

ECONOMIC VIEWPOINT

BY SAMUEL BRITTON

# The baseless fabric of our vision

WHAT HAS happened to the dream of growth? What has happened to the magic possibilities of compound interest which were to take away our narrowly material problems and about which Keynes spoke in *Economic Possibilities for Our Grandchildren*? Lord Butler used to talk about doubling our standard of living in a generation. Even the stodgy British-type growth of productivity of 2 per cent. would make us seven times as well off in a hundred years; and 3 per cent. growth would make us 19 times more prosperous—or so my pocket calculator used to predict. Rapid technological advance, tells me at a stroke.

Moderate-minded social democrats used to point to the relative painlessness of achieving more equality through redistributing the annual increase of our wealth. Progressives of a capitalist frame of mind pointed out that growth itself was an equalising force. Today's luxuries are tomorrow's standards of living; and the necessities of the day after, while the mere process of advance is narrowing away differences in life style and giving us the very things we desire with their neighbours' possessions. On the contrary, the author is prepared, for the sake of argument, to accept the Chicago-Austrian view that the purpose of economic activity is to satisfy individual desires and to explain why the growth rate is self-defeating even from the point of view, it is, moreover, likely to be self-defeating, irrespective of the mixture between private enterprise, State direction and "market socialism" we choose to adopt.

The traditional model of economic growth might be likened to the production of metal boxes. With advancing

technology, we can produce more and more boxes per head and make them into durables, cars and so on; and the measurement problem is minimal. With a bit of luck food production can also be multiplied in this way. But as living standards advance more and more of these products people want are what Prof. Hirsch calls positional goods. These are of various kinds but are all characterised by the fact that the more I have of them, the less there is for you.

Positional goods may be characterised by physical scarcity. Examples range from scarce land to Old Masters. We cannot all have country estates; and as more and more people try to acquire week-end cottages with a little land, the cottages get further and further away, and more and more time has to be used in reaching them.

Indeed, human time is the scarcest resource of all. We cannot all have three mistresses, as my maternal grandfather who eked out a living as minor traders in Lithuania were able to do.

## Scarce space

Then there are direct social scarcities. We cannot all have top quality antiques or the latest fashions. But perhaps more important are the products which have an intrinsic value which is diminished by extensive use by others. Road pricing might help to allocate scarce space, but would not remove the fact that cars and people get in each other's way.

Perhaps most important of all are scarcities of occupational position. Every soldier can have a Field-Marshal's baton in his



"Positional goods": greater affluence means less space on the beach.

knapsack. But only a handful can become Field-Marshal. We cannot all conduct an orchestra, manage a factory or even become a foreman.

The tragedy of the process is the disappointment of expectations. By the time "living standards" have risen enough for the low-paid worker to obtain a car, the days of carefree motoring are over and it does not bring its promised pleasures. But by then the rational pursuit of his own interest by each individual has led to a rundown of public transport, which—even with proper pricing policies—will force people to use cars, even though the final result is not what any individual would himself have chosen.

Perhaps the worst result is the amount of resources devoted to screening and firing people for the more attractive posts. If a large proportion of the population goes to college,

further education is no longer the key to the best posts. But those who do not want to be left in the worst ones have to forego education because employers use exam results as a shortcut way of screening for ability, irrespective of the value of the skills being tested. This is the reality of the so-called "great educational debate. Even those who value education for its own sake will be disappointed if their tastes run to Oxbridge-style tutorials, which, by definition, no productivity improvement could extend at low cost to all students. We all stand on tip-toe and do not get a better view to repay the discomfort.

Prof. Hirsch freely admits that the importance of positional goods still has to be quantified, but that it is reasonable to suppose that as demand for the further, will still be important, is far too subtle and more easily satisfied material

goods is met, additional income will be diverted to the still scarce positional goods. Prof. Hirsch does not claim to have policy panaceas for the post-growth era. He believes that the case for egalitarianism and for collective consumption is strengthened. I wonder, if the promise of material wealth is to be disappointed, is it helpful to encourage the pre-occupation with rivalries, in which the other person's share will always seem unfair according to plausible criteria? Moreover, the norms reduce what are otherwise serious, but will people appointments explained by Prof. Hirsch are due not to the end of the technical progress, but there is little relation between the mutually offsetting effects reward and merit (as must on individual satisfactions of always be the case)?

Endless fresh activities, entrepreneurial alertness in finding economic substitutes for positional goods, or making the ones we have go that the underlying goods, will still be important, is far too subtle and more easily satisfied material

divergence, as Prof. Hirsch himself is very careful not to claim that all problems are soluble or to put too much weight on his own policy preferences.

Most economists believe in a guided invisible hand; in other words setting artificially a framework of rules and policies which will guide the pursuit of self-interest into socially desirable channels. Professor Hirsch underlines how artificial and tenuous a construction a corrected market economy must be.

Self-interest is the general law of nature, but the monetary obey rules which I would like managers are expected to follow to be universal, without any low altruistic norms rather than assurance that others will do the most selfish aims of winning elections or securing prestigious positions for themselves. The objectives in deciding on spend-bus behaviour. This works well self-interest in satisfying directed objectives in our codes and behaviour. This works well self-interest in satisfying directed objectives in our codes and behaviour. This works well self-interest in satisfying directed objectives in our codes and behaviour.

Antisocialists are expected to expect winners to refrain from using their strike-threat power, or marginal conditions, their vote-threat power in lobbying the NEB? How likely are "the rich, the clever or the beautiful" to follow Hirsch's own admonition "to renounce the additional pleasure of associating themselves and their children mainly with their own kind"?

hearts even if it were explained to them, which it never is. To buy in the cheapest, sell in the dearest market, but to refrain from rigging the market or bribing its regulators, is a highly sophisticated set of do's and don'ts. The code for the regulators puts an even greater strain on fallible humanity.

## Universal

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The main case for the market system is as a method of co-operation, which minimises coercion (e.g. conscription versus the price mechanism). But no one after reading Professor Hirsch can imagine that it promises a short cut to our economic nirvana or that it can manage without an economically literate public philosophy, which—200 years after Adam Smith—we have still to evolve.

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