Revisiting Keynes

Economic Possibilities for our Grandchildren

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Economic Possibilities for our Grandchildren: A Twenty-first Century Perspective

Lorenzo Pecchi and Gustavo Piga

The idea for this book materialized one evening, as we were talking on the telephone about a short essay written by John Maynard Keynes in the early 1930s, *Economic Possibilities for our Grandchildren*. In the space of a few pages Keynes formulated a series of fascinating and daring predictions on social life and economic conditions one hundred years on, giving almost the impression of wishing to challenge posterity to put his predictions to test. This was a tempting challenge indeed, coming from a man considered by many as the greatest economist of the twentieth century, and a mighty challenge too, given the number and nature of the questions raised in the essay and their potential to generate lively debates and passionate disagreement.

It came natural to us to share this idea with other economists and to ask them to give their opinion of Keynes's short essay by writing one of their own. We contacted many leading economists, some of whom, we knew, would be well disposed toward Keynes's opinions and some of whom, we expected, would oppose them. Some of those we contacted politely rejected the offer, but we received sixteen affirmative responses from some of the most celebrated economists in the world: William Baumol, Leonardo Becchetti, Gary Becker, Michele Boldrin, Jean Paul Fitoussi, Robert Frank, Richard Freeman, Benjamin Friedman, Axel Leijonhufvud, David Levine, Lee Ohanian, Edmund Phelps, Luis Rayo, Robert Solow, Joseph Stiglitz, and Fabrizio Zilibotti.

This book collects their essays in addition to Keynes's own. It is a book about growth, inequality, wealth, work, leisure, culture, consumerism, and entrepreneurship, offering a variety of perspectives on where the *Economic Possibilities for our Grandchildren* stand at the start of the twenty-first century and presenting the reader with many fascinating new questions and answers, hopefully as fascinating and powerful as the original ones.

According to Keynes's biographer Robert Skidelsky, *Economic Possibilities for our Grandchildren* (*Economic Possibilities* from this point on) has been generally considered by economists as no more than a *divertissement* (Skidelsky 1992). We do not have any direct records of how much Keynes valued this particular piece of work, but we are convinced that he was particularly fond of the ideas presented in the essay, and that they should therefore be considered as a small but important clue to his way of thinking.

The first version of *Economic Possibilities* dates back to the beginning of 1928. After delivering it a few times, mostly as a talk to students' societies, Keynes undertook some major revisions for a lecture to be given in Madrid in June 1930, adding a specific reference to the oncoming Great Depression. The final version of the essay, which appears reprinted in this book, got included in Keynes's 1931 *Essays in Persuasion*.

By 1930 Keynes was convinced that he and his contemporaries were witnessing a very deep economic crisis. On May 10 he wrote in *The 'Nation'*: "The fact is—a fact not yet recognized by the great public—that we are now in the depth of very severe international slump, a slump which will take its place in history amongst the most acute ever experienced. It will require not merely passive movements of bank rates to lift us out of the depression of this order, but a very active and determined policy." (Harrod 1972, p. 469). Despite the difficulties of the time Keynes refuted the "bad attack of economic pessimism" prevailing at that moment in many economic circles and did not feel the need to alter his optimistic view about the long-term prospects that capitalism was supposed to deliver. Finally he included *Economic Possibilities* in his 1931 *Essays in Persuasion* collection.

Economic Possibilities contains three relevant elements (1) a remarkably modern account of the determinants of economic growth, (2) a set of predictions concerning living standards and working habits one hundred years on (i.e., in 2030), and (3) some speculations about people's future lifestyles, based on his moral philosophy and aesthetical views.

The contemporary reader will be surprised both at how accurate some of his predictions on income levels turned out to be and at how off the mark he was when speculating about working hours and future lifestyles. As to this particular point, he predicted that, by 2030, the grandchildren of his generation would live in a state of abundance, where satiation would be reached and people, finally liberated from such economic activities as saving, capital accumulation, and work would be free to devote themselves to arts, leisure, and poetry.

Despite substantial economic growth between 1930 and the present—not to mention the exceptional achievements in such fields as medicine, biochemistry, transportation, computing and telecommunication—nothing today looks farther away than the world envisioned by Keynes (even if twenty-five years are still separating us from the time when his prophecy is supposed to take place). Keynes's grandchildren are wealthy indeed and even wealthier than he had forecast. But they still have to save and to accumulate and work long hours, and they do not seem to have reached satiation in consumption. How could it be that a man of Keynes's intelligence, with a deep understanding of economics and society, could be so right in predicting a future of economic growth and improving living standards and so wrong in understanding the future trends of labor and leisure, consumption, and saving?

Keynes's Forecast on Growth

Keynes's prophecy that "the standard of life in progressive countries one hundred years hence will be between four and eight times as high" turned out to be right or, if anything, wrong by default. As calculated by Zilibotti in this book, "Keynes's forecast implies an upper bound growth rate of about 2.1 percent. The population-weighted average growth rate over the half-century in question is 2.9 percent per year, implying a 4-fold increase in the standards of living in just *fifty years* . . . . If the 2.9 percent annual growth is projected over one century, it corresponds to a 17-fold increase in the standards of living, amounting to more than double Keynes's upper bound."

Making such predictions in England in the 1930s would not have been obvious for at least two reasons. First, ever since the start of World War I, growth had been very slow—far from increasing, per capita income had actually slightly decreased—and, what is more important, growth was much lower than during previous decades (Boldrin and Levine, chapter 12 of this book), making it too gloomy a setting for optimistic predictions. Second, economists then did not have many tools to make theoretically sound predictions about growth: "Growth theory—as we know it today—did not exist in the 1930s. There was little in the way of theory that would lead an economist of that era to predict confidently a steady state growth path in which output remains close to its long-run trend. The Harrod-Domar model that was developed in the 1930s predicted that market economies were unstable, with chronically high unemployment and that steady states were knife-edge propositions." (Ohanian, chapter 6 of this book).

In *Economic Possibilities for our Grandchildren*, Keynes, generally acclaimed for his contribution to business cycle theory, proves to be a superb growth theorist well aware of the mechanics of economic development: capital accumulation and technical progress. Keynes did neglect aspects of the growth process that could not be imagined then: the prospects for global climate change, which is today an important economic issue given the scale of the costs that it may impose on society or "the growing availability of weapons of mass destruction at bargain prices"—as William Baumol reminds us in this book—that may seriously impair our future prosperity. But he also neglected details about growth that could have attracted his attention: the lack of universal improvement in the standards of living, both within and across countries, its possible fragility due to inappropriate government policies and the reversal in social and political arrangements, like democracy, if living standards were to start stagnating once more.

Keynes's Forgetfulness about Distribution

Keynes's main concern in writing *Economic Possibilities* was the future of those grandchildren living in the so-called progressive countries, namely Europe and North America. The least we can say is that he had a manifest ethnocentric view and that he did not pay much attention to the destiny of the rest of the world. Data presented by Zilibotti in this book show how growth has been very different over time and various geographical areas. In Europe, per capita income growth was very high in the 1950s and 1960s, slowing down afterward. In North America, the opposite occurred, with per capita income growing moderately in the 1950s and 1960s and picking up later in the next decades. Japan and other Eastern Asian countries suffered quite a lot in the 1990s, while India and China have experienced an exceptional growth in the last two decades. Latin American countries presented a strong economic performance in the third quarter of the century and later went through a series of crises. A similar destiny awaited North African and Middle East countries. Unfortunately, no significant progress was made by sub-Saharan Africa in the last 50 years. On average then, humankind has been able to progress in line with Keynes's most optimistic expectations. Income distribution, however, remains a problem that, as more than one author in the book points out, Keynes utterly overlooked.

As Stiglitz recalls in this book "some 50 percent of the world still lives on less than two dollars a day, some one billion still live on less than a dollar a day." To this it might be added that not only do we see extremely poor countries next to affluent countries (cross-country inequality) but also extremely poor individuals living next to rich individuals both in developed and developing countries (within-country inequality). This aspect is here emphasized by Friedman who provides data about the increased inequality in the United States in the last quarter of the century concluding that the "more unequal distribution had prevented the great majority of the nation family from any increase in real terms."

In many industrialized countries we observe a larger and larger portion of income concentrating in the hands of capital owners and highly skilled workers (human capital owners) with a considerable increase in their living standard while living standards of unskilled workers are stagnating or growing very slowly. This brings about an interesting issue regarding the relationship between wages and economic growth. Keynes's forecast is based on the assumption that with technical progress and increasing capital–labor ratios, wages will always increase. He does not pay attention to distributional issues and their consequences.

This view is challenged by Robert Solow who, having stated that "Keynes's utter lack of interest in distributional matters is a serious flaw," goes on to argue that "the distribution of income and output between wages and profits depends on the ease with which capital can be substituted for labor. . . . If this kind of substitution is relatively easy, profits will come over time to absorb an ever-increasing share of aggregate income. Wages will also rise, but not enough to keep up with profits." The extreme case is one of a society where the production is performed almost entirely by machines or robots. In this case the share of wages would be close to zero, and workers could survive only if they own capital. These distributional scenarios were not contemplated by Keynes, but in a not too distant future they could belong more to reality than to science fiction. Some of these trends are already showing up in the data. Society will have to solve some complex political issues. An increasing degree of inequality may result in a deterioration of the necessary social cooperation required by a well-functioning society. A solution to this situation—as Solow suggests—

is to have institutions that guarantee a more democratic capital ownership.

Keynes on Hours Worked

A society where production is largely robotized is a society where humankind works very little and has a lot of free time. This is what Keynes predicted, though in his mind the choice of leisure over labor would have resulted from a rational calculation. This was another daring forecast that Keynes expressed in the *Economic Possibilities* essay: an income effect caused by increasing real wages would lead individuals to substitute leisure for labor, a superior good, to the point that the normal working week would be of only fifteen hours.

A significant reduction in the number of hours worked was well in place at the end of the nineteenth century and in the first decades of the twentieth: the average annual number of hours worked per worker fell by almost 30 percent between 1870 and 1930, both in Europe and the United States. Ohanian shows that Keynes's prediction could be justified on the basis of macroeconomic trends around the years Keynes was writing. But this declining trend slowed down strongly in the aftermath of World War II, particularly in the United States.

While it is true that the fraction of an individual's lifetime spent on working activities is much smaller today than in 1930 (Zilibotti), it is also true that, as Freeman says in his essay, "The United States is the most striking counterexample to Keynes's prediction that increased wealth would produce greater leisure. The United States has 30 to 40 percent higher GDP per capita than France and Germany, but employed American work 30 percent more hours over the year than employed persons in those countries." "The decision of Keynes's grandchildren to work so much," he continues, "is associated with a reversal of what had been an historic inverse relation between hours and pay. In past decades the poor have worked more than the rich. They had to work long and hard to feed themselves and their families. Work or perish. The rich, by virtue of their land holdings or hereditary position in society, could be idle if that was their fancy. The phrase idle rich had real meaning. In the latter half of the twentieth century, the inverse relation between hourly pay and hours worked reversed itself, at least in the United States. The workaholic rich replaced the idle rich. Those earning higher pay worked more hours than those earning lower pay."

Why do we work more than Keynes predicted? The question is not irrelevant even for policy purposes as the debate is nowadays raging, for example, as to why these differences exist on the two sides of the Atlantic. Several factors are at play and are laid out in this book by our contributors. We briefly cite just a few.

First of all, Keynes might have underestimated the pleasure of working. As Freeman argues in his essay, "Many people go to work for reasons beyond money, and might prefer to work longer than Keynes's fifteen hours a week under almost any situation. Workplaces are social settings where people meet and interact. On the order of 40 to 60 percent of American workers have dated someone from their office."

A similar argument is put forward by Phelps who focuses on the figure of the entrepreneur: Keynes conveyed no sense of the role of innovations in imparting excitement and personal development to business careers. "... nowhere does Keynes recognize the wisdom of the pragmatic school—from James to Dewey to Rawls and on to Sen—that people need to excite their minds with novel challenges—new problems to solve, new talents to develop.... So, were working-age people not to work or to work only a few hour a week, a great number of them would find themselves deprived of the fruit that is the special prize of the most advanced economies."

Increased participation of women to the workforce after World War II compensated for the reduction in working hours by men. Inequality and globalization also might have induced individuals to work more. Freeman argues that "greater inequality enlarges the earnings gap between greater/lesser success in the market and thus gives workers more incentive to work long hours to succeed." Also, he argues, "the advent of the computer and Internet make it easier for many people to work away from their offices."

Becker and Rayo argue that "Keynes was misled in his predictions concerning the effect of higher income on hours worked by the behavior of gentlemen in Britain—who Keynes believed provided a window onto future behavior as everyone's income rose. Their behavior gave a distorted picture of what to expect because these gentlemen had sizable wealth in the form of physical and financial assets, but not high human capital or earnings. So economic theory would predict that these gentlemen would take more leisure than would equally wealthy persons in the future who in fact would be holding the vast majority of their wealth in human capital, rather than land and other assets. English gentlemen indeed had mainly just an income effect, while those who have to work for their high incomes also have powerful substitution effects. This difference is illustrated by the working habits of wealthy individuals in the various Gulf States, who typically get the vast majority of their income from oil revenues. It is said that in many of these countries, such as the Emirates, Qatar, or Kuwait, the typical working day for natives—as opposed to the imported laborers who do not share in oil revenues—is about three to four hours a day. This is actually very close to Keynes's estimate of how many hours would be worked in advanced countries after another century of economic growth."

But Keynes was twice wrong. He claimed not only that work would disappear but also that additional consumption needs, beyond the "basic ones," would not materialize. Baumol reminds us in his essay that if Keynes were to have been right in his working hours forecast, humanity would have responded to the increase in prosperity less in output growth and more in "immeasurable psychic and aesthetic pleasures. . . ." In this case humanity could not have experienced the explosion of output, innovation, and consumption that we have had in the last century. This would have deprived us of an interesting thought experiment, since now we can imagine what kind of luxuries an average western citizen will have at her disposal if real income will once again increase sevenfold in the next century!

Keynes on Conspicuous Consumption

Keynes's idea of a virtuous steady state where robotized production provides for all human necessities without the need for capital accumulation and technological progress contained a final ingredient: stable consumption and no (or little) saving.

Consumption satiation and the end of technological innovation (whether through capital deepening or new discoveries) were thus in Keynes mind two self-sustaining dimensions of life in the quasi-proximate future. He was wrong on both counts. Both Frank and Friedman, for example, argue that while satiation might occur for increasing doses of a given type of product, the sheer mass of new products created since the 1930s (air conditioners, television sets, home computers, washing machines for both dishes and clothes) thanks to efforts of innovating entrepreneurs might themselves create new desires and new demands by consumers. This in turn requires increasing doses of human effort. Indeed, if this is the case, Frank argues, "it is hard to imagine that a two-hour workweek might someday enable most people to buy everything they ever wanted."

In his essay Keynes distinguished among "absolute needs," what we feel "whatever the situation of our fellow human beings might be," and "relative needs," what we feel only insofar as they make us "feel superior" to our fellow citizens. He discarded this last cause of consumption in his successive reasoning, as if to imply it was an unimportant component.

In the book, however, several authors forcefully argue that Keynes neglected many facets of what motivates consumption in a human being. Fitoussi takes issue with the notion of absolute needs, arguing that as their satisfaction is conducive to social inclusion, they change over time together with the evolution of society. Much in the same vein, Leijonhufvud and Becker-Rayo argue that medical care has expanded with technology, becoming that vastly superior good that motivates people not to be satiated with consumption. Friedman seems to endogenize the concept by arguing that growth (especially the impressive one correctly forecast by Keynes himself) brings about vast improvements in the social, political, and moral character of people. Growth may therefore also contribute to the evolution of the concept of basic needs.

Other authors recognize that Keynes did not dwell enough on the concept of consumption desires that are relative. He certainly saw that some citizens might take pleasure from consuming more than their neighbors, but that might well have been at the heart of his mistake. Leijonhufvud claims that "a similar but somewhat less sordid incentive to consume is the desire to earn the respect of one's peers." As Frank argues, Keynes "seems to have believed that context mattered only for goods that 'lift us above,' or 'make us feel superior to, our fellows.' Like most other economists, he believed that demands originating in such feelings are at most a minor component of overall economic activity. I share that belief. Indeed few people are consciously aware of any desire to outdo their friends and neighbors. But the ways in which context shapes demand run far beyond such feelings . . . [A] model [of the demand for quality] would be essentially identical to one based on a desire not to own quality for its own sake but rather to outdo, or avoid being outdone by, one's friends and neighbors. . . . By placing the desire to outdo others at the heart of his description of the category of goods whose demands are shaped by context, Keynes confined that category to the periphery. The demand for quality is universal and inexhaustible."

Stiglitz points out that preferences might be endogenous. With advertisement and marketing-shaping preferences, individuals may be induced to value consumption (leisure) more and, even if wages do not increase, to work more (less) to satisfy their changing needs. This latter theory is useful as it would explain why certain societies seem to be shifting toward more and more leisure (Europe?) and others becoming more prone to consumerism (United States?).

Furthermore, increased inequality might have had an impact on consumption patterns. Leijonhufvud argues that tolerance for greater inequality in society might have increased due to greater income levels and the perception that basic needs are by now guaranteed. In turn, increased acceptance for inequality makes "relative needs" more accepted in society, as shown by the competition for status in the corporate world as well as in youth gangs.

Finally it should not be forgotten that Keynes was right at least in forecasting the vast decline in the saving rate of western economies. Frank claims that such a right prediction comes from wrong reasons, as declining saving have occurred with rising consumption levels. Perhaps, he argues, context here too has played a role: as income growth has been reserved to the top earners within each income group, the laggards might have felt left behind and might have reacted by consuming more of their income to keep up with their reference group.

Is this consumerism and addiction to work something to be worried about? Not all authors in the volume agree on this, as should be expected. Those who indeed express their worry argue that more publicly funded education (see Stiglitz and Zilibotti), redistribution (see Solow), or consumption taxation (see Frank) would bring about greater happiness, together with growth. The worry with these government policies, however, is that they might cause more troubles than advantages. After all, as Ohanian argues, in the aftermath of World War II "advanced economies were ultimately able to grow because the worst government policies of the 1920s and 1930s were reformed or eliminated."

Keynes on the Good Society

Economic Possibilities is more than a simple attempt at sketching out an economic fresco of the twenty-first century. It has the ambition of a philosophical treatise indicating an ideal society soon to come on earth.

Keynes believed that thanks to "purposeful money-makers" the world would achieve a state of economic abundance where people would be able to get rid of "pseudo-moral principles" (avarice, exaction of interest, love for money)—that have characterized capitalistic societies—and devote themselves to the true art of life. Capitalism—however detestable it might look—has the advantage that with its marvellous mechanism of compound interest it will take humankind toward the good society. This seems to be Keynes's only concession to capitalism. Fitoussi agrees with Keynes that economic progress should "serve moral objectives" but he disagrees with the caricatured picture Keynes offered of capitalism and its vices. For example, for Fitoussi it would be difficult to understand why *carpe diem* as a moral principle to guide our actions would be superior to the one—prevailing in a capitalistic society—that would give high consideration to the future. In the end the moral strength of capitalism is "its consequentialism as it can lead to intergenerational altruism."

The vision of the world of which we dream is the reflection of our personal experiences and cultural environments. In envisioning his ideal world Keynes is no exception. He had been at Eton and Cambridge and was an active member of the Bloomsbury Group, a literary group active in the field of art criticism and scholarship and also counting Virginia Woolf, Lytton Strachey, and E. M. Forster among its most prominent members. The Group rejected the Victorian and Edwardian restrictions on religious, social, and sexual issues. They promoted contemporary arts. They took anti-imperialistic and pacifistic positions in foreign policy, although these views were not always shared by Keynes. Robert Skidelsky says of Keynes's attachment to this group: "Bloomsbury was Keynes's conscience.... They were not just his friends but his ideal." The good society he had in mind was something arising from that cultural surrounding and experience. He was contemplating a sort of "elite communism," to use Fitoussi's pregnant definition. If we look at social customs, tastes, and at how people enjoy life in today's affluent societies, it is hard to find something that resembles the Bloomsbury lifestyle; at most it is a lifestyle reserved to a subset of the community. If anything, we observe a variety of lifestyles in today's customs. As Axel Leijonhufvud says: "People of Keynes's class and generation tended to think that economic progress would have to involve also the acculturation of the lower classes to bourgeois cultural values, and a variety of educational institutions were at one time founded to aid that process. Keynes, of course, was hoping to see bourgeois culture evolve away from what it then was in a Bloomsbury direction. But he would not have envisaged the middle classes emulating ghetto tastes."

Keynes was persuaded that "[W]hen the accumulation of capital is no longer of high social importance, there will be great changes in the moral code." In this Keynes was wrong and right at the same time. As many authors in this book emphasize, it is hard to believe that there will come a moment when people feel that the economic problem is solved and capital accumulation comes to an end. The aspiration for improvement is always there, no matter what level of living standard has been achieved, and with it the need to save, accumulate, and work. Keynes, however, was right in believing that rising living standards consist both of material and moral improvement.

This theme of socially responsive growth is extensively developed by Friedman who explicitly recognizes that people today live in "a more open, tolerant, fair and democratic society" thanks to the economic improvements that industrialized countries have achieved. However, he believes that the link between living standards and moral strength is fragile. The combination of economic stagnation and increasing inequality, which can be observed today in some high-income countries such as the United States and the United Kingdom, may impair the morality and the values of a good society. These recent developments especially in countries such as the United States and the United Kingdom made Friedman look at the future in a more gloomy way than Keynes did.

Becchetti takes a slightly different stand on these issues. He believes that a silent revolution or a "civil dissension" is actually taking place in an environment of global prosperity to correct some of the social imbalances that economic development is bringing about. According to Becchetti, in today's economies "the traditional system of checks and balances, which was typically performing the task of reconciling economic development with social justice in the past, is in a state of crisis." In the traditional system corporations were creating value and at the same time they were producing various negative externalities whose effects were mitigated by the action of powerful trade unions. Globalization has weakened this system. However, society has been able to produce endogenous defenses to contrast some of the undesired effects of the more competitive environment. According to Becchetti, the actions of concerned consumers and investors have compensated for the growing weakness of trade unions. The rising phenomenon of corporate social responsibility is the result of this bottom-up pressure. Data presented by Becchetti show that today one out of nine dollars under professional management in the United States is invested in socially responsible portfolios.

In the end many authors in this book tend to agree with Keynes that economic growth induces higher moral standards. Yet this relationship may be impaired by the existence of social imbalances or the excesses of a competitive environment. The transition to the good society or to higher levels of civilization appears to be a more complex and dialectical process than the one envisioned by Keynes.

Keynes's major contribution to economic theory at the time of writing *Economic Possibilities for our Grandchildren* had been the *Treatise on Money*, a lengthy work aimed at describing price dynamics in terms of discrepancies between planned saving and investment. No particular attention was paid to changes in the level of output and unemployment nor to effective demand, which would become the focus of his magnum opus *The General Theory*.

This makes it all the more remarkable that in the few pages of *Economic Possibilities* Keynes is sketching a primitive theory of technological unemployment and also a theory of effective demand failure.

Boldrin and Levine follow up this specific lead on technological unemployment, discarding, both on theoretical and empirical ground, the possibility that the reduction in employment in Britain in the 1930s could be the consequence of technological change leading to labor saving. In Keynes's defense, we can say that he must not have been fully convinced of this theory if he never mentioned it again in his successive writings. More promising is perhaps the sketched theory of effective demand.

Boldrin and Levine argue that Keynes implies that there are two sides in human attitude or, said in other terms, two types of human beings. The first type of people, including both workers and entrepreneurs, is the product of a long biological evolution that makes them prone to fall victim to the capitalistic ideology and to an unsuppressible need—to work and accumulate, even after reaching satiation. In this environment, demand tends to fall short of supply. The second type of people pursues the art of life and has abandoned the capitalistic ideology. At some point in the future the second type will prevail, everybody will work less, and unemployment will disappear. For those familiar with Keynes's writing it is not difficult to recognize here some primitive elements of the effective demand failure theory that will take its more complete form in *The General Theory*.

Several authors in this book, including Boldrin and Levine, find Keynes's tendency to take a moral high stand vis-à-vis capitalism when theorizing about human behavior disturbing.

First, Keynes's general disparagement of work is excessive to the point of snobbishness. Here is where his "Bloomsburyism" shows most. As Richard Freeman points out "many people go to work for reasons beyond money." Workplaces are social settings where people find a way to express themselves. This is true, of course, for high-level jobs but more and more so also for those jobs that are less prestigious.

Second, some authors are uncomfortable with Keynes's characterization of the "capitalistic ideal." One wonders if it is not misleading to put the love for money, or avarice, which is certainly a pathology existing in a capitalistic societies, at the center of the motives of human action, while plainly disregarding other important motives that may determine entrepreneurs' behavior. It is a pity that Keynes, when theorizing on these issues, turned to Sigmund Freud and ignored some insightful thoughts of his teacher Alfred Marshall, who claimed that: "The chemist or the physicist may happen to make money by his inventions, but that is seldom the chief motive of his work. . . . [B]usiness men are very much of the same nature as scientific men; they have the same instincts of the chase, and many of them have the same power of being stimulated to great and even feverish exertions by emulations that are not sordid or ignoble. This part of their nature has however been confused with and thrown into the shade by their desire to make money. . . . And so all the best business men want to get money, but many of them do not care about it much for its own sake; they want it chiefly as the most convincing proof to themselves and others that they have succeeded." (Pigou 1956, pp. 281–82)

Third, several authors in this book insist that Keynes failed to recognize the constant aspiration of humans to improve their condition as well as the satisfaction that may derive from exercising one's mind in facing new challenges. People are striving for knowledge, for exploring new things, for setting new goals, and not for a stagnant workless society. As Freeman eloquently put it: "Evolution presumably imbued us with a work ethic for our survival and not for a Garden of Eden existence." Similarly Phelps argues: "But if Keynes *had* recognized that people *need* a system that throws out problems to challenge the mind and engage the spirit, he would still have gone wrong. He never saw that with the technical progress and capital deepening that he aptly postulates, an ever-increasing share of people can afford jobs that are stimulating and engaging. So unless the economic system is prevented from doing so, more and more jobs will be supplied that offer stimulation and engagement."

Again, if Keynes had paid more attention to his old teacher, he could have probably changed some of his perspectives. Marshall developed the doctrine that it is new activities that give rise to new wants rather than the other way around. As people improve their conditions—moved both by the desire of excellence and distinction—they demand new and better things in an endless fashion. "It is, again, the desire for the exercise and development of activities, spreading through every rank of society, which leads not only to the pursuit of science, literature and art for their own sake, but to the rapidly increasing demand for the work of those who pursue them as professions. Leisure is used less and less as an opportunity for mere stagnation; and there is a growing desire for those amusements, such as athletic games and travelling, which develop activities rather than indulge any sensuous craving." (Marshall 1947, p. 88)

It is also surprising that Keynes, while theorizing about the achievement of a state of consumption satiation where humans would devote themselves to nothing else but the art of living, did not give any tribute to John Stuart Mill who developed a similar doctrine almost a century earlier. It is striking how the argument presented by Keynes in *Economic Possibilities* is close to the Mill's doctrine of the stationary state (Mill [1848] 1909, bk 4, ch. 6). Mill is convinced that the economic progress will come to an end and that at this end "lies the stationary state." However, he remarks that a stationary condition of capital and population does not imply a stationary state of human improvements, since "There would be as much scope as ever for all kinds of mental culture, and moral and social progress; as much room for improving the Art of Living, and much more likelihood of its being improved, when minds ceased to be engrossed by the art of getting on." Mill believed that in the stationary state people will improve their moral standing through a better distribution of property obtained by a system of legislation favoring "equality of fortunes" and against excessive concentration of property. He also believed that everyone has the right to a state of "solitude in the presence of natural beauty" that is "essential to any depth of meditation." In a world with continuous growing population nothing is left to the spontaneous activity of nature and the earth will "lose that great portion of its pleasantness."

After more than 150 years from Mill's meditations and 75 from those of Keynes, as the authors in this book remark, there are no signs that the world economy is moving toward a stationary state yet. Quite to the contrary, the capitalistic economy is spreading fast in all areas of the globe. Living standards are raising for millions of human beings. It also seems that people are willing to accept increasing levels of inequality as far as they can participate to this bonanza.

It is true that one of the undesired effects of economic growth is the emission of greenhouse gases that contribute to global warming. But in recent years we have witnessed a significant shift in the debate on climate change. Today it is no longer a theme restricted to scientists, it is part of daily discussion among citizens. In the business world firms are recasting their policies and their "corporate and social responsibility" claims, while governments are beginning to consider remedies. Even if such increased concern brings about some policies that have a negative effect on growth in the years to come, we do not need to take a gloomy view of the future. Again, the inventiveness of human beings can be expected to find good solutions to these problems through innovation and technical change.

We believe the reader will find much food for thought in the pages to follow. We are left with only one thing to say on Keynes and the century he lived in. Keynes did not predict the brutality that many of his grandchildren experienced during the twentieth century, from violent ideologies and infamous oppressions of free will, nations and religions. Maybe the twenty-first century that we leave to our grandchildren will be that of joyful work, endless innovations, and free entrepreneurship, all over the planet. This was not Keynes's favorite dream in 1930, but being a great thinker, he would probably agree with us today.

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