Economics in the Age of Abundance

J. Bradford DeLong

Project Syndicate, January 28th, 2016

BERKELEY – Until very recently, one of the biggest challenges facing mankind was making sure there was enough to eat. From the dawn of agriculture until well into the Industrial Age, the common human condition was what nutritionists and public-health experts would describe as severe and damaging nutritional biomedical stress.

Some 250 years ago, Georgian England was the richest society that had ever existed, and yet food shortages still afflicted large segments of the population. Adolescents sent to sea by the Marine Society to be officer's servants were half a foot (15 centimeters) shorter than the sons of the gentry. A century of economic growth later, the working class in the United States was still spending 40 cents of every extra dollar earned on more calories.

Today, food scarcity is no longer a problem, at least in high-income countries. In the US, roughly 1% of the labor force is able to grow enough food to supply the entire population with sufficient calories and essential nutrients, which are transported and distributed by another 1% of the labor force. That does not account for the entire food industry, of course. But most of what is being done by the remaining 14% of the labor force dedicated to delivering food to our mouths involves making what we eat tastier or more convenient – jobs that are more about entertainment or art than about necessity.

The challenges we face are now those of abundance. Indeed, when it comes to workers dedicated to our diets, we can add some of the 4% of the labor force who, working as nurses, pharmacists, and educators, help us solve problems resulting from having consumed too many calories or the wrong kinds of nutrients.

More than 20 years ago, Alan Greenspan, then-Chair of the US Federal Reserve, started pointing out that GDP growth in the US was becoming less driven by consumers trying to acquire more stuff. Those in the prosperous middle class were becoming much more interested in communicating, seeking out information, and trying to acquire the *right* stuff to allow them to live their lives as they wished.

Of course, the rest of the world still faces problems of scarcity; roughly one-third of the world's population struggles to get enough food. And there is no guarantee that those problems will solve themselves. It is worth recalling that a little over 150 years ago, both Karl Marx and John Stuart Mill believed that India and Britain would converge economically in no more than three generations.

There is no shortage of problems to worry about: the destructive power of our nuclear weapons, the pig-headed nature of our politics, the potentially enormous social disruptions that will be caused by climate change. But the number one priority for economists – indeed, for humankind – is finding ways to spur equitable economic growth.

But job number two– developing economic theories to guide societies in an age of abundance – is no less complicated. Some of the problems that are likely to emerge are already becoming obvious. Today, many people derive their self-esteem from their jobs. As labor becomes a less important part of the economy, and working-age men, in particular, become a smaller proportion of the workforce, problems related to social inclusion are bound to become both more chronic and more acute.

Such a trend could have consequences extending far beyond the personal or the emotional, creating a population that is, to borrow a phrase from the Nobel-laureate economists George Akerlof and Robert Shiller, easily phished for phools. In other words, they will be targeted by those who do not have their wellbeing as their primary goal – scammers like Bernie Madoff, corporate interests like McDonalds or tobacco companies, the guru of the month, or cash-strapped governments running exploitative lotteries.

Problems like these will require a very different type of economics from the one championed by Adam Smith. Instead of working to protect natural liberty where possible, and building institutions to approximate its effects elsewhere, the central challenge will be to help people protect themselves from manipulation.

To be sure, it is not clear that economists will have a comparative advantage in addressing these problems. But, for now at least, behavioral economists like Akerlof, Shiller, Richard Thaler, and Matthew Rabin seem to be leading the field. In any case, one need only glance at the headlines to comprehend that the issue has become a defining feature of our economic epoch.