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## Book Review

Book review: Robert Skidelsky and Edward Skidelsky, *How Much is Enough? Money and the Good Life* (, New York, NY, USA 2012) 272 pages

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## Book review

Skidelsky, Robert and Edward Skidelsky (2012): *How Much is Enough? Money and the Good Life*, New York, NY, USA (272 pages, Other Press, ISBN 978-1-59051-507-5)

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Robert Skidelsky, author of the famous three-volume Keynes biography and authoritative critic of mainstream economics, and his son, the philosopher Edward Skidelsky, have jointly written a book for the general public about the good life and limits to excessive growth.

At first glance – apart from the persons involved – this may seem hardly interesting: academic and popular literature abounds with growth-critical titles today. In addition, calls for alternatives to the capitalist system have become more frequent since the Great Recession and the ongoing crisis in many countries. The Skidelskys' book, however, is different and highly worth reading for several reasons, although, of course, it sometimes confirms and repeats some of the arguments and proposals that are already known and that are widespread.

The framing and the overall story are highly appealing and attractive, above all for Keynesian economists. The Skidelskys take as a starting point Keynes's famous 1930 article 'Economic possibilities for our grandchildren' and exploit the parallels with today's situation: In the middle of the Great Depression when everyone – including himself – was desperately thinking about getting the economy to grow again in the short run, Keynes took an extremely long-run view and envisaged the economy of 2030 which would by then have created so much wealth and would be so productive that all material needs could be fulfilled with only a small fraction of the average working hours of his time. The economic problem would basically be solved and in this state of bliss mankind would be free for the first time in history to devote the most part of its time to the really important immaterial needs. Similarly, the Skidelskys in the uncertainty shortly after the Great Recession draw a vision for the future that comes close to Keynes's ideal. By comparing Keynes's vision with economic reality in the industrialised world over the last 70 years, they assert that Keynes even underestimated the development of GDP per capita – despite World War II – but that he completely overestimated the reduction in the number of working hours which are on average almost as high as in Keynes's time. Although it seems that we almost enjoy the economic possibilities Keynes envisioned for his grandchildren, we are not using them to lead a more leisurely life. Instead we keep on toiling as if our material needs had not been fulfilled at all. In a nutshell, then, the Skidelskys' book can be seen as a highly learned and complex attempt at:

- (a) explaining why our societies are not using the possibility to radically reduce working hours and enable leisurely lives;
- (b) showing that, indeed, using the possibility would be right and good in the sense of permitting good lives; and
- (c) trying to find a way in which our societies could be moved towards the aim of such a good life.

Part (a) of the argument is mainly dealt with in chapter 1, 'Keynes' mistake', and chapter 2, 'The Faustian bargain'. According to the authors, Keynes's mistake when predicting a strong reduction in working hours was that he did not see the difference between 'needs' and 'wants'. Thinking that within 100 years of his time all economic needs would be fulfilled led him to believe that people would then decrease their working time and have more leisure. However, whereas there is a natural limit to needs, there is no such limit to people's wants; and that is basically why, in an endless striving to fill ever more and new wants for which ever more income and thus growth is needed, people never decrease their workload. The main reason for the insatiability of wants, according to the Skidelskys, is their relative character, which leads to status consumption. People try to outcompete each other via consumption in order to achieve a higher status. Capitalism itself is not the cause of this human tendency but strongly reinforces it via various channels like advertising and the monetisation of almost everything. In some kind of Faustian bargain, mankind has to accept the underlying morally bad motives like avarice for some time in order to unleash capitalism and gain material welfare. The main problem, then, is to get rid of the bad motives that stand in the way of the good life after they have done their job of creating affluence. Of course, mainstream economists, as principal guardians of the materially meaningless and arbitrary concept of utility and unlimited wants receive their just deserts in some strong passages: 'Perhaps the chief intellectual barrier to realizing the good life for all is the discipline of economics, or rather the deathly orthodoxy that sails under that name in most universities across the world' (p. 12). 'Economists have to start innocent of all distracting ideas. They have to have minds sufficiently empty to construct or accept those axiomatic models of human behaviour that are their bread and butter. Late adolescence is the ideal time to start such a training' (p. 61).<sup>1</sup>

Part (b) of the argument, namely demonstrating that there is such a thing as the good life and trying to define the main characteristics of it, is dealt with in chapters 3 to 6. Chapter 3, 'The uses of wealth', drives home the point that the modern ideas of post-Rawlsian liberal philosophy and neoclassical economics – that it is not possible or permissible to use such meta-individual normative concepts as the 'good' life at all – are a rather new and unconvincing development in the history of thought. In fact, in the philosophies of almost all important civilisations that we know of, the conviction is that there are natural moral limits to wealth and that there is a good life to be found – the Skidelskys call 'the idea of the good life ... a universal thought, cropping up independently the world over' (p. 93). Chapter 4, 'The mirage of happiness', and chapter 5, 'Limits to growth: natural or moral', then deal rather extensively with alternative growth-critical approaches, namely with 'Happiness Economics' and 'Environmentalism'. Whereas the authors are sympathetic to the goals of both approaches, they take many efforts to distinguish their own approach from their competitors' – the main point being that their own moral approach is the more fundamental one, because it does not rely on some kind of utilitarianism. Whereas the case of the competitors can easily be shaken by questioning their analysis of causes and effects, the Skidelskys' approach fundamentally attacks the basis of the obsession with growth. They claim that the underlying idea of insatiability is just plainly nonsensical and morally wrong. In chapter 6, then, the authors present their concept of a good life – that is, important elements in terms of basic goods that are needed to lead a good life, namely health, security, respect, personality, harmony with nature, friendship and leisure. Some degree of vagueness in these concepts cannot be avoided, nevertheless the argument is highly convincing, progressive and a good guideline.

1. For some more fundamentally critical and outspoken remarks about the state of economics today, see Hein/Truger (2014).

On that basis, the final chapter, 'Exits from the rat race', provides part (c) of the argument, namely possible routes to the good life for all. When it comes to dealing with the defenders of the status quo, the Skidelskys are remarkably and admirably outspoken: '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' (p. 181). Despite these somewhat radical-sounding remarks, the Skidelskys' approach to changing society is still liberal. Consistently respecting the basic goods 'personality' and 'respect', they insist that the – in their view morally justified – transition to the good life be achieved without coercion via something they call non-coercive paternalism. Elements of their social strategy towards the good life for all involve a basic income, reducing the pressure to consume via restrictions on advertising and a progressive consumption tax. Of course, none of the individual measures proposed is new, but the way those possible solutions are embedded in the general argument is extremely inspiring.

Of course, the book is not without shortcomings and many essential questions remain. Starting first with a few minor points, some of its criticisms may be exaggerated. For example, it may not have been absolutely necessary to be so highly critical towards environmentalists and their approaches in chapter 5, if in the end the aim is to show that many of their concerns and views can be reconciled with the Skidelskyan good life perspective. The critique of Happiness Economics in its behaviourist shape in chapter 4 seems fully justified, however it would have been interesting to add a few – hopefully friendlier – considerations about the growing body of literature that is preoccupied with more objective alternatives to standard GDP measurement. On the one hand, those may be attacked as ultimately utilitarian, but on the other hand, many of the proposed alternative or additional indicators of well-being could be used to measure the success of society's transition to the 'good life'. Finally, the secular story about the Faustian pact with capitalism to unleash the engine of wealth creation is very inspiring and appealing, but it is not clear whether it fits with the more medium-term account of the 60 years following World War II. Why exactly were the destructive forces tamed for the first 30 years after the war and why have they gained power again since the 1980s? The answers given to these questions are rather brief and not entirely convincing.

Second, and turning to some more important critical remarks, not all of the proposed measures for the transition towards the good life are fully convincing in themselves and they are far from convincing as a coherent whole. For example, considering the progressive consumption tax in order to reduce the pressure to consume and increase both private and public savings to finance comfortable retirement for all raises some questions. Couldn't the incentivised higher accumulation of the private wealth of the rich be in opposition to the goal of equality? And, from a macroeconomic perspective, which sector is to absorb the private households' surpluses in a potentially stagnant economy? Is it plausible to assume the business sector to be running high deficits to finance investment spending? Or should the government or the foreign sector mop up the surpluses? In the latter case, could this work if simultaneously attempted by most industrialised economies? And if it worked in the short run, wouldn't the accumulation of huge net assets vis-à-vis the rest of the world carry the risk of future debt and currency crises? And anyway, wouldn't a systematically huge surplus in the current account conflict with the aim of localism? These questions already hint at the most important problem of the Skidelskys' argument: What is missing in the discussion of the proposals is a coherent macroeconomic story that shows that the aggregate process that would evolve out of the systematic pursuit of the good life is macroeconomically feasible – that is, implementable without serious economic disturbances undermining the material basis of the good life. It is highly

convincing to start with the concept of basic goods necessary to enable the good life and see the consequences in terms of economic growth as a by-product of minor importance given a state of affluence. However, the possible economic consequences and the macroeconomic policy strategy necessary to secure a smooth functioning of both the transition to and the protection of the good life must be thought through. This is the major challenge posed by Robert and Edward Skidelsky.

Despite that major challenge and the many open questions, the Skidelskys' highly inspiring book is a great achievement and an excellent starting point for the necessary debate. It is high time economists took up the challenge and started a serious and fundamental discussion.

## REFERENCE

- Hein, E., Truger, A. (2014): 'Economics is not useless. It can either be very harmful, which it often is, or very beneficial': interview with Robert Skidelsky, in: *European Journal of Economics and Economic Policies: Intervention*, 11(3), 221–226.