

Forbes®

Human Capitalism

Timothy B. Lee – October 23rd, 2012

Brink Lindsey, who recently rejoined the Cato Institute as a senior fellow, has a new book out called *Human Capitalism*. It dovetails nicely with his previous book, *The Age of Abundance*, which I reviewed here. The previous book examined the history of the postwar period, examining how mass affluence transformed American culture, making people more introspective and more focused on the achievement of non-material goals.

If *The Age of Abundance* examines how economic change affected peoples' lives outside the workplace, *Human Capitalism* examines how people have adapted at work. Not only has our economy been characterized by increasing specialization, but as we've learned to automate routine tasks, the economy has become more abstract. Many of the people who were standing at assembly lines a half-century ago have been replaced by robots. And so we have many more people sitting behind computer screens deciding how to configure the robots or how to boost sales of the output.

At the same time, there continues to be robust demand for people to provide services like retail sales, hair cutting, lawn care, massages, taxi driving, nursing home care. Most of these jobs don't require a great deal of skill. So, Brink says, we're increasingly living in a two-tier economy, consisting of high-skill, high-income white-collar workers and low-skill, low-income service workers. What's disappearing are the semi-skilled jobs in between that once allowed people to make it into the middle class without a lot of formal training.

Brink argues that there's plenty of potential for growth at the top of the economy, as reflected in the growing college wage premium. The problem is that even as the financial rewards to education continue to grow, the fraction of the population graduating from college has stagnated. It seems that a significant fraction of the population, perhaps a majority, simply aren't capable of mastering the cognitive skills necessary to obtain a good-paying white-collar job.

Brink argues that the fundamental issue is "fluency with abstraction." This is the constellation of skills—literacy, ability to adapt to varied social situations, the ability to navigate bureaucracies, the ability to defer gratification—that are essential for success in a white-collar world. He says these skills must be cultivated from childhood. Those of us lucky enough to be born to educated middle- or upper-class parents likely absorb these traits as we're growing up, while people from less affluent backgrounds largely do not. For example, he notes, "by the time they reach age three, children of professional parents have heard some forty-five million words addressed to them—as opposed to only twenty-six million words for working class kids, and a mere thirteen million words in the case of kids on welfare.

Practice makes perfect, and so by the time they reach adulthood, the children of more affluent parents find that the skills needed to navigate college and the workplace come naturally to them. The children of poorer, less educated parents don't learn fluency with abstraction in the home, and so they struggle to adapt to college life and white-collar jobs.

This general explanation makes so much intuitive sense to me that I don't have a lot to add to it. Unfortunately, the depressing conclusion of the argument is that closing the achievement gap is going to be really hard. It's hard to see how the government or charities could replicate the immersive learning environment that comes from being raised by white-collar parents. By the time poor kids start school, or even pre-school, they are already behind, the gap is likely to only grow over time.

I found it interesting how much Brink's conclusions dovetail with the emerging liberalitarian policy consensus. He makes some recommendations on education and entrepreneurship that fit nicely with those found in Alex Tabarrok's book. He endorses the Avent/Yglesias position on housing deregulation. He advocates more generous subsidies for the wages of low-skilled workers to ensure these workers are building job skills. And he points to the drug war and the resulting mass incarceration as a factor that has exacerbated the gap between rich and poor by excluding many poor, especially black, men from the workforce during the prime of their lives.