

# The League OF ORDINARY GENTLEMEN



## Spot the Human Capitalists

Jason Kuznicki | September 5, 2012

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As you may have heard, Brink Lindsey is returning to the Cato Institute. Don't ask: I don't have inside information. The Koch brothers—or zombie Ayn Rand, or Yaron Brook, or whatever malefic presence pulls the strings these days—isn't wont to call me late at night after a few Scotches and clue me in.

Whatever, I'm happy he's back. Brink's a good guy and a good fit for Cato. In the spirit of intellectual diversity, I hope he won't mind a mild critique of his excellent recent eBook, *Human Capitalism: How Economic Growth Has Made Us Smarter—and More Unequal*.

He writes:

Despite the heaping riches that our economic system continues to pile up, millions remain trapped in a nightmare world of poverty, social exclusion, and despair. And many, many more struggle ambivalently with the fact that, despite enjoying steady gains in material comforts, their overall position in society seems increasingly marginal and insecure. Why are the blessings of American life so unevenly distributed? Because of complexity, I will argue. It is my contention that, although things were very different in the relatively recent past, today the primary determinant of socioeconomic status is the ability to handle the mental demands of a complex social environment. If you can do that, you'll likely have ample opportunities to find and pursue a career with interesting, challenging, and rewarding work. But if you can't, you'll probably be relegated to a marginal role in the great social enterprise—where, among other downsides, you'll face a dramatically higher risk of falling into dysfunctional and self-destructive patterns of behavior. Complexity has opened a great divide between those who have mastered its requirements and those who haven't.

All of which is certainly true. The days when someone with an 80 IQ could find a relatively high-paying, low-skill factory job are gone for good. Returns are more and more going to the well-educated, and that usually means to the cognitively gifted. Higher education is a fairly effective sorting mechanism; completing it is

usually a good proxy. It's obvious that at least some inequality follows. How we manage it is important.

But my concern is that the above story is too sanitized. It also matters a good deal how we use human capital: ethically, and in terms of long-term growth, and in terms of wealth concentration. Being good at processing complex information is a skill that can lead its possessor to affluence, but that affluence can come by a variety of paths. Not all are alike.

Here's an example:

The Grey Album has its origins in a series of a capella tracks Jay-Z released on The Black Album in 2003. Jay-Z intended for these vocal-only tracks to be used specifically for sampling and remixing. The idea to create this mash-up popped in Danger Mouse's head one afternoon in 2003 as he listened to the Beatles' The White Album. Danger Mouse calls the work an "art project," and he meant for the deft piece of work to act as an homage to both sets of artists...

Jay-Z went on record supporting DJ Danger Mouse's work of art. Apple Records, the publishing company that holds the rights to the Beatles' record catalog, issued a cease and desist order to DJ Danger Mouse shortly after the release. Since then, Paul McCartney came out publicly in support of The Grey Album and Danger Mouse's effort to blend the two genres.

Every person in this story is a human capitalist — including the lawyers at Apple Records, whose only contribution appears to have been to keep fans away from the willing collaboration of a group of superbly talented artists.

Yes, I know that Paul McCartney signed a contract, and that promises should be kept. The problem here isn't with promises. It's with artistic copyright, which in today's world is really a sort of ever-expanding intellectual feudalism. Navigating its rules, exemptions, privileges, and dispensations clearly requires a good deal of human capital. It's a lot less clear that this is the best use of our talents, or that the end product is anything other than a lot of missed opportunity, plus a bunch of deadweight loss along the way.

Human capitalists can be great artists, like Paul McCartney, Jay-Z, or Danger Mouse. Or they can be teachers, or inventors, or highly skilled service workers. Or they can be rent-seeking parasites. Surely that difference matters. I know very well that Brink's aware of it.

That's why I'd have liked to have seen him give more consideration to the heterogeneous applications of human capital in elaborating and entrenching our

increasingly unequal class structure. Some of these are more easily dispensed with than others.

No doubt that would have made the book a whole lot longer, and maybe in the end it wouldn't have been the book he wanted to write. Fair points. But I can't help but wonder: Might it be that human capital is what's growing the economy — and rent-seeking, which also takes human capital, is what's making it unequal? The “heroes” in my little story hardly escape the blame, of course; a world without copyright would also be a world without multi-hundred-million-dollar musicians. I strongly suspect however that it would be a wealthier, happier, and more materially equal world for the rest of us, and that difference seems worth pointing out.