

## Human Capitalism

BY BRINK LINDSEY - OCTOBER 8, 2012 .

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Thanks to the folks at Bleeding Heart Libertarians for inviting me to blog here about my new e-book *Human Capitalism: How Economic Growth Has Made Us Smarter – and More Unequal* (Princeton University Press). This is a work of empirical analysis, not political philosophy, but I think it raises some pretty interesting philosophical questions. In this blog post I'll lay out the basic argument of the book, and then in a follow-up post I'll flag some of the implications for both free markets and social justice. With any luck I'll motivate one or more BHL regulars to weigh in.

In an earlier book called *The Age of Abundance*, I examined the transformative cultural changes unleashed by the advent of mass affluence. Here I look at the other side of the coin: the transformative cultural changes that have made mass affluence possible.

My central thesis is that economic development has stimulated and depended on cognitive development. The richer and more advanced a country's economy grows, the more complex that economy becomes: more and more knowledge and know-how are distributed throughout the system, and the division of labor grows ever more specialized and intricate. This ongoing growth of social complexity has imposed increasingly heavy mental demands on us, causing us to invest heavily in "human capital" and stretch our cognitive abilities far beyond the prevailing norms of times past. In this way, capitalism has morphed into "human capitalism" – a social system in which achievement and status hinge largely on possessing the right knowledge and skills.

The bottom line: economic growth has made us smarter. We can see this in the dramatic rise in education levels. Back in 1900 only about 6 percent of young Americans graduated high school, compared to 75 percent today. Back in 1950, only 8 percent of young Americans completed college, compared to 32 percent today. We can also see it in the “Flynn effect”: the remarkable rise in raw IQ scores over time. And we can see it in the transformation of how we work. Back in 1900 almost 80 percent of working Americans were farmers, manual laborers, or domestic servants; today, some 60 percent work in white-collar office jobs. Back then, managers and professionals – i.e., the most cognitively demanding occupations that dominate the socioeconomic elite – comprised only 10 percent of the workforce; today, they account for 35 percent.

When I say we’re getting smarter, what I really mean is we are becoming more fluent in highly abstract ways of thinking. Abstraction is the master strategy for coping with complexity: broad categories and general rules are the mental shortcuts we use to keep information overload at bay. In the intellectual realm this is obvious enough in the rise of mass literacy and numeracy and the increasing importance of abstract “book learning.” But we also employ abstraction to interact successfully with far more people than we could ever know personally: we jump in and out of the thin identities of countless abstract roles (driver, pedestrian, customer, employee, etc.) and expect people on the other side of the interaction to know their parts as well. And we use abstraction to guide us through the dizzying barrage of personal choices that confront us: every day on countless different margins, we trade off the interests of an abstractly imagined future self against the concrete impulses and desires of the moment.

So far, so good – but alas there’s more to the story. I argue that this same dynamic is behind the big rise in class-based inequality over the past generation. At the heart of the matter is a chicken-and-egg relationship between socioeconomic class and cognitive culture. If the skills we now call human capital (whose common denominator I identify as fluency with abstraction) represent a cultural adaptation to social complexity, it makes sense that the groups most exposed to modern complexity will show the highest degree of adaptation.

Which is exactly what we see. Although Americans generally don't like admitting that class is a real phenomenon and that real social as well as economic differences between classes exist, it is and they do. The elite occupations that require analytical sophistication, strong people skills, high motivation, and meticulous planning will generally be filled by the people most flush with those skills, which they will hone even further over the course of their working lives. These elite workers will naturally tend to pass those skills along to their children – through their own parenting in the home, and through the influence of the communities in which they congregate. Working-class occupations, by contrast, don't require much fluency with abstraction, and they will tend to be filled with people who are less adept at coping with complexity. These workers will in turn create families and communities in which fluency with abstraction does not figure prominently. Thus do the requirements of the workplace ultimately translate into strong cultural differences along class lines. There is a rich sociological literature documenting these differences that I review in the book.

Okay, you might say, cultural differences between classes exist. But that's nothing new, so why did class-based inequality decline over much of the twentieth century only to start re-emerging in recent decades? I'll offer here a very simple explanation in lieu of the much more involved account in the book. Once upon a time, when the world was much simpler, there were more people with the requisite skills to handle elite occupations than the number of elite slots. Many of those scarce slots were rationed on a decidedly non-meritocratic basis: basically, they went to white men with the right surnames from "good" families. (Happily, the economy was dynamic and entrepreneurial enough to allow a certain number of talented people with the "wrong" demographics to push their way into the elite as well.)

But then the world got more complicated. And as it did, the racist and sexist restrictions that maintained the elite as a preserve dominated by male WASP's became increasingly dysfunctional – and, gradually, they withered and died. This period –the middle decades of the twentieth century – was one of declining class differences, as the descendants of the Great Migration from the turn of the century now found the paths of upward mobility more open than ever before.

But the world kept getting more complicated. In response, the elite buckled down and focused more intensively than ever before on preparing their kids for an increasingly competitive world – hence the rise of what we now lampoon as “helicopter parenting.” But the rest of society, for complicated reasons I describe in the book, veered off in the opposite direction: a dramatic rise in single motherhood and divorce led to a family and community environment for developing human capital that is arguably much less favorable than before.

In this era, class differences have grown and sharpened. Consequently, the market price of highly skilled workers has been bid up and the result has been a rise in income inequality (not the only reason for that rise, but a big one). Coming from the right family is once again greatly important for socioeconomic success. But the reasons have changed: from family-based advantages rooted in “who you know” to ones based on “what you know.” Thus our current predicament: the meritocratic class society.

I conclude the book with policy prescriptions for how to revive broad-based human capital development – and, with it, greater opportunities for upward mobility for all those who didn’t win the parent lottery. My policy proposals are an eclectic mix, and while I think they all push in the right direction, one stands out in my mind as a potential game changer: structural reform of K-12 education to allow more competition among schools for students. Public schools are supposed to help realize the promise of equal (or, realistically, sufficient) opportunity by imparting to all, regardless of background, the knowledge and skills they need to thrive in life. At present, though, rather than mitigating class-based differences in the home and community, America’s public schools merely perpetuate them. Elite kids start school with big advantages in cognitive skills, and those advantages continue to widen during the primary and secondary school years. Unless that can change, the sharp disparity between human capital have’s and have-not’s will be with us as long as fluency with abstraction remains important for socioeconomic achievement.