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Gilder Envisages Tomorrow

Life After Capitalism: The Meaning of Wealth, the Future of the Economy, and the Time Theory of Money**,** by George Gilder, Washington, D.C.: Regnery Gateway, 2023, 224 pages, hardcover.

A lot of economists are fond of telling you what to do with your money after you've done something else with it. George Gilder can do much more than that: In his latest book, *Life After Capitalism*, he advances a new type of economics along with a different way of defining money.

The "information theory" of economics that he presents has four key canons (each of which he scrutinizes), namely, 1) wealth is knowledge; 2) growth is learning; 3) information is surprise; and 4) money is time.

Readers may have to set aside some predispositions when encountering this introduction into "life after capitalism," but it is an enlightening journey. Do bring your thinking caps. That theory, emanating from mid-20th-century figures Claude Shannon, Alan Turing, and John von Neumann, is at the core of the computer and communications systems. Gilder extends it to economics.

A founding fellow of the Discovery Institute, futurist Gilder began his study of information theory there. This theory provides, in his words, the principles

of a new economic revolution that is overturning the incentive-run mechanisms, materialist assumptions, scarce resources, and state demand-side models of Adam Smith and Karl Marx. The new information theory is leading us to a new understanding of economics and a new era of abundance and creativity.

Get ready to gambol, because, to Gilder, economics "is a dance to the music of time."

Revealing Learning Curves

Classical, free-market, and other folks may also find it unsettling to see "Adam Smith and his heirs" pictured in less than stellar fashion; or to find libertarians, supply-siders, and socialists being united in print as being mistaken in how wealth is created. What is being dissected here are essentially premises and postulates. What Gilder calls a "fundamental observational-philosophical mistake" is resting "capitalism theory on the faulty foundation of materialist rewards and punishments" rather than on "human ingenuity, creativity, and accumulating wisdom."

On the one hand, as we read in *Life After Capitalism*, the critics of capitalism "and almost all its defenders agree that capitalism is essentially an incentive system." On the other hand, Gilder posits that economics should be viewed as an information system to be freed.

People do learn — or they should. And Gilder doesn't spare himself when it comes to what he considers his past misunderstandings. He cites his own work in the 1980s bestseller *Wealth and Poverty*, in which he "explained and celebrated" that the Laffer Curve was demonstrating how lower tax rates usually bring more tax revenues to the government than high rates do. Such lower tax rates enhanced revenues, "so I assumed, by providing incentives for entrepreneurs to make creative investments rather than concoct a scheme of ingenious tax avoidance."

The author credits analyst Bill Bain and the Boston Consulting Group for pointing out that their studies had documented learning curves "across every industry in the economy." From that came the conclusion that the "Laffer curve was not merely an effect of incentives but chiefly a manifestation of learning."

A learning curve was also found among lawyers and accountants. Then, as "taxes mounted, the cumulative effort to avoid them multiplied." In this case, even lawyers and accountants got better in guiding their clients on tax avoidance. Corporate tax management became as important as efficient production lines. As related by the author, "Net tax rates — what corporations actually pay against their nominal rates — fall as do government revenues, just as Laffer's curve predicts."

Accordingly, in Gilder's view, *learning* is the best definition of economic growth.

Money Is Time

A wit — well, perhaps a half-wit — might say flippantly that time is like money because you can only spend it once. Gilder's view is deeper. He argues convincingly that money *is* time (and spends a chapter on that very point). And time, as he puts it, "is the only money that politicians and bankers can't print or distort, counterfeit or fake."

Money, says Gilder, is "a measure of time." It can be expressed in "time-prices." It is, further, "not something to be hoarded and manipulated to achieve economic goals; it is a measure of the learning curve of time, volume, and value."

The time-price phraseology crops up repeatedly. This was also the case in a superlative book called *Superabundance*, published last year by the Cato Institute, and written by Gale Pooley and Marian Tupy (with a Foreword by Gilder). In *Life after Capitalism*, he calls those two men his favorite economists and credits them for building on the "time-price revolution" pioneered by William Nordhaus and advanced by Julian Simon. Indeed, two key chapters in *Life After Capitalism* are written by Pooley and drawn from Superabundance.

While all people have only 24 hours in a day, it turns out that when time-prices decline, it is often the poor who benefit the most. There are plenty of specifics about this and similar phenomena in both books. Gilder, for instance, recounts how the time-price to acquire

enough rice for a day's meal in India has dropped from about seven hours in 1960 to under an hour today. The time-price of a comparable supply of wheat in Indiana has dropped from an hour to 7.5 minutes. The Indian peasant has gained six hours and two minutes to do other things, while the Indiana wheat purchaser gains some 52 minutes.

From numbers grow potentially mighty political points. From such data, comments Gilder, we can also see that

resources and energy are not running out, population growth is not "unsustainable," and so-called "climate change" is not wreaking havoc around the globe. Tupy and Pooley show that while carbon dioxide in the atmosphere increased 22 percent since 1980, the effects were neither environmentally toxic nor economically disastrous: the world's economy grew by 518.98 percent, and in that measurement is an ever-growing abundance of resources of food and other products and services.

As valuable as the Gilder book is (and the Pooley-Tupy volume as well), there are places that left us unconvinced. For example, in a section where Gilder attempts to use Tupy-Pooley data to refute several hypotheses frequently propounded in political economic debates, he essentially downplays the ramifications of a trillion-dollar U.S. deficit.

He writes that the relevant time-prices showed the U.S. economy was still "robust" and able to sustain large deficits — but with several accompanying conditions that we consider to be very big "ifs."These were what amounted to stipulations: The economy could handle such huge deficits *if* "not crippled by trade wars, political supply chain disruptions, damaging tax hikes, or emergency socialism." By such a rationale, this reviewer could have been a much better baseball player *if* he were six inches taller, packed 30 more pounds of muscle, and could handle a sharp-breaking curve ball.

We were a lot more in tune with the Gale Pooley examples in one of his chapters in *Life After Capitalism* where he demonstrates his methodology to estimate the growth of personal resource abundance. Data show, for example, how much the time-price of air travel has decreased of late (down 38 percent in five years); that the time-price of air conditioning had fallen more than 97 percent since 1952; and that the time-price of corn has decreased by 573.1 percent in the last 85 years.

There's plenty to like in *Life After Capitalism*. Nor is Gilder shy about deservedly pointing fingers. He notes, for instance, that currency trading has become "a playpen for financial predators." In his "Finance Rampant" chapter, Gilder observes:

Because the holdings controlled by particular financiers and banks are so much larger than the economies of even sizeable countries, intruders can upset the finances of countries with "hot money," make a fortune, and leave. Financier-intellectual George Soros is the leading case in point, building his fortune with disruptive excursions into the currencies of Great Britain, Indonesia, and Thailand.

The author is especially concerned about the enormous shift of power — "away from productive citizens, innovators, and entrepreneurs to politicians, banks, and bureaucrats." That is, in his view, "the essence of life after capitalism."

No, today's political climate is certainly not ignored. While acknowledging that a majority of registered Democrats do profess sympathy to socialism, that is not the word that statists tend to employ in this country. What Gilder does hit is what he calls "emergency socialism," and points out that the message is being disseminated under words such as "the science" and the "presumption that government 'experts' know best."

The author is clearly dismayed that government-directed "sustainability" is the argument that "has apparently won the day."

Socialism, as he accurately says, has "never been systemically taught in American primary and secondary schools." Preaching sustainability, after all, does that job. And, continues Gilder, "sustainability is revered as the only way to escape ecological disaster. According to a BBC poll, 56 percent of schoolchildren believe that humanity is doomed because of its destruction of the planet."

An antidote to such absurdity, this volume is decidedly not a paean to the Reverend Thomas Malthus, who declared in 1798, as Gilder reminds us, that population growth was ultimately "unsustainable" in the face of the globe's finite resources; or Paul Ehrlich, whose bestselling book *The Population Bomb* "prophesied global famine" unless the earth's population was halved.

Cryptocurrencies and More

Some relatively recent economic events, as well as Gilder's commentary in his book — including a chapter on "Bitcoin Capitalism" — led to a personal exchange with Gilder. We pointed to how one prominent publication had reported on the well-publicized failures of American lenders and advocated more federal regulations. Similarly, another major magazine had, among its comments on the collapse of the FTX exchange and other blockchain ills, concluded that it anticipated more of a "crypto crackdown" by regulators.

With that as background, we noted how his book hails the "key innovation" called the blockchain, even while pulling no punches about its "earlier manifestations," especially Bitcoin — calling them "fatally flawed." We asked if he was still enthusiastic over the potential of better cryptocurrencies, when it seems that they are so likely to be subject to government control and regulation.

What, we asked Gilder, does he see of the future of cryptocurrencies "after capitalism"? His response:

When cryptocurrencies are launched that accurately register the role of time in the world economy ... any government digital currency will be valued by this prevailing true money. Out of the current mass of crypto devices, a real money, conforming to the measure of time-prices, will emerge in coming years and it will rule the world of valuations as ubiquitously as gold ruled all valuations from the time of the Industrial Revolution until the 1971 abandonment of the gold standard.

In discussing these matters in print, in *Life After Capitalism* the author also promotes the building of "Web 3.0," the "new phase of the internet now emerging."

Some readers may well have to open their minds and their dictionaries when they bump into rising entropy, epistemology, Boolean algebra, and quantum computing — to mention just a few of the challenging expressions and subjects that we encounter here. You still will hear about "supply and demand," albeit in a different fashion. As Gilder declares, "True economics must come to terms with information theory. It must escape the murky morass of demand and money into the rigorous calculus of supply-side time and time-prices."

The effort will be worth your time. After all, according our latest economic principles, money gains value only when it is invested. Wealth is knowledge. And you can only profit from what you know.