-IV. Wealth and Utopia-

A. Structural change

Looking at simple one-dimensional measures of growth hides structural change. The twentieth century has seen not just *more* produced and consumed, it has seen extraordinary shifts in the relative quantities and the character of the goods consumed.

Turn of the century urban households spent half or more of their money on food. Households today spend one fifth on food. Half of Americans were farmers in 1900. Only three percent are farmers today. As economic growth proceeds, agriculture shrinks and industry grows, until industry in its turn peaks at a little more than one-third of the economy and then itself begins a slow decline relative to services. The balance between agriculture and industry, between design and craftwork, between production and distribution, and—most important—between labor within and without the household all underwent profound shifts in the past century.

Employment Structure in Great Britain				
Year	*Agriculture*	*Industry*	*Other Services*	*Information-Intensive Services: Control, Entertainment, Education, Communication*
1000	80%	12%	5%	3%
1500	67%	15%	12%	6%
1700	56%	22%	14%	8%
1820	40%	32%	18%	10%
1890	16%	44%	23%	17%
1990	2%	29%	35%	34%

Before the industrial revolution, even during the industrial revolution, agriculture had always been more important than industry in the sense of

making up a greater part of employment and of real national product. Representative urban families had always spent more than half of their incomes on food. The overwhelming majority of rural families had always raised their own food, plus if they were lucky enough surplus for the lord, the taxman, and perhaps a little to exchange in addition.

Farming was always hard work, especially in the pre-industrial Malthusian days when improvements in technology soon generated increases in population, and thus reductions in the amount of land each farmer could work. The Greek philosopher Aristotle of Stagira[1] believed that farming dulled the brain—that the contemplation and education necessary for full human mental development would inevitably be beyond the reach of all but a small portion of the human race, because the destiny of most of the human race was to farm the land, and farming left no leisure for philosophy.

Eighty to ninety percent of households in the world of Aristotle had to labor, and as far as he could see would always have to labor, full time to grow food for themselves and the rest of the population. This Aristotle saw as the law of nature. Aristotle also believed that the first prerequisite of philosophy was leisure—which required, in Classical Athens, property, wealth, and slaves.

All this changed in the twentieth century. By its end, instead of the 4:1 ratio of farmers to non-farmers of the middle ages or the 1:1 ratio in the later nineteenth century, the ratio was 1:30: one farm for every thirty non farm households.

What would Aristotle say if told that in the United States today not eighty percent, but three percent of households are farmers? What would he say if he went on to learn that a major political flashpoint is that these three percent grow too much food? What would he say to the observation that the United States today could maintain its entire population at the material standard of living of classical Athens without requiring more than 100 hours a year of work from each of its adult citizens? What had been the principal occupation of the human race for 10,000 years—agriculture—has become the occupation of only a small part of the late twentieth century population.

Needless to say, the reduction in the proportion of farmers has not meant the end of food: food processing has become an even more important industry,

[1] Aristotle of Stagira (reprint 1996), *Politics* (Cambridge: Cambridge University Press: 0521484006).

and food service has become an important part of the service sector. Even though farming accounts for less than three percent of the labor force, it is still the case that between a fifth and a quarter of consumer incomes in industrial economies are spent on food. But most of the value added comes after the food-product-to-be leaves the front gate of the farm.

Within industry the balance of work underwent profound shifts as well. Even in 1900, most industrial production was handwork, craft production. Even the most mass-produced and machine-intensive commodities—textiles and weapons—still required considerable handwork and final filing and fitting to complete their production. In the late twentieth century, most industrial production was mass production: handwork by skilled, specially trained, long-time experienced workers was the exception rather than the rule. Skills entered the production process mostly at the design stage, and at the maintenance stage—not, except for luxury goods, at the stage of direct craft production.

The balance between production and distribution changed. By the end of the twentieth century, the United States had more people employed selling cars than making cars. Assembly-line auto workers were a smaller part of the total automobile production and distribution workforce than the employees of the distribution channel.

And, last, the character of the service sector changed. Think of the service sector as being divided into two components: those who perform services directly (whether cutting hair, carrying goods from place to place, or extracting appendixes) and those whose service-sector work is largely directed toward creating and manipulating information: governors, tax accountants, scribes and recorders, teachers, messengers (and others who work in communications technology), and entertainers.

Throughout most of human history the number of service-sector workers has been relatively small: trade and personal services are luxuries largely for the rich. And there is little information to be processed: how many bushels of wheat the serfs owe to Baron Fred. As the commercial revolution took hold, and as trade greatly expanded, the size of the distribution component of the service sector grew rapidly. Perhaps one in five workers in Britain in 1800 was serving as a butler, or a porter, or a waiter, or a carter.

More recently it has been the turn of the information-intensive services to

grow. This is not to say that information-intensive service-sector jobs are high-paying high-skill jobs. In fact, the growth of the retail scanner in the past generation has completed a process begun with the invention of the original cash register that has turned “cashier” from a high-wage, high-skill, high-trust job into one of the lowest-skilled of entry-level jobs in the modern economy. Yet the job of cashier continues to be very information intensive: tracking what is bought, and how much money is paid for it.

Not a sector of the economy had the same relative importance at the end of the century as it had had at the beginning. But relative changes within the economy of goods and services bought and sold were not the only aspects of structural change.

The line between what was marketed and what was produced within the household changed too.[2] And the balance between work within and without the household shifted profoundly. Reductions in infant mortality, the advancing average age of marriage, and the increasing costs of child raising together drove a decrease in fertility. The rate of population growth in the industrial core slowed drastically, from an approximate doubling each generation to a rate approximately consistent with zero long-run population growth in the advanced industrial economies. The number of babies per potential mother dropped by about two-thirds.

Along with the reduction in fertility came an expansion of household technology: microwaves, dishwashers, washing machines, dryers, vacuum cleaners, improved chemical cleansing products, and so on all made the tasks of keeping the household clean, ordered, and functioning much easier. Maintaining a nineteenth century, high-fertility household was a much more than fulltime job.[3] Maintaining a twentieth century household could become more like a part-time job. And so large reserves of female labor that had been tied to full-time work within the household because of the backward state of household technology could now be used for other purposes.

In response to the declining time demands of within household work and the

---

[2] See Claudia Goldin (1992), *Understanding the Gender Gap* (New York: Oxford University Press: 0195072707).

[3] See Catherine Beecher (), *A Treatise on Domestic Economy* (0685556689); Stan Lebergott (1993), *Pursuing Happiness: American Consumers in the Twentieth Century* (Princeton: Princeton University Press: 0691025991); for an argument that the dishwasher is not a (n unmixed) blessing, see Ruth Schwartz Cowan (1984), *More Work for Mother* (New York: Basic Books: 0465047327).

expanding set of outside opportunities, female participation in the paid labor force surged. In some times and places women saw this increase in participation as a form of liberation. In others they did not. Nevertheless, the change happened. At the start of the twentieth century, the principle was that (with the sizeable exceptions of female domestic servants and-principally unmarried-female factory operatives) the paid labor force consisted of men. By the end of the twentieth century, things were very different. In the United States female levels of training and education were poised to surpass male levels. Male wages and earnings still appeared higher than female wages and earnings by more than could be easily accounted for by differences in education, training, and degree of labor force attachment: there was still discrimination visible at the aggregate level. But the discrimination-driven wedges between male and female wages appeared to be closing-slowly-with every passing decade.

B. What is wealth?

Without a doubt, the most important thing about twentieth century economic history is its extraordinary surge in material prosperity—a surge so great as to remake the world in which the average human being lives, at least in the leading-edge nations that make up the industrial core of the world economy.

Yet how important is this explosion of material prosperity? Does it really matter? If you turn to other forms of history, whether political, cultural, or social, and the enormous absolute and relative pace of twentieth century economic growth has much lower billing. It is seen out of the corners of their eyes, at the edge of their peripheral vision—if it is noted at all.

1. The rich are different

To some degree this is the result of an overnarrowness of focus forced by their specialization: a professional deformation. Cultural historians typically track eras by the styles of life lived by the upper classes. Political historians look at the distribution of power and influence at the top of the income distribution. Social historians spend more time looking at the relative gap

between top and bottom than looking for significant shifts at the bottom. The rich today are very rich indeed, but they are rich in different things and in different ways than the rich of a century ago.

So a view of the century that concentrates on changing elite styles of life, on the use of political power and influence, or on the *relative* gap between rich and poor, will not see economic growth at the center of its picture.

2. Seeing ‘em jump

This fuzziness of vision is reinforced by the fact that in some ways, today's rich *are* impoverished when compared to their predecessors a century ago. The formal marks of deference and service that they were accustomed to receive have in large part disappeared. The ability to boss one's many servants around has traditionally been the mark of belonging to the truly upper class, and this style of life is the one that has become rarest—because it has become much more expensive in relative terms-today.

Figure: left—Bill Gates’s house; right—Andrew Carnegie’s Newport mansion]

The rich today live in smaller houses. They have fewer servants. They share modes of intercity and international transport with those who a century ago would not have been allowed on the boat or in the railroad car. The upper classes today are far richer than their predecessors of a century ago, if wealth is understood in terms of command over nature and over commodities. But the rich of today have less ability to command human beings. If what you value in wealth is domination—the command and control over the wills of others that wealth gives you—then the rich are poorer in spirit (although much more prosperous in body) than the rich of a century ago.

A small detail can be revealing. Consider George Orwell, who after the end of World War II was to become famous as the author of *Animal Farm* and of *1984:* anti-utopian novels about how the future might go horribly wrong—and had gone horribly wrong in the Soviet Union. But before World

War II George Orwell was a socialist.[4] And during the 1930's Orwell wrote *The Road to Wigan Pier*—an account of his travels among the unemployed and desperate of England during the Great Depression of the 1930's.

[Figure: picture of George Orwell]

Orwell wrote *Wigan Pier* as a call for a revolution. And in the book he sought to convince middle class citizens that they had interests in common with the working classes: interests in prosperity, in fairness, in the avoidance of unemployment, and in an egalitarian distribution of wealth—that they should join with the revolution-to-be.

In *Wigan Pier,* Orwell's first point is that the economic system is not working for the lower classes—and he was not wrong: it was the middle of the Great Depression, after all. His second point is that the economic system is not working for the middle classes either.

To support this second point, Orwell sketches the plight of the British "lower upper-middle class" in the years just after World War I. As Orwell tells it, this class—to which he belonged—was becoming relatively impoverished. They had lost the traditional marks of British upper-class status:

> [Y]our gentility was almost purely theoretical.... Theoretically you knew all about servants and how to tip them, although in practice you had one or, at most, two resident servants. Theoretically you knew how to wear your clothes and how to order a dinner, although in practice you could never afford to go to a decent tailor or a decent restaurant....[I]n [this]...kind of shabby-genteel family... there is far more *consciousness* of poverty than in any working-class family above the level of the dole

[4] His most famous pre-World War II books were *Homage to Catalonia,* an account of his experience fighting for the left in the Spanish Civil War, and *The Road to Wigan Pier*. See George Orwell (1936), *The Road to Wigan Pier* (London: Left Books). See also George Orwell (1938), *Homage to Catalonia* (); George Orwell (1946), *Animal Farm* (); and, of course, George Orwell (1948), *Nineteen Eighty Four* ().

From our perspective Orwell is talking nonsense. It divides the world into two groups: those with more than two live-in servants—those with a nanny, *and* a cook, *and* a butler, *and* perhaps more—and everyone else. Households with “one or, at most, two resident servants” have only a “shabby” gentility. They are ripe for recruitment to the cause of socialism: there is no real difference between them and the industrial working class.

But how many upper-class American families have permanent live-in servants today? As Orwell counts, rich Americans today cannot claim to be “genteel.” Even though they have levels of real wealth perhaps some thirty-fold greater than their counterparts of the past century, they lack the true marks of status, power, and membership in the upper class.

For at the bottom George Orwell believes that the touchstone of being truly well off is the power to boss people around. In *Wigan Pier* the marks of gentility are: servants, multiple restaurant waiters, tailors.

Orwell was right—from his perspective—in his claim that the upper and middle classes of England were being de-classed. They were indeed losing their ability to casually employ armies of resident servants. But they were not losing this ability because they were becoming poorer. They were losing this power because those who would otherwise have become their servants were becoming richer.

Real wages were rising. Opportunities for employment outside domestic service appeared more attractive. Potential servants were demanding higher real wages to enter domestic service.

[Figure: washing machine, dryer, dishwasher, facuum cleaner, stand mixer, cuisinart, bread machine]

Moreover, technology was creating cheap and effective replacements for many forms of personal service. Scrubwomen were replaced by dry cleaners and washing machines. Live-in maids (for the rich) have been replaced by live-out occasional housecleaners with vacuum cleaners and dishwashers. Messengers have been replaced by telephones. Butlers have been replaced

by answering machines. Automobiles have become more reliable, so that each car does not need to come with a full-time chauffeur *cum* mechanic.

There is a—probably apocryphal—story that one of the founders of Mercedes-Benz said that there would never be more than a million cars in the world, because “there were no more than a million potential chauffeurs.”

When you unpack what is really going on, it becomes very hard for any card-carrying economist think of it as a “plight” at all. No economist can believe that *any* class of people in Britain really were impoverished by the replacement of scrubwomen by washing machines.

There is thus a certain cognitive dissonance created by judgments of wealth, poverty, and gentility like those of Orwell. He implicitly defines wealth not as the power to get things done but as the power to make other people do them. The twentieth century has seen wealth defined as power over nature increase; but wealth defined as power over people cannot increase. It in fact declines over time as the economy grows because people become less hungry, and so less willing to be bossed around.

3. Power and wealth

This raises an issue: is the purpose of wealth to get things accomplished—to get clothes clean—or is it to demonstrate one's power by bossing the scrubwomen around? As Paul Krugman has put it, is the true pleasure of being rich that of “seeing ‘em jump”?[5]

Economists have a strong professional bias—perhaps a professional deformation of our own— to define it as the first. This is, at bottom, a moral stance: love of domination for domination’s sake is not allowed to be an end and a source of utility. The aim must be to get clothes clean, not to show that you are master and she is servant. Your wealth and welfare are defined as the things *you* can do (or cause to get done) in absolute terms, not by how your pile of commodities stacks up when compared to somebody else's or how many other people you can boss around.

[5] Paul Krugman (1997), *Slate* .

You are not impoverished if someone else becomes better off.

The past century has in fact seen the wages of relatively unskilled workers rise at about the same pace as productivity as a whole. Any commodity or service—like restaurant meals, skilled hand-crafted carpentry, or tailoring—that is heavily labor intensive has become, compared to other commodities, more expensive. The rise in material standards of living has necessarily taken the form not of an increase in the ability to acquire commodities that require not predominantly the input of other people's time and skill, but of an increase in the ability to acquire commodities created primarily the application of technology and the use of machines.

The past century has seen households trade cash for leisure. The wholesale city price of raw foodstuffs today amounts to four percent of consumer expenditure. It amounted to 20 percent a century ago. Yet the share of food in household budgets has shrunk not by a factor of five but by a factor of two. The difference is that today much preparation is done outside the household: mixing, chopping, pre-cooking, combining, freezing, and processing all make cooking a meal a much less time-consuming process today than it was a century ago. Our food bill today seems so large because we count a very large share of the meal production process as a market expenditure. A century ago, much of this process was hidden inside the household and was never registered through a market exchange. To a large extent, Americans today are like rich Edwardian Britons in that they do have cooks. But today the counterparts of the last century's domestic servant cooks work outside the household, for companies like Nabisco, using very capital- and machine-intensive production processes.

C. Slouching towards utopia?

1. Cheap luxuries

A counterpart of the rising price of labor-intensive services has been the falling prices of once luxurious and scarce goods, and the growth of the consumption of “cheap luxuries” on the part of the relatively poor.

Once again this disquiets George Orwell. He thinks: the system is taking advantage of the relatively poor by enabling them to consume commodities that they *think* are luxuries, but that in fact are no longer so. In Britain during the Depression many among the poor were deprived of steady employment, good housing, nourishing well-balanced diets, and their self-respect as productive and hard-working members of society. Yet there were no revolts and little protest, even though "whole sections of the working class ... have been plundered of all they really need." Why not? Because they had been "compensated...by cheap luxuries which mitigate the surface of life": fish and chips, artificial-silk stockings, tinned salmon, cut-price chocolates, movies, radio, tea.

Note the words: "palliative," "mitigate," "surface." Orwell is in the last analysis not pleased but horrified by the fact that "the youth...for two pounds ten on [installments]...can buy himself a suit which... at a... distance looks... tailored on Saville Row. The girl can look like a fashion place at an even lower price.... [I]n your new clothes you can stand on the corner, indulging in a private daydream of yourself as Clark Gable or Greta Garbo."

That the youth can acquire a new pair of Nike's and daydream of himself as Michael Jordan.

[Figure: Nike's (with price tag)]

For Orwell this masks the reality—which is that the working class has lost relative income, relative wealth, and relative power. It makes tolerable what should not be tolerated: that the upper class has too large a share of the pie.

This shows that Orwell does not have the habits of mind of an economist, to whom *absolute* levels of material prosperity are much more important than *relative* wealth distinctions.

But it does not show that Orwell was wrong.

It may be a mistake to say that the twentieth century has given the shop-girl of this century the same standard of living as a duchess of the nineteenth century, *if* the key element of being a duchess is being exceptional. To the extent that goods are valued not for the services they provide by themselves

but as indices of exclusivity, it is pointless to produce them for more people because then they become less exclusive and so less valuable.

Paul Krugman, for example, has placed himself on Orwell's side: he would rather be middle-class in 1950 than working poor in 1990—even though the material standard of living of America's working poor in 1990 is higher than that of America's middle class in 1950. He:

> know[s] quite a few academics who have nice houses, two cars, and enviable working conditions, yet are disappointed and bitter because they have never received a [job] offer from Harvard and will probably not get a Nobel Prize. The live very well... but they judge themselves relative to their reference group, and so they feel deprived. And on the other hand, it is an open secret that the chief payoff from being really rich is, as Tom Wolfe once put it, the pleasure of "seeing 'em jump." Privilege is not merely a means to other ends, it is an end in itself.

It may be a big mistake to think that human happiness is necessarily and significantly increased by piling up larger and larger heaps of material goods. Richard Easterlin points to evidence from public-opinion surveys that suggests that money does not buy happiness over time or across countries. Easterlin believes that people are no happier in the U.S. today than they are in India today, or were in the U.S. a century ago.[6]

Why do people in richer economies not count themselves as happier? Because happiness is attained when you achieve your dreams and solve your problems. Material abundance helps you do so, but it also teaches you to dream bigger dreams and pose yourself more complicated problems.

Easterlin thus concludes that the future he sees—of steadily rising material prosperity and economic progress—is a "hollow victory." The "triumph of economic growth is not a triumph of humanity over material wants; rather, it is the triumph of material wants over humanity." To take steps to increase your material wealth is not to take steps on a road leading towards utopia.

---

[6] Richard Easterlin (1997), *Growth Triumphant: The Twenty-First Century in Historical Perspective* (Ann Arbor: University of Michigan Press).

I do not want to endorse Easterlin's claims that material progress is a pointless march along a treadmill—I do not think that Easterlin wants to give such a strong reading to his argument—but it is important to recognize that he has hold of an important point. For today we who live in the industrial core of the world economy have exceeded the technological capabilities of all previous utopias. Recall Edward Bellamy's *Looking Backward,* where the limit of human felicity is attained by the ability to dial one of four orchestras and listen to it over a speakerphone.

Yet America today does not see itself as possessing wealth vast beyond dreams. Americans today do still have dreams of avarice. And certainly do not believe that they live in anything like a Utopia. They by and large do not feel as though they have gone far beyond the limits of useful wealth into the realm of sybaritic luxury. And America has not been able to—or has not wished to—distribute this wealth in a way that makes everyone feel that he or she has "enough."

Thus *we today do not see ourselves as living in, or even as rapidly approaching, Utopia.* Yet dreamers in all previous centuries would have thought that Utopia could be built with much less power over nature and ability to produce material goods than a late twentieth century industrial nation in fact possesses.

I want to stress this contrast between how we regard our prosperity, and how our predecessors would have regarded us. Consider John Maynard Keynes, perhaps the greatest economist of the twentieth century.[7] Keynes, correctly, classified the then-current depression as a temporary interruption of a long-run tide of rising prosperity. But what did he see as the result of this rising tide? Keynes concluded that the Economic Problem, that is "the problem of want and poverty and the economic struggle between classes and nations," was in the last analysis "nothing but... a transitory and *unnecessary* muddle."

[Figure: John Maynard Keynes]

Keynes' argument had three steps. First, he—correctly and in fact somewhat

[7] John Maynard Keynes (1931), "Economic Possibilities for Our Grandchildren," in *Essays in Persuasion* (London: Macmillan, 1931).

pessimistically—expected "...the standard of life in progressive countries one hundred years hence will be between four and eight times as high as it is [in Britain] today." (We in the United States two-thirds of a century after his writing have at least met, and perhaps far surpassed, this expectation.) Second, Keynes saw human needs as "fall[ing] into two classes-those needs... absolute in...that we feel them whatever the situation of our fellow[s]... and those which are relative...that we feel... only if their satisfaction... makes us feel superior...." Third, he argued that although "needs of the second class... may indeed be insatiable... this is not so true of the absolute needs."

The conclusion was that "a point may soon be reached... when these [absolute] needs are satisfied, in the sense that we prefer to devote our further energies to non-economic purposes." In that case:

> the day is not far off when the Economic Problem will take the back seat where it belongs, and that the arena of the heart and head will be occupied... by our real problems—the problems of life and of human relations, of creation and behavior and religion.

Then the desire to acquire for the sake of impressing our next door neighbors will fall as well:

> When the accumulation of wealth is no longer of high social importance, there will be great changes in... morals.... We shall...rid ourselves of many of the pseudo-moral principles which have hag-ridden us for two hundred years.... We shall...assess...the love of money as a possession—as distinguished from the love of money as a means to the enjoyments and realities of life—for what it is... one of those semi-criminal, semi-pathological propensities which one hands over with a shudder to the specialists in mental disease. All kinds of social customs and economic practices, affecting the distribution of wealth and of economic rewards and penalties, which we now maintain... however distasteful and unjust they may be in themselves, because they are tremendously useful in

> promoting the accumulation of capital, we shall then... discard.

2. Which way to utopia?

Yet Keynes was mistaken. Keynes's predictions have not come to pass.

He expected society to undergo a profound change as attention shifted from working hard to keep the wolf from the door to living a good life. But we today do not feel that material acquisition is about to go out of style. We do not appear to be on the threshold of converting *en masse* from full-time to half-time or quarter-time work. We have not begun to rank and applaud people by how they spend their leisure as opposed to what they do at work.

The dividing line between useful necessity and pointless luxury always comes at roughly twice one's current standard of living. After all, Americans *could* subsist off of wheat flour, evaporated milk, cabbage, spinach, and navy beans for less than fifty cents a day. But as George Stigler wrote:[8]

> such a diet would not be to the satisfaction of either the population or the students of nutrition.... Man insists upon luxuries such as meat, and should we somehow fully address his desire (despite his penchant for shifting from sow belly to pheasant), he will no doubt insist upon shifting to another and more expensive food.... [T]he economic system has as its purpose forcing people to find new scarcities... the alteration of a host of circumstances and policies that deprive large numbers of people of eminently desirable things that a more efficiently organized society could afford.

It is significantly more pleasant to eat broiled sole at Chez Panisse than to munch on a tuna sandwich while sitting on the concrete wall by the North Gate to the Berkeley Campus. It is more fun to write on a powerful laptop PC, while sitting at a tile table in an air-conditioned cafe and drinking cappucino, than to write on a manual typewriter in a small, hot office while

[8] George Stigler (1951), *Price Theory* ().

drinking a combination of dishwater and sludge made from instant coffee—or to write with bad ink on parchment by the light of a single candle.

One answer is, of course, that Utopia does not require merely command over nature. It requires command over self, and command over society as well. Command over self is a matter of psychology. But it means that material welfare is not standard of living. Public order and public safety, relative income, one's material consumption relative to one's parents, and so forth all make the standard of living or style of life more complicated than simply the consumption of material goods, of commodities and services. They make relative income as important, in some circumstances, as absolute prosperity. And it is as important to teach people how to choose the ends they want their lives to serve as to give them wealth—power—that can be used to achieve such ends. We have not achieved utopia—in spite of immense material wealth—because we have approached it as a problem of engineering, and it is in fact a problem of psychology.[9]

And leads to a third answer: our collective failure to solve the problems of command over self means that the economy is not just as a means for the satisfaction of wants, but also serves as a social discipline mechanism: a device for compulsion and regulation of behavior through the granting and withdrawal of material rewards for appropriate behavior. Political and economic institutions never confine themselves just to the administration of things, but become part of the government of humans.

Yet to use the economy as a social discipline device to control behavior requires that those who do not behave appropriately are to be—disciplined. And economic forces can only be effective as mechanism of social control if the relative misery generated by the failure to behave appropriately is great: if the economy is to be used as a social discipline mechanism, then some who do not respond to incentives must be painfully poor—poor enough in relative terms for it to be sufficiently painful to be an effective social discipline mechanism.

---

[9] However, most of us today would not call a society of satisfied people created through "psychological" means a utopia. The twentieth century has made us very, very suspicious of all who propose to make us happy by adjusting our desires and values. We still have more trust in those who propose to make us happy by expanding our capability.

[Figure: left—slum; right—conspicuously unemployed]

Thus the paradox: the carrot of low taxes to the rich and the stick of a withdrawal of social insurance to the poor are—it is widely agreed in today's industrial democracies—necessary to rev up the engine of rapid economic growth and development. Only those who "work hard" and "play by the rules" are to be allowed access to the cornucopia of modern consumption.[10] These policies are a success: the result is a society that is materially richer than any previously imagined utopia.

Yet this society also falls far short of anyone's vision of a shining city on a hill. In the imagination of utopians, their cities on a hill did not have masses of itinerant beggars, or poor mothers working their fingers to the bone because of life-choices they had made in the distant past. Yet our civilization does.

There is a presumably apocryphal story about Vladimir Lenin[11] in exile in Switzerland during World War I. One day he was eating lunch in a hotel. Someone asked him how, after the revolution had been accomplished and the building of utopia had been completed, goods would be distributed. Lenin pointed to the sugar bowl in front of him. In middle class restaurants, he said, sugar and salt are not scarce; everyone takes what they need, and there is enough for all. So will it be for all commodities under socialism.

Now Lenin was not only one of the most brutal but also one of the most clueless political leaders of the twentieth century. He had no understanding of how to create a government that would nurture and protect individual liberty. He had no idea how to order society to create general prosperity. He had no idea how to construct public institutions that would guard against the emergence of tyranny. But he did understand—to Russia's great misfortune, it turned out—the institutions of political conspiracy.

But it is not only from Vladimir Lenin's perspective alone, but from Edward Bellamy's, George Orwell's, and John Maynard Keynes's perspective that our present society falls short of the utopia that they had imagined such great

---

[10] And many who work hard and play by the rules—but do not happen to be born at the right time at the right place—are denied access as well. Orwell and his horror at the British unemployed's belief that they must have done something wrong.
[11] Ernest Mandel tells it of Trotsky. See Ernest Mandel (), *Trotsky* ().

material wealth and technological capability would generate. From their perspective, our combination of enormous material wealth on the one hand and the use of economic forces as a social discipline device on the other would appear profoundly weird.

And the result, of course, is that there is much, much more to be done if we are ever to finish slouching towards utopia.