

The Complacent Class: The Self-Defeating Quest for the American Dream

By Tyler Cowen

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Reviewed by
Jeremy Shearmur



Tyler Cowen is always worth reading. He is a brilliant Harvard-trained economist with a strong background in the classical liberal tradition. He has amazingly wide interests including 'primitive' painting, markets and culture, and food journalism (see his 2012 book *An Economist Gets Lunch*). He also co-hosts the popular economics blog Marginal Revolution. In recent years, he has produced some interesting (American-centred) books on the current economic situation and its social consequences: *The Great Stagnation* (2011), *Average is Over* (2013) and now *The Complacent Class*.

The Great Stagnation—which is more of an essay than a book—explores some of the problems that have arisen in the United States from the failure to adjust expectations to a mature economy with less growth. *Average is Over* discusses the impact on the job market of developments in information technology (IT) and robotics. Cowen argues that we can expect to see a polarisation between about 15% of the population who develop or make high-value use of these innovations, or provide services to those who do, and the rest of the population whose earnings will be much less. He addresses the limits of trying to remedy this situation through taxation, and explains how he thinks people will adjust. It is striking that he does not expect much social unrest—something about which he is less sanguine in *The Complacent Class*.

The Complacent Class argues that three important groups in the US—those at the very top, those who are doing OK, and those at the bottom—have become accepting of the status quo, but that the situation is unstable. American society has become more complacent: people are on average older and less mobile than they used to be, and there is extensive segregation by income. (Indeed, a key

theme of his book relates to the consequences of segregation of different kinds that comes about as a largely unintended result of purely voluntary choices.) Those who are relatively privileged have strong economic and social incentives to stay where they are geographically. For them, there is little to be gained by moving elsewhere. It is also understandable that they seek ways of preserving what is attractive about their situations (for example, by way of zoning restrictions on development). This, and the high wages in attractive areas, leads to very high real estate prices.

Yet as people have made use of political means to limit innovation that they don't like, opportunities for others to improve their situation have been choked off. In particular, opportunities have declined for them to move to more productive areas for work—which, historically, were an important engine of growth. (Consider the significance of the frontier—and movement towards it—in American history.) Cowen explores various reasons for why social mobility has declined; he treats different aspects of this in detail, with references, and his discussion of the economic consequences—including that the median male wage is now lower than it was in 1969 (see pp.86-8)—is striking.

Cowen documents the way in which moving, for the least advantaged, is likely to improve their and their kids' earning prospects considerably—and that staying where they are is particularly bad for them, and also for the overall wealth and dynamism of society. He also points out the effect of occupational licencing in limiting job mobility, as licencing requirements differ from state to state and act as barriers to entry. At the same time, he notes that the 'Latino' population is very mobile—which suggests there may be cultural reasons for low mobility on the part of the poor.

Cowen describes his book 'as explaining slow growth . . . and why . . . economic and technological stagnation [which he documents dramatically: see his important chapter 4, which merits a review in itself] . . . has failed to reverse itself' (p.12). He also paints a picture of the way in which developments in IT have enabled people to create secure virtual environments within which they may—and all too often do—choose to mix only with like-minded people who share their values and so on. But this only aggravates segregation by income, educational

status and to a degree race, which makes it harder for those on the outside to break in.

Cowen has many interesting and arresting things to say, including his comments on the shift—with the development of IT—to passive forms of entertainment. He also has a fascinating chapter on ‘matching’ (that is, our ability to pick things which fit our tastes, and how this is enhanced by IT) and its consequences. Despite the IT sector, however, Cowen notes the slowing down of innovation. (He also tellingly contrasts the US with the dynamism of China, although some of what is involved may relate to the maturing of the US economy.)

I’d strongly recommend *The Complacent Class*: it is a fascinating read, and packed with a lot of arresting information. Interestingly, it is also more pessimistic than his two earlier books in the sense that he now expects growing social unrest. I have two reservations, however.

The first is that the structure of the book is poor: it ends up with several short chapters which, while engaging, are not well-integrated into Cowen’s overall argument. Material which he covers here—including the degree to which the US federal government is increasingly limited in terms of discretionary spending, and various observations about the state of democracy across the world—would have been better had he restricted his discussion in this book to what is needed to develop his core argument.

The second is that while Cowen seems to me correct in his main ideas (Bill Bishop’s *The Big Sort: Why the Clustering of Like-minded America is Tearing Us Apart* is also very good on many of these issues), he shies away from the difficult task of suggesting how we should address his concerns. Indeed, the conclusion of the book, after looking at possible sources of instability, suggests that we might need to shift from a view in which there are expectations of linear progress to a cyclic view of history. But (with some exceptions—for example, on the problems of the maturing of economies) each of these are represented as *sui generis* developments which take place in ways that don’t depend on us. Those attracted to either view should look at Karl Popper’s criticism of such ideas in *The Poverty of Historicism* and *The Open Society*. Popper argues that human history is in our hands, and that we

should—with due acknowledgement of our own fallibility (and, I would add, informed by Hayek, an awareness of structural constraints on what we can do)—consider how we might respond to problems as they arise. Popper argues that there is no intrinsic meaning to history, but that we might endeavour to give it one, at least in the sense of trying to make things work a little better.

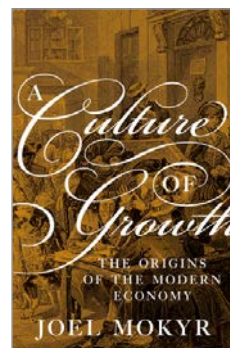
The problems with which Cowen is dealing are difficult—not least because of the degree to which they echo Thomas Schelling’s arguments about the potential unintended macro consequences (for example, segregation) of private micro choices, which we happily make in enjoying the freedoms of a market-based society. Indeed, in raising these issues (and many others), Cowen’s book provides not only a lot of food for thought, but also some real challenges to classical liberals interested in public policy issues.

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A Culture of Growth: The Origins of the Modern Economy

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Reviewed by Wolfgang Kasper

This book has taught me something new and worthwhile. Like many other economists, I have long been intrigued by the ultimate causes of modern economic growth; that is, the sustained rise in productivity and real living standards since the Industrial Revolution. Early on, authors had attributed this to the accumulation of