

Musings



The Best of All Possible Economies(?)

That's supposedly what we've had. Voltaire would have laughed.



BY MARJORIE KELLY

The “Goldilocks” economy is one description I’ve often read of the so-called “perfect” economy we enjoyed for many years, with stock prices reaching fairy-tale heights even as unemployment remained low. It was neither too hot nor too cold: not too much inflation, not too much recession. The stock market has since fallen to earth, and recession may be looming, if Alan Greenspan’s fears are right. But for a lot of folks, we never had a perfect economy to begin with.

Unemployment has been low, but according to the Economic Policy Institute, close to 30 percent of all employees are making a poverty-level wage. That’s nearly one in three full-time employees, unable to feed and clothe their families on what they make.

According to the Center on Budget and Policy Priorities, between 1997 and 1999 the bottom two-fifths of earners saw their income decline, while the richest 1 percent saw their income more than double.

Goldilocks seems not quite the right fairy tale for such a state of affairs. I would suggest a better parable for our times is Voltaire’s satiric novel *Candide*. Published in 1759, it is from the same cultural milieu as Adam Smith’s *The Wealth of Nations*, published 17 years later. The two had much in common, for Smith’s idea of an invisible hand, guiding everything to work out for the best, was a sister theory to the idea lampooned by Voltaire: that theirs was the “best of all possible worlds.”

This notion was popularized by the philosopher Leibniz. As Robert Anchor described it in *The Enlightenment Tradition* (University of California Press), the belief in a “hidden hand” was pervasive in the eighteenth century; it rested on the notion of “a basic harmony of interests among men in the long run,” so it was “only necessary to release everyone to pursue freely his own self-interest in order to realize a harmonious social order.”

By the end of the eighteenth century, philosophers had pretty much abandoned the idea of the hidden hand and “basic harmony”—after the violence of the French Revolution made clear that “harmony” was not the order of the day. But curiously enough, the idea is still found in economics classes today, where it is taught not as philosophy but as science. That’s what makes Voltaire’s satire worth recalling. For our age is very much like his: an era that may indeed be the best possible world for the aristocracy, but is clearly not best for the common folk.

Candide chronicles the tale of the sweetly named Candide, who is thrown out of a baron’s castle and is subjected to outlandish perils—until the end, when he becomes a nobleman himself (via an invented pedigree), and lives happily ever after. In his wanderings in between, he is nearly frozen to death, has his leg cut off, is cast into a dungeon, is shot, caught in an earthquake, and cast adrift in a shipwreck. In one scene, he encounters a fire where 3,000 people have perished, and he discusses it with the ever-present philosopher Pangloss:

“What a shocking disaster! cried Candide. ‘All for the best,’ said Pangloss: ‘these little accidents happen every year. It is very natural that fire should catch wooden houses, and that those houses should burn. Besides, it delivers many honest people from a miserable existence.’”

All these misfortunes, Pangloss explains, are “indispensable,” for “private misfortunes constitute the general good; so that the more private misfortunes there are, the whole is the better.” All things are for the best in this best of all possible worlds.

One can imagine a similar lampoon today, of an individual sweetly named, say, Lucky, who loses his job and is subjected to endless economic perils—until the end, when he wins the lottery and lives happily ever after. In his wanderings in between, he might be forced to take a temporary job without benefits, spend all his money on credit card interest and late fees, finally land a back-breaking factory job, only to be laid off, whereupon he would be sent overseas to a garment sweatshop, where he might be fired for trying to unionize, and would at last be thrown into a stream polluted by Texaco.

At various points, he would be visited by an economist, lecturing about how the invisible hand of the free market leads events to work out to the benefit of all. For all things are for the best in this best of all possible Goldilocks economies. ✎

Excerpted from Marjorie Kelly’s forthcoming book, The Divine Right of Capital, due out in October 2001 from Berrett-Koehler Publishers of San Francisco. The first four chapters have been published in booklet form, under the title “Is Maximizing Returns to Shareholders a Legitimate Mandate?”

To order the booklet, or a copy of the signed limited first edition of the book, see www.business-ethics.com or call 612/870-0605.

According to the Economic Policy Institute, close to 30 percent of all employees are making a poverty-level wage.