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The Economic Possibilities of Our Grandparents, a retrospective on John Maynard Keynes's Economic Possibilities of Our Grandchildren

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This is it—this is the twenty-first century future about which we have read amazing predictions all of our lives. Our present is characterized by something none of us would have predicted: we are working more not less. Juliet Schor recognized the trend in her 1991 book *The Overworked American*; Janet C. Gornick discussed its effects on families in the Summer 2005 issue of *Dissent*. But the best minds of the mid-twentieth century had predicted that technological change would free us from work.

John Maynard Keynes, the most influential economist of the twentieth century, published his forecast, "Economic Possibilities for Our Grandchildren," in 1930, when the world was in the grip of the Great Depression. He posited that the depression would not signal the end of the industrial revolution as some feared at the time, but would prove to be a minor dip in the trend of gradual but substantial increases in productivity, wealth, and average living standards. He guessed that average living standards in Europe and the United States were four times greater in 1930 than they had been two hundred and fifty years earlier and that they would be four to eight times greater a hundred years hence. Despite depression, war, and the failure of much of the world to catch up, he was right: average real income in the United States is more than five times greater today than in 1930 and twenty times greater than three centuries ago.

However, the central claim of Keynes's essay failed to come true, even though it rested on logic as simple as one plus one equals two: The little work that needed to be done would be spread out among the population in portions of perhaps fifteen hours per week, because "everybody needs to do some work if he is to be contented." Keynes spent a large part of the essay discussing the promise and difficulty of adjusting to life when we are freed from the struggle for subsistence, but this prospect sounds as much like the distant future to us today as it did to readers in 1930. Perhaps it seems even more distant now that we have seventy-five more years of experience showing that exponential economic growth can fail to complete the change that Keynes noticed had "already begun" in 1930.

This prediction is not so much an error as a puzzle: how can the one plus one so correctly predicted by Keynes have failed to equal two? He identified four factors that were capable of slowing the pace toward economic bliss: uncontrolled population growth, war, arrested technological development, and reduced investment. All of these factors could slow the rate of economic growth, but growth was not the problem. It didn't seem logical to people in 1930 that the economy could continue to grow without freeing us from the struggle for survival.

Keynes was right in predicting that economic growth *could* free society from the constant struggle for survival, but he was wrong in predicting that it *would*. He did not foresee that society could fail to take advantage of these possibilities if the economy succeeded in creating them. It is this error that makes this essay worth reading today. Not only do we need to consider Keynes's question of how to deal with a life freed from the struggle for survival, we also need to consider why we have not freed ourselves from this struggle when it is so clearly within the grasp of our technology—not in the near future, but today.

The trend of the diminishing workweek, well underway in Keynes's day, came to an abrupt end in the industrialized nations about thirty years ago, and in the United States, it went nearly as rapidly into reverse, despite a continued growth in national output. Most Americans work longer hours now than did their grandparents. What went wrong?

One might think that Keynes simply failed to envision that we would choose to take our increased wealth in the form of increased consumption rather than increased leisure. A large part of the increase in productivity over the last seventy-five years has been in the form of new products that people of Keynes's time barely dreamed of: television, computers, mobile phones, and commercial air travel are only some of the most conspicuous examples. Many new products are in demand even by people at the lower end of the income distribution. But there are three reasons why individual choice does not explain our failure to free ourselves from the struggle for survival.

First, on matters of individual choice, it is unlikely *everyone* would make the same choice. If we were all *able* to live on a fifteen-hour workweek, we would all know someone—or know of someone—who did it. Instead, we are acutely aware that it is not an option, especially for workers in the sector where even full-time jobs provide barely enough to live on, and where many working people are two paychecks away from homelessness. Some individuals can rise out of the working class with special skills or entrepreneurial ability, but there seems to be less hope now than forty years ago that the lower class, as a whole, will rise out of poverty or out of the constant struggle to meet their basic needs.

Second, in the sectors of the labor market where people could earn enough to live on in fifteen hours, part-time jobs generally aren't available. Would the legal profession be better or worse off if there were three million lawyers each working twenty hours a week than one million working sixty-plus hours a week (even at the same hourly rate)? Few professionals can even ask for a part-time job without sacrificing their chances for advancement. If employers use the willingness to work long hours as a test of dedication, the leisure time of professionals is squeezed, widening the divide between professionals and laborers in terms of both income and opportunity.

Third, necessities have not declined in price relative to income. Keynes did recognize the possibility that there would be new products to consume, but he believed their introduction would be accompanied by a relative decrease of the cost of our physical or "absolute" needs, such as food, shelter, clothing, medical care, and transportation. Once the portion of our time devoted to meeting our absolute needs is significantly small, we are freed from the struggle for survival, in the sense that making a living does not need to be the focus of our life, whether we choose to enjoy that freedom by taking more leisure or consuming more goods. We might or might not behave as Keynes predicted when that point is reached, but the puzzle in his essay is why the great increase in national output has not succeeded in making necessities a small portion of the budget of most workers.

It is undeniable that, using our current technology, our society could work much less and live at a material standard of living significantly higher than the living standard of 1930, but few of us have that option. Rent, food, medical care, and transportation still take up almost all of the disposable income of people in the bottom fourth of the income distribution in the United States. Working-class incomes have failed to increase as fast as national income, and the price of necessities has failed to decline relative to income and the price of other goods. Some necessities, such as housing, have increased substantially in relative terms.

Part of the explanation for the increase in the relative price of necessities is that we are consuming better necessities. Our homes are larger and better provisioned with plumbing and electricity, our food embodies more labor and capital than before, most of us use cars for transportation, and we have access to expensive medical procedures that did not exist in 1930. But these improvements cannot explain all of the increase. Much of the rise in the cost of homes—especially for the inner-city poor—stems from appreciation of land values rather than from larger or better homes. Much of the rise in the cost of medical care comes from the increase in the price of doctors' time because their skills are in demand as specialists for elective procedures.

And we have new needs. People have to have houses with electricity and plumbing because fireplaces and firewood are not affordable; apartments without hot running water are illegal in most areas; candles have become an expensive decoration. In most of the United States, people must use automobiles because they are the only viable form of transportation. Real estate prices force people to live a long distance from their workplace, and therefore, to spend more of their "leisure time" in transit. When more people have access to automobiles, markets tend to become more dispersed, making it impossible for people without cars to reach the things they need. In other words, coping with the modern world makes necessities out of things that preindustrial people could live without. Although these new needs count toward a higher standard of living in official statistics, they help keep necessities from becoming a small part of the budget of most people.

While necessities have increased in cost, the cost of new technologies has declined dramatically. Thus, although the working class has gained some access to new and better luxuries, it is just as dependent on full-time jobs as ever. Conserving on new technology won't give workers the freedom from work that Keynes envisioned. If it didn't happen in Keynes's day, when our living standards were at least four times the preindustrial level, and it hasn't happened now that living standards are twenty times the preindustrial level, there is no reason to expect that it will happen when living standards are forty or fifty or one hundred times the preindustrial level. It will not happen unless and until we—as a society—make it happen.

The mistake in Keynes's prediction stems from the belief that economic growth *inherently* increases wages. It *can* increase wages, but since the early 1970s, the benefits of growth have been concentrated on the owners of capital and on the upper end of the increasingly hardworking professional class. Living standards at the bottom 20 percent of the income distribution have stagnated or declined for the last thirty years. There is no level of national wealth, no matter how high, that forces some of that wealth to trickle down to the common wageworker. This fact can be shown by the commonly cited thought experiment: what would happen to wages if capital became so productive that it could produce all goods with no aid from labor? Wages would become zero, and laborers would have no means of survival other than the charity of capital owners.

Keynes's vision in "Economic Possibilities for Our Grandchildren" was not far off or fanciful. Neither was it inevitable. Society will have to make a conscious effort to free workers from the struggle for survival if the average person is ever going to be able to take advantage of the possibilities our economic growth has already made real. The possibilities are here for us now.

Karl Widerquist is a doctoral candidate in political theory at Oxford University and coordinator of the U. S. Basic Income Guarantee Network.