matters on the part of the state constitutes a violation of individual freedom.

Our position may be described as non-coercive paternalism. We believe that state powers may be used to promote the basic goods, but only in so far as this does not damage the central good of personality. Our preference is therefore always for non-coercive over coercive measures. So what we propose below involves encouraging or discouraging certain kinds of behaviour, without introducing any new limitations on the individual's freedom of choice; indeed, our proposals are designed to increase the average individual's freedom of choice.

In Chapter 1, we identified the main drivers of the work treadmill as the superior power of capital vis-à-vis labour, and our insatiable desire for consumption goods, inflamed by advertising. The first determines the amount of real income which people have to set against the disutility or pain of work; the second, the amount of income they feel they need to give up work. In both aspects our present system works to increase the domain of toil at the expense of leisure, in the first by preventing a rise of median income in line with productivity; in the second, by inflaming the psychological urge to consume at any level of income. Our task, then, is twofold: to ensure that the fruits of productivity are shared more evenly; and to reduce the pressure to consume.

A key aspect of the first problem is that the current distribution of income does not reflect the average rise in productivity. Had the productivity gains in manufacturing and some specialized services accrued to the whole population, average hours of work would probably have continued to fall after 1980. As it turned out, capital has absorbed an increasing share of productivity growth; and in the public services, where productivity growth is hard to measure, and is often irrelevant, the machinery for raising pay in line with average productivity has broken down. This has left public sector pay at the mercy of the exigencies of public finance.

Thus the problem which Keynes identified in 1930 – 'our discovery of means of economising the use of labour outrunning the pace at which we can find new uses for labour'[11] – has not been solved in the way he envisaged. Automation in manufacturing has led not to a massive increase in leisure but to a massive transfer of labour to the lower-paid service sector where people have to work longer hours to make ends meet; while those not reabsorbed in the service economy have become unemployed, under-employed or casualized. It is true that this last method does reduce the total of hours worked, but it adds greatly to the uncertainty of employment, thus contradicting our basic good of security. The stagnation of incomes, in turn, produces growing indebtedness, as the unappeased desire for consumption can no longer be satisfied by income from work.

An increase in the share of services in the economy is a natural development for a rich society. But the service sector should not be as skewed as it is today to the servicing of the needs of 'oligarchic wealth'. (See above pp. 34–5.) Indeed, we are slowly reverting to the conditions of earlier times, when societies were divided into a small class of *rentiers* and a large class of servants, without, however, the hierarchical structure which made such inequality of status more palatable. All those possessing substantial assets will be able to afford the services of all those compelled to work long hours for lack of them – chauffeurs, gardeners, domestic servants, cleaners, nannies, tutors, trainers, beauticians, groomers, shop assistants, waiters and so on. In this kind of society, superior privately financed services for the rich will be paralleled by inferior collectively financed services for the rest.

This would be a dreadful outcome for an age of abundance. How can we avoid it? We need to reduce inequality of income, because average hours of work will continue to fall only if the real incomes of the majority are raised relatively to those now enjoyed by a minority. In the UK and the USA, the gap between top and median incomes has become a chasm. A sustained effort should be made to raise the share of income received by teachers, doctors, nurses and other public service professionals. This will require a higher rate of taxation, and for that reason will encounter more political resistance than in countries which start with a more equal income distribution.

But this is not enough. There is also the issue of inequality of power in the workplace, emphasised by Juliet Schor (see above, pp. 32–3). This enables employers to dictate the terms and conditions of work, apart from the remuneration of their employees. It is more profitable for employers to work a smaller number of workers longer hours than to spread the work over a larger number. The result is that the labour market is divided into those who are compelled to work longer than they want, and those who cannot get enough work.

Tackling the power of the boss over terms and conditions of employment will require a number of different approaches. The simplest step would be to legislate for a progressive reduction in the hours of work, by limiting weekly hours and/or increasing statutory vacation times. There is nothing new in this: hours of work have been controlled ever since the Factory Acts of the early nineteenth century. Today, they are limited to forty-eight hours a week by the European Working Time Directive (though in the UK individual workers can opt out of this restriction), and to thirty-five hours a week by French legislation of 2000. It would be better to set maximum hours of work in most occupations, and allow exemptions for all those outside the ring-fence: self-employment, partnerships, family employment and small businesses.

Within such a framework it would be open to employers and employees to negotiate flexible retirement and work-sharing arrangements. Work-sharing has always been shunned by economists as smacking of the 'lump of labour' fallacy: the idea that there is only a certain amount of work to go round, which should be shared between all those wanting to work. This objection is decisive if the object of economic policy is to maximize growth. But if growth is abandoned as the main policy objective, work-sharing is the civilized way of bringing about a balance between the demand for, and supply of, labour, in a world in which automation is shrinking the demand for manufacturing jobs. Work-sharing can also be implemented in lower-paid jobs in the service sector, but will require the support of additional measures.

There is no reason why a general reduction in working hours should bring about a fall in most people's wages. The Dutch, for example (see p. 22), work shorter hours than the British but enjoy a higher average income per head ($42,000 as against $36,000), with a more equal distribution of wealth and income. Productivity may even go up as workers pack more punch into the shorter hours worked, or employers improve work organization. This seems to have happened in places where the experiment has been tried. Hardly any production was lost in the two months Edward Heath put Britain on a three-day week in 1974. In the 1980s, Volkswagen reduced its working week from 36 to 28.8 hours to avoid having to lay off 30,000 workers: its plant reorganizations have in fact increased productivity. Shorter working hours mean that the factories can run more shifts, increasing operating hours even as they reduce employee working hours, thus reducing unit costs.[12] Similar schemes were introduced in other parts of Europe in the 1980s and 1990s to offset the great 'downsizing' of industry. They are still very much in operation and the evidence suggests they have proved effective, not just at reducing working time but equalizing pay inequalities between full- and part-time employees (such as exist in the USA), and even increasing productivity.[13]

Moreover, there is plenty of evidence that people are willing to trade income for leisure if they are allowed to and if the fall in income is not too great. A Danish law of 1993 recognizes people's right to work discontinuously, while guaranteeing their right to a continuous income. This allows an inventive form of work-sharing. Employees can choose a 'sabbatical' year every four or seven years, which can be divided into shorter periods. During the period of leave, unemployed people take the place of those on leave who, for their part, receive 60 per cent of their salaries. Trade unions have managed to use such individual rights, enshrined in law, to reduce the working hours of entire company workforces, and thus increase the number of permanent jobs. One company has increased its permanent staff by 10 per cent by ensuring that 10 per cent are always on leave. Evidently workers who choose to work less get paid less, but this is their choice. The success of the Danish scheme is evidence that many workers, unlike economists, do not equate living standards with per capita income. Income enhances the value of leisure, but it does not comprise it.

Despite their attractions, these work-sharing schemes are not affordable to many lower-paid workers, who need their income from full-time work. These workers would have to be put in a position in which they could afford to work less. It is in this context that the idea of a basic income, independent of any obligation to work, becomes appealing.

Basic Income

'Basic income is an income paid by the state to each full member or accredited resident of a society, regardless of whether he or she wishes to engage in paid employment, or is rich or poor, or, in other words, independently of any other sources of income that person might have, and irrespective of cohabitation arrangements in the domestic sphere.'[14]

Basic income must be distinguished from 'minimum income', whose purpose is to prevent incomes from falling below what is called the 'poverty line'. Minimum income is means-tested and is linked to the job market, either through its requirement that the recipient must be actively seeking work (in the UK, unemployment benefit has been relabelled 'job seeker's allowance') or by its being used to top up exceptionally low wages. By contrast, basic income is an unconditional payment to all citizens, ideally at a level high enough to give them a genuine choice of how much to work.

Basic income schemes – or citizen income schemes, as they are sometimes called – have a very long history. We can trace them from Hobbes in the seventeenth century, through Tom Paine in the eighteenth, to the nineteenth-century followers of Charles Fourier (favourably mentioned by John Stuart Mill) and American writers in the Jeffersonian tradition. In more recent times, they have been advocated by Quakers and socialists, and by James Meade, Samuel Brittan and André Gorz among others.[15] In 1943, the Liberal politician Lady Rhys

Williams proposed a 'social dividend', payable to all families, regardless of income, to be financed by income taxes, with the dividend increasing in line with national income. More recent proposals, such as Milton Friedman's 'negative income tax' – a single cash payment to all those whose incomes fell below a certain threshold – have been seen as a cheaper way of providing social security.[16] Something called 'basic income' has also been promoted as a way of topping up wages when the market-clearing wage fell below subsistence, and in this form has been widely adopted in the form of tax credits.

Most of the earlier arguments were rights- or entitlement-based, a typical one being that each citizen had a right to a share of the nation's patrimony – its stock of assets, natural or inherited – in compensation for the original act of property despoliation. There was also an appreciation of the value of independence and leisure.

In its pure form of an unconditional income guarantee for all, basic income has always fallen foul of two objections, the first that it would be a disincentive to work, the second that society was too poor to afford it. As a result of such objections the only basic income schemes in existence are those found in a few regions like Alaska and (partially) the United Arab Emirates, whose wealth consists in natural resources that take little labour to extract, and that therefore offer few employment opportunities to their citizens.*

However, these two objections fail when the problem is not one of scarcity but abundance, and the goal of policy is not to maximize growth but secure the basic goods. In this situation the aim is precisely to *reduce* the incentive to work, by making leisure more attractive; furthermore, a rich society can increasingly *afford* to pay its citizens a basic income. An unconditional basic income would make part-time work a possibility for many who now have to work full-time; it would also start to give all workers the same choice as to how much to work, and under what conditions, as is possessed now by owners of substantial capital. Samuel Brittan in 2005 stated the rationale for a basic income in terms which most appeal to us:

> The object of a basic income is to make every citizen into a renter in a small way. Private property and unearned income, so denounced by the Marxists, are not inherently evil. The trouble is that so few people have them (apart from their own homes) with all the benefits they provide of personal independence. Surely in the better society to which some of us aspire, these advantages should be more widespread.[17]

Confusingly, what is called basic income can come in two alternative forms: a capital endowment or a guaranteed annual income. One can argue that analytically they come to the same, the capital endowment being merely the discounted value of its expected future yield. But the possession of capital provides its owner with a choice: he can either 'live off the income' or spend the capital: buy a house, start a business, save it or blow it. A guaranteed income gives greater security over a lifetime; a capital endowment gives greater freedom of choice. On balance, we prefer the capital endowment because it would achieve the aim of bringing about a wider distribution of disposable assets – and thus the bases of respect and personality. However, since no single basic good should exclude others, a basic income scheme might consist of both a capital and an income part; or, with experience, offer a choice between the two.[18]

The argument that a basic income – one that lifts all citizens above the poverty line – is unaffordable is ceasing to be true in rich societies. In his *Agathotopia* (1989), Nobel Laureate James Meade reckoned that a subsistence income, equal to unemployment benefit, for all citizens could be financed through a combination of capital taxes and profits from state-owned but privately managed investment trusts. It would be set to grow in line with national income.[19] Others suggest that the sale of pollution permits, like carbon credits, based on environmental impact, would be enough to finance a basic income of €1,500 in the EU.[20] Taxes on capital transactions – known as Tobin taxes – are another potential source of income. In 2001, two American professors, Bruce Ackerman and Anne Alstott, put forward a costed plan for capital endowment based on a tax on private wealth.[21] A small step towards a capital endowment for all was Gordon Brown's 'baby bond' scheme, the Child Trust Fund, which he set up as Chancellor of the Exchequer in 2001. This was to have provided a tax-free bond worth up to £800 for every new-born child.* It could have become part of a much larger scheme pooling revenues from social security taxes, capital and transaction taxes, and profits from state investment trusts. The Coalition government abolished it in 2010 as part of its cuts.

It is often said that basic income schemes, of either type, would merely encourage idleness and debauchery. A guaranteed annual income would turn a large part of the adult population into state dependants, lethargic and demoralized. A capital endowment, given to irresponsible 18-year-olds, would quickly evaporate in drugs and designer clothes, leaving its recipients exactly where they were before, if not worse off.

These risks are not negligible. However, there are two more hopeful possibilities. The first applies to a capital endowment. There is no reason why the lump-sum recipients should be any worse at preserving their capital than any inheritor, especially as the endowment will not be an isolated windfall (such as winning the lottery) but part of a social contract. Of course, many children of rich parents have squandered or gambled away their inheritances. But over the generations the wealthy have been remarkably successful at keeping their wealth. They have not done so entirely unaided. Inheritances have been tied down in various ways, for example in trusts, which limit the ability of heirs to alienate them. The same principles of restriction can be applied to the much more modest citizen endowments. The risk of them being 'blown' in riotous living can be reduced by limiting their spending to approved objects (such as education) and pushing out the age of receipt to 30 or older, as is now the case with normal inheritance.

Secondly, we would rely on educating people for leisure. At present, education aims to fit pupils for the job market by providing them with merely useful knowledge and skills. In the future we envisage that education will be informed by the understanding that the 'jobbing' part of a person's life will be a decreasing fraction of his waking hours, and that one of its main tasks will be to prepare people for a life of fulfilment outside the job market. Most independent schools, which educate the better-off, understand the importance of education for leisure by offering their pupils a well-rounded curriculum, but state schools have become increasingly utilitarian. A drastic change in the ethos (and increase in the funding) of state education is needed if rich societies are to avoid preparing the minority for the good life, and the majority for a life of drudgery. In the past, economists were part of a wider group of thinkers who argued that rising incomes required education in order for people to lead the good life. It was only subsequently that economics abandoned this ambition and came to think of schools solely as conveyor belts of human capital.[22]

Basic-income schemes would not stop people working – in the sense now understood – as long and hard as they want to in jobs exempt from regulation of hours. No doubt many would use their basic income merely to top up earnings from existing hours of paid work. But those who wanted to spend more time in unpaid activities – and, as we saw in Chapter 1, many do – would have the option of doing so. And those who wanted to move from boring but remunerative to more fulfilling but less remunerative work – from estate agent to craftsman, say – would also have the choice. (Basic income, in Frithjof Bergmann's phrase, would 'liberate work from the tyranny of the job'.[23]) In our terms, both these options constitute a gain in leisure – in spontaneous, self-directed activity – and are thus to be welcomed. But they are only part of a larger set of policies to direct people towards the good life.

Reducing the Pressure to Consume

Reducing the pressure to consume is an important way of reducing the pressure to work, because we work mainly to consume, so the less we want to consume, the less we will want to work. Yet our society promotes conspicuous and extravagant consumption, even by those who cannot afford it. This is an important reason why the newly rich are no longer 'idle'.

On 5 September 2011, a London newspaper reported that squatters had occupied the house of a Harley Street neurologist. The neurologist said that he started with no advantages in life, and was working a sixty-hour week to afford the 90 per cent mortgage on his £1 million 'dream house'. This is a perfect vignette of modern capitalist civilization. The wealthy mortgage their future for dreams – and the poor take their revenge. How much will our neurologist need to be earning pre-tax to pay interest and principal on his £900,000 mortgage? Depending on the terms and length of borrowing it could be something like £200,000 a year. And the overwork will continue. Such a house, and the family it will contain – the neurologist's wife was expecting a baby – are very costly to run. There will be a servant or two, a nanny, a trainer (to keep fit for the sixty hours!), expensive gadgets, holidays and clothes, and looming over all the expenses of private education for probably two children. Why are they needed? Surely, because they are the kinds of expenses which professionals in the neurologist's income bracket expect to have. But there is a snag. A £1 million house puts our neurologist into the ranks of the successful young, not the successful old. More senior friends or acquaintances will have £2 or £3 million houses – houses in more exclusive areas, which, perhaps, can boast underground swimming pools. Sixty hours of work a week may well not be enough. Thus our way of life feeds our insatiability, and our insatiability feeds our way of life.

The neurologist is a conspicuous consumer. But the urge to consume is not confined to luxuries. Modern capitalism inflames through every pore the hunger for consumption. Consumption has become the great placebo of modern society, our counterfeit reward for working irrational hours. Parents pass 'compulsive consumerism' on to their children by showering them with toys and gadgets instead of spending time with them.[24] True enough, many of the innovations that are forced onto the market improve the quality of people's lives. But most do so only marginally, while setting up a competition in consumption which prevents hours of work falling. One of the great complaints about modern capitalism is that it overproduces work and underproduces leisure and the things which go with it – friendship, hobbies, voluntary work.

So what can the state do to reduce the pressure to consume?

The state already influences the direction of consumption through tax and other policies. It forces people to pay taxes for services they do not want, or which they would rather provide from their own (non-taxed) incomes, and deprives them of services they do want, such as better schools, hospitals and railways. The state's influence over consumption is even more obvious in the case of *merit* goods, goods judged to be good for society whether or not people want to buy them. Examples include free school lunches, subsidies for low-priced housing and free medical treatment for the poor.[25] Other examples of state subsidy are art galleries, museums, concert halls, theatres, opera houses. There is also the category of so-called 'de-merit' goods, like smoking and drinking, whose consumption, it is judged, ought to be discouraged. On these governments impose 'sin taxes'. In both cases, the economist, by sinuous argument, can claim that government is acting on behalf of the consumer, or at least of his 'better' self. So, though people do not want taxes on tobacco, they do value their health. In fact, the state is making an ethical judgement that a certain level of provision of these goods is desirable or undesirable. It is only our impoverished public language that denies that the state *has* to make ethical judgements on a wide variety of matters.

In Chapter 1, we identified an insatiable desire to consume more and more, a desire stemming in large part from consumption's role as a marker of status. Above a certain economic level, the bulk of income is spent on items that are not needed in any absolute sense but rather serve to mark out their possessors as superior, or at least not inferior, to others. Such items must always be expensive relative to the average level, else they cannot serve their differentiating function; thus incomes are forced up competitively in order to acquire them. The same is true of some desired goods whose supply is fixed: that is why the price of Old Masters rises to ever more stratospheric heights. This spiral of competitive consumption keeps working hours long and thus frustrates the basic good of leisure; by forcing people into competitive relations with others, it also damages the basic goods of friendship, personality and security.

The traditional method of reducing competitive spending was sumptuary laws, which forbade various forms of conspicuous consumption. The Athenian 'laws of Solon', dating from the sixth century BC, limited the size of funeral processions, and the value of food that could be served at them. There were also rules restricting the value of dowries and presents and regulating bridal dresses. Early Roman sumptuary law had a similar focus on extravagance and ostentation at family events, restricting, for example, the size of mausoleums and of funeral meals. In later periods, the focus shifted from weddings and funerals to the conspicuous consumption of food. In concentrating their restrictions on luxurious items of consumption, the sumptuary laws were well adapted to prevent the competitive escalation of wants, though this was not their main intention.

Sumptuary laws had behind them both moral and economic arguments. They drew support from the pervasive view that luxury was a moral evil. The vice of luxury contrasted with the virtues of frugality and hardiness. Rousseau put it bluntly: 'luxury is diametrically opposed to good morals.' Luxury was not only socially divisive, but because it debilitated the aristocracy, it weakened military virtue. In economic discourse, 'extravagance' implied that economic resources were being diverted from productive uses; in societies where scarcity was a constant reality, squandering was linked to dearth, famine and ruin. In the seventeenth and eighteenth centuries, sumptuary laws, directed against the importation of luxuries, were part of the mercantilist state's regulation of the balance of trade.[26] In later periods, outright prohibition gave way to taxes, similar to the sin taxes described above, but covering more items.

The decay of sumptuary legislation closely follows luxury's path towards acceptability, as described in the Faustian bargain of Chapter 2. It was Mandeville who first argued that luxury fuelled economic prosperity, describing luxury as 'the engine room of inventiveness and innovation'.[27] But even he allowed that it was still a private vice, if also a public benefit. The abolition of sumptuary laws was also a consequence of the conviction that consumption could safely be left to individual choice. Adam Smith thought that 'frugality' was part of self-interest, and that laws restraining luxury spending were therefore unnecessary.[28] What he failed to foresee was that, in affluent societies, the competitive spending on luxuries previously confined to the very rich would become universal, resulting in the endless postponement of plenty. This state of affairs suggests a new rationale for sumptuary legislation.

In a dynamic economy, the prohibition or taxation of particular goods is ineffectual as well as arbitrary, since individuals determined to show off their wealth can always find alternative ways of doing so. However, this objection does not apply to a *general* consumption tax. Consumption (or more accurately expenditure) taxes were proposed by Nicholas Kaldor in 1955 and James Meade in 1978, chiefly as a macroeconomic device for reducing private consumption and increasing private saving and investment at full employment. The aim of a consumption tax, wrote Kaldor, 'is to limit consumption demand to that fraction of the national resources the community, acting through the agency of government, desired to devote to that purpose'.[29] Kaldor used an argument that goes back to Hobbes: consumption is at the expense of long-term growth, whereas working and saving promote it.[30] Thus people should be taxed on their expenditure, not on their income. That the tax should be progressive stemmed from a political judgement in favour of greater economic and social equality,[31] and from its economic purpose to 'forc[e] wealthy rentiers to save and invest rather than engage in conspicuous consumption'.[32] (In India, where the Kaldor tax was partially applied in the 1950s, it was called a 'tax on maharajahs'.[33]

The expenditure tax had distinguished supporters before Kaldor, including John Stuart Mill, but it had always been dismissed as impracticable, as it seemed to require that people keep a record of everything they spent. In 1937, the American economist Irving Fisher pointed out that this was not so; expenditure could be computed as the difference between money incomings and outgoings. All the tax authority needed to know was a person's yearly income, the amount he saved/invested and tax the difference.[34] There would be an exemption threshold to protect the poor.

The economist Robert Frank has revived the Kaldor proposal, not to promote growth, which was Kaldor's aim, but to restrain 'consumerism'.[35] 'The runaway spending at the top', writes Frank, 'has … spawned a luxury fever that … has all of us in its grip.'[36] The more conspicuous the consumption of the rich, the longer the escalator of emulative spending. Conspicuous consumption also diverts resources from 'inconspicuous consumption': 'freedom from traffic congestion, time with family and friends, vacation time, a variety of favourable job characteristics … higher air quality, more urban parkland … cleaner drinking water … reduction in violent crime … medical research.'[37] Frank's list of 'inconspicuous goods' is not identical to our list of basic goods, but the thought is the same: capitalism as now practised biases consumption in favour of the insatiable. The prices of goods bought by the rich force up all prices through the operation of the snob, bandwagon and Veblen effects, and therefore induce people at all levels to work harder than they otherwise would to keep up with their particular 'Joneses'.

In Frank's proposal, all spending above $7,500 per individual would be subjected to an escalating rate of tax. The larger the value of a person's consumption, the higher his rate of tax would be, culminating in a top marginal rate of 70 per cent. The heaviest taxes would fall on the luxury spending of the rich, who alone would have incomes large enough to indulge it.[38] Even if the full replacement of income tax by consumption tax turns out to be impracticable,* a consumption tax could be a way of increasing the marginal rate of taxation if political resistance prevents governments from increasing income tax. This would have much the same effect as a full expenditure tax in restraining conspicuous consumption, reducing the income (and thus work) required to feed insatiability. As Keynes remarked in another context, 'the game can be played for lower stakes'.[39]

Kaldor wanted a tax which exempted saving in order to encourage faster growth. This is not something that carries so much weight in today's conditions of affluence. But an added inducement to save might also be necessary to finance the lengthening period of retirement. One could set the consumption tax at levels necessary to produce enough private and public saving to fund a comfortable retirement for all, thus fulfilling the two basic goods of respect and security. Thus a progressive consumption tax would have two advantages over a progressive income tax: it would reduce positional competition in consumption and increase saving for retirement. It could also be used as a source of finance for basic income.

It would not, on its own, reduce the love of money for its own sake. This is most clearly exhibited in the ever expanding financial services industry, the real driver of contemporary capitalism, and the most egregious source of personal and corporate enrichment. Adair Turner, former chairman of the UK Financial Services Authority, has called much financial innovation 'socially useless'.[40] From our point of view it is worse than that. It is a cause of the insatiability we seek to control. One way to rein in the financial sector would be to tax trades in financial instruments like derivatives. Such 'Tobin taxes' would both serve to reduce the power of finance to dictate economic activity and provide revenue for socially desirable objects of public spending.

Reducing Advertising

The pressure to consume is inflamed by advertising. It is often claimed that the only effect of advertising is to make it easier for people to get what they want. Even if this were true, it would not meet our objective, which is that people should first of all get what they need, not what they want. But in any case, it is not true that advertising merely helps people get what they want.

As always, the economist throws a sharp, but misleading, light on a complex issue. His account of the role of advertising is based on the doctrine of consumer sovereignty. Decisions on what to buy are made by rational consumers maximizing their utilities in competitive markets. In this model, there is no scope for advertising to alter preferences, because the consumer already has a well-defined ‘utility function’. The only role of advertising is informational: to enlighten the customer about a product, its quality and its price, so as to allow him to make more informed choices. The law is needed only to protect children and guard against fraud. All benign views of advertising – and there are many complicated versions – are essentially variations on this theme. In one way or another, advertisements simply help the consumer get what he wants. There can be no ‘overconsumption’ of goods of any kind, since by definition a good is simply something a consumer wants to buy.[41]

This ‘informational’ view of advertising once had some plausibility – early twentieth-century advertisements tended to be fact-heavy – but is increasingly at odds with reality. Today most advertising contains hardly any information at all; its aim is rather to create an atmosphere around the product, to enhance its glamour and allure, in short, to make us want something we would otherwise not have thought of wanting. Take the highly successful iPod campaign of 2003, which featured nothing but silhouetted figures dancing ecstatically against a brightly coloured background. Can we doubt that its goal was to evoke feelings rather than to impart information?

Faced with these facts, economists maintain their rosy view of advertising only with the aid of various subterfuges. It is said, for instance, that all advertisements, even non-informative ones, inform the consumer of at least one thing: that the commissioning company cares about its brand reputation enough to spend money on it. Another theory holds that advertising enhances a product’s value by bolstering its image. (Not only do you buy a Renault; you also buy the ‘va va voom’.) Most ingenious of all is the argument of Gary Becker and Kevin Murphy to the effect that even if consumers’ preferences are altered by advertising, this is only because they have a prior preference – a meta-preference, if you like – for having their preferences altered. There is nothing sinister about this, any more than there is in the fact that buying a pencil increases your desire for pencil-sharpeners. Of course, unlike pencils, advertisements are not usually sought after; they may even – Becker and Murphy concede disarmingly – ‘produce anxiety and depression, stir up envious feelings towards the success and happiness of others, and arouse guilt towards parents or children’.[42] That is why advertisements are generally embedded in enjoyable articles or television programmes: to compensate their audience for the disutility of reading or watching them. Nevertheless, the fact that people voluntarily watch advertisements suggests that they should be considered as ‘complements’ to other goods, not as causing a shift of tastes. The Internet has taken the theory of ‘complements’ to heart, enticing its users with a whole lot of products similar to the ones they have already ordered.

All these neoclassical theories of advertising reflect a view of a world in which people come to market with fixed preferences, which they strive to satisfy to the utmost. They overlook the way in which the market shapes the very preferences it claims to satisfy. The Marxist tradition, with its Hegelian roots, has a sharper sense for the dynamic, relational character of human wants – or ‘needs’, as they are usually called. ‘A need’, wrote Hegel, ‘is … created not so much by those who experience it directly as by those who seek to profit from its emergence.’[43] This thought became the basis of Marcuse’s critique of consumerism, examined in Chapter 2, and also of J. K. Galbraith’s *The New Industrial State* (1967), which argued that producers, not consumers, initiate the production process, conditioning the needs of consumers to what they produce. Stanley Resor, president of the largest advertising agency in the United States in the 1950s, agreed. Consumers, he wrote,

> don’t feel the need for a second car unless you remind them forcefully of the fact. This need has to be created in their minds and you have to make them realize the advantages a second car will bring them. At times they are even hostile to the idea. I see advertising as the educative, activating force capable of bringing about the changes in demand that we need. By teaching many people a higher standard of living, it increases consumption to a level commensurate with our productivity and resources.[44]

If advertising inflames our tendency to insatiability, there is a strong case for restricting it. Various controls on advertising are already in place, in connection with ‘sin goods’ and children in particular. For example, Sweden and Norway prohibit advertising of any kind during children’s television, as well as any advertisements specifically targeted at children under 12. Many European countries reduce television’s attractiveness for advertisers by insisting that advertisements be ‘bunched’ in magazine formats at the beginning and end of programmes, so that the viewer can avoid them altogether. In Britain, unfortunately, the general tendency of the last few decades has been to ease rather than increase restrictions on advertising. The ban on advertising by solicitors was lifted in 1984, leading to a growth of US-style compensation claims. The ban on product placement on television shows – showing the guy or girl using the branded product of the programme's sponsor – was removed in 2011; its effects have yet to be felt.

Restrictions on advertising can also be justified in the name of consumer protection. A lot of consumption is wasteful in the sense that people buy products about whose qualities they are ignorant or misinformed: the products do not work or do not do the work they were bought for. They either have to be discarded, or consumers have to seek compensation, which often involves expensive litigation. (This applies to financial products as well as consumption goods.) It would be better to try to prevent this kind of waste by requiring all advertisements to carry prominent health warnings, as is now mandatory for cigarettes. Caveat emptor – buyer beware!

One tax reform would cut at the root of the advertising culture: disallowing firms to write off advertising as a business expense.* Firms would have to weigh up whether the expected benefit from advertising their product exceeded the cost of paying the tax. Firms which advertise might have to put up the prices of their goods and services, but this would have the desirable result of reducing their sales. Necessities need little advertising, so the goods most affected would be those with the weakest link to needs. Such a tax would damage the financing of commercial television, which currently gets 49 per cent of its revenue world-wide from advertising. This means that more money would have to come from viewer subscription (currently 42 per cent), or from television licence fees and public funding, which now finance the (shrinking) share of public service broadcasting. Internet advertising could be taxed in the same way.

The policies suggested above to reduce the pressure to work, consume and accumulate wealth are not free of problems. They are indications of direction, not blueprints for legislation. They are paternalist, but non-coercive. They are designed to edge societies towards the good life, not force it down their throats.

INTERNATIONAL IMPLICATIONS

We need to return to Keynes's 'Economic Possibilities' for a last time. He wrote: 'It will be reasonable to be economically purposive for others after it has ceased to be reasonable for oneself.' The 'others' here refers, he explains, to 'classes and groups of people'. The former can be interpreted quite naturally to mean the poor in one's own country, but 'groups of people' implies no geographic limit.[45] It is our duty to help the poor wherever they might be.

In his essay, Keynes paid no specific attention to the developing world. Indeed, the idea of development hardly existed. Some parts of the world were richer than others, just as some groups were richer than others in Britain. Keynes believed that the poorer parts of the world would quite soon catch up with the richer, converging with them on a point of satiety. He no more thought that the rich countries would pull away from the poor ones than he thought that the rich would pull away from the poor in his own country.

This turned out to be a huge mistake. Although some Asian economies have caught up or are catching up with the West, a quarter of the world's population remains mired in poverty. Keynes failed to anticipate the global population explosion. He also assumed that capital and technological progress would be rapidly diffused round the world through the twin agencies of colonialism and liberal economics. Most of the poor countries of the world were colonial dependencies of the rich countries, and the exploitative idea of imperialism was giving way to one of 'trusteeship', according to which the colonial masters took in hand the political and economic development of their colonies. The concrete economic form of this project – at least for Britain – was to maintain a free market for imports of goods and a free market for export of capital. Both made a great deal of sense in a world in which one part had much more wealth than the other. Capital flowed from regions where it was abundant to regions where it was scarce, to earn a higher return; and the policy of free – that is, untaxed – imports provided the borrowers with the means to service and repay their loans. There were already those in rich countries who complained that capital exports were at the expense of their own development; that free imports were destroying jobs. But on the whole the exchange between rich and poor countries was complementary, not competitive. The rich countries exported industrial goods, the poor countries exported food and commodities.

Thinking in these terms, and with no apprehension of the population time bomb in store, Keynes in 1930 not unreasonably imagined that a hundred years hence much of the poor world would have 'caught up' with the rich world. At this point, the logic of free trade and capital exports, which is the logic of scarcity, would become redundant, because the world would already have as many goods as it wanted. People would be in a position to choose how much to trade with each other. Trade would revert to what Adam Smith had seen it as: a matter of 'natural' advantage.* Global redistribution, in the form of aid policies, would mitigate the remaining geographical inequalities.

Our starting point is different: the rich countries have reached the threshold of their own 'Bliss', as Keynes predicted they would, but much of the rest of the world is still trapped in poverty, largely because the growth of population outstripped the accumulation of capital. Further, and in conjunction with uncontrolled population growth, the world faces the threat of an absolute scarcity of resources. How, in these circumstances, should rich countries conduct their economic relations with poor countries?

Many people fear immigration because they believe it will take away jobs from current job holders. In so far as the policy of work-sharing and basic income reduces the pressure for citizens or residents to work, it should help to lessen the fear of immigrants taking our jobs. On the other hand, the basic good of mutual respect is harder to achieve in a society where citizens receive a basic income and immigrants do not. This is in fact what does happen in the United Arab Emirates, which restricts basic income to citizens, and gets most of its work done by a helot class of non-Emirati immigrants, without rights of citizenship or settlement. A common approach to maximum hours, work-sharing and basic income would help prevent the emergence of a two-tier economy in the European Union, while leaving labour free to move.

Trade in Keynes's day was largely complementary; now it is largely competitive. Rich country capitalists have been offshoring manufacturing and some services to poor countries where labour is much cheaper. These cheaper goods and services are then imported to rich countries. Under these conditions, free trade can be at the expense of rich country jobs, since wages cannot be sufficiently flexible to maintain continuous full employment in the face of low wage competition. And even if jobs destroyed can always be replaced, the question remains whether the new jobs are as good as the old ones. The offshoring of jobs to China and India has caused the real incomes of many Western workers to fall or stagnate, despite the gains of trade.[46] As Nobel Laureate Paul Samuelson put it in an interview, 'being able to purchase groceries 20 per cent cheaper at Wal-Mart does not necessarily make up for the wage losses' suffered as a result of these goods being made in China.[47] Even when trade does produce a surplus of winners over losers so that winners could in principle compensate losers, there is no guarantee that they will.

Free trade is not necessarily beneficial for poor countries either. The biggest problem is that it prevents them from protecting their infant industries. The economist Erik Reinert argues that 'it may be better to have an inefficient manufacturing sector than not to have a manufacturing sector at all', and proposes a deal whereby the rich countries are allowed to protect their own agriculture (but prevented from dumping their surpluses on the world markets) while poor countries are allowed to protect their manufacturing and advanced service sectors. This replicates the actual conditions under which development occurred over hundreds of years, till it was swept away by free-trade dogma.[48] No country has become rich under a free-trade regime. They have entered the global market from a starting point of initial wealth, not one of initial poverty. In Ha-Joon Chang's words: 'With only a few exceptions, all of today's rich countries, including Britain and the US – the supposed homes of free trade and free market – have become rich through the combinations of protectionism, subsidies and other policies that today they advise the developing countries not to adopt.'[49]

This leaves capital exports as the main way of meshing the interests of rich and poor countries. Mainstream economic theory tells us that, for the rich, the export of capital to poor countries offers a higher return than is available at home, and should also lower the cost of borrowing for the poor. In actual fact, a great deal of capital flows 'uphill' – from poor to rich – because of the risk of investing in poor countries which are politically unstable, a risk much less significant in the nineteenth century with its colonial or quasi-colonial arrangements. Today's strongmen and their cronies, with their Swiss bank accounts, are only the most egregious example of 'capital flight' from poor to rich countries. To make free capital movements mutually beneficial, a major reform of the world's currency system, as well as a restriction on flows of 'hot money', would be needed. Further, if trade were to decline as a proportion of world GDP, part of the capital exports from rich to poor would need to be in the form of grants, rather than loans, because means of repayment in goods would be restricted and returns would be low.

The conclusion we draw is that in order to satisfy the requirements of the good life we will have to retreat from the further shores of economic integration, at least until 'catch-up' has become a fact, not an aspiration. Developed countries will have to rely more on domestic sources of production to satisfy their needs; developing market economies will need to abandon export-growth models which rely on ever-increasing consumption demand in developed countries. If rich countries integrated less with poor countries, the poor countries might well be all the better for it. At any rate, our active involvement in their domestic economies could cease without necessarily hurting them in the long run. We would, however, still need to keep our markets open to the very poor countries of Africa. This can be done at pretty much no cost to us. The whole of sub-Saharan Africa has an economy smaller than Belgium.

Let us step back a moment. In the world of enoughness which Keynes envisaged, the returns to new investment fall towards zero. Saving would be mainly for old age and to replace existing equipment. There might be some returns for developing new products. However, in these conditions, the main incentive to be 'economically purposive for others after it has ceased to be reasonable for oneself' would be to help the very poor of the world climb to our already achieved level of sufficiency.

'Working for the poor' need not take the form of traditional paid work. As the satisfactions of the 'old Adam' decline, one might expect them to be replaced by many kinds of ambition which come into our domain of 'leisure'. A voluntary sacrifice of one's own comforts for the sake of helping the less fortunate is universally recognized as morally admirable. Even today more and more people find a natural outlet for their generous (and adventurous) instincts in voluntary service at home and abroad. In expending effort, experience, expertise and love helping others such people are sacrificing income for leisure in our sense. They are leading the good life, and pointing others to it.

Our aim in this chapter has been to outline a social and economic organization which reflects the reduction in the amount of work necessary to achieve the material requisites of well-being. This has meant abandoning the scarcity perspective built into economics which makes an idol of efficiency. Rather we ask: how might a society which already has 'enough' think about the organization of its collective life? As a consequence, we have advocated arrangements for living which contravene some of the best-established economic nostrums, devised for conditions of poverty.

The material basis for our updated version of Keynes's 'Economic Possibilities' is rooted in the logic which gave rise to his possibilities in the first place: the long-term decrease in the demand for labour resulting from continuous improvements in labour productivity. We can either turn this to our advantage by greatly expanding the domain of shared work and leisure – a solution which at least some European countries have adopted – or continue with the Anglo-American system of want-creation powered by insatiability, maintained at the cost of growing job insecurity and income inequality, and heedless of humanity's future.

What about the political possibility of realizing the good life? Marxists, always alert to the material bases of political change, argue that the 'exit from capitalism has already begun'. Capitalism has created the instrument of its destruction in the form of digital technology. The sociologist André Gorz sees the digital hacker as the 'emblematic figure' of the revolt against private ownership of knowledge, leader of a new 'anarcho-communist ethic'. The stage is set for the coming struggle between the digital elites and the digital proletariat.[50]

We doubt whether it will come to this. If it does, the digital elites are bound to win, since they will find ways to privatize knowledge. And even if the digital proletariat win, what have they to put in place of what they destroy? Without a robust idea of the good life, their efforts will come to nought, win or lose.

This book is offered as a contribution to rethinking what we want out of life: what money is for and what is meant by 'the good life'. This has involved reanimating philosophical and ethical ideas which have long been out of favour but which are by no means extinct. People are actually quite torn about their ethics. Most City of London bankers admit that they are overpaid, and that doctors and teachers are underpaid.[51] But they are so institutionalized by their occupations, as prisoners are by their incarceration, that they can no longer imagine life outside their accustomed habitats. People who strive to do the best they can within the prevailing system may nevertheless aspire to live in a better system. This book is an attempt to help them discover one.

Our commitment to personality and respect rules out coercion. Rather we aim to bias social arrangements in favour of the good life – to make it easier for people to organize their own exits from the rat race, for instance by discovering for themselves ways of life in which money-making is not central. No political or legal system can avoid bias, however much it proclaims its neutrality. In fact, our present system is full of biases, as we have shown. Some of them we approve; others seem to us to point in the wrong direction. What we ask is that the state makes its ethical choices explicit, so we can have a proper moral debate, rather than pretending that it acts solely as the agent of the isolated consumer. If we are to be paternalists, let us be honest rather than backdoor paternalists.

Would such a reorientation of policy require the support of religion? Possibly. The basic goods, as we present them in Chapter 6, are not logically dependent on any single religious doctrine, but their realization is probably impossible without the authority and inspiration that only religion can provide. Most of the liberal reformers of the nineteenth and early twentieth centuries were Christians; others were among those who, as Keynes said of himself, 'destroyed Christianity and yet had its benefits'.[52] Could a society entirely devoid of the religious impulse stir itself to pursuit of the common good? We doubt it.

Whatever readers may think of our particular proposals, not to try to develop a collective vision of the good life, simply to blunder on without having a view about what wealth is *for*, is an indulgence rich societies can no longer afford. The greatest waste now confronting us is not one of money but of human possibilities. 'Once we allow ourselves to be disobedient to the test of an accountant's profit,' declared Keynes in 1933, 'we have begun to change our civilisation.' The time for such a change is overdue.