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Why Modern Growth Leads to So Much Depression

By Harold James

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Since the 2008 financial crisis, most industrial economies have avoided anything like the collapse that occurred during the Great Depression of the 1930s. But despite large-scale fiscal and monetary stimulus, they are not experiencing any dramatic economic rebound. Moreover, the pre-crisis trend of rising income and wealth inequality is continuing in marked contrast to the post-Great Depression period, in which inequality declined. And survey data show a rapid decline in people's satisfaction and confidence about the future.

The explanation of the post-crisis malaise — and people's perception of it — lies in the combination of economic uncertainty and the emergence of radically new forms of social interaction. Long-term structural shifts are fundamentally changing the nature of work and the way that we think of economic exchange.

In the early 20th century, a large share of even advanced economies' populations was still employed in agriculture. That proportion subsequently fell sharply, and the same decline could later be seen in industrial employment. Since the late 20th century, most employment growth has come in services, particularly personal services — a pattern that looks like a reversal of a previous historical trend.

At the beginning of the 20th century, upper-middle-class households often had cooks, maids, nannies and cleaners. In the interwar years, these employees largely disappeared from the lives of all but the ultra-rich. British historian A. J. P. Taylor quipped that laments about the decline of Britain were really generalized reflections of Oxford academics' view of the "servant problem."

By the end of the 20th century, however, many of these old service occupations were reappearing on a large scale, as dual-career households needed additional "help." The employment of nannies, au pairs, babysitters and day mothers reflected carefully differentiated approaches to the problem of looking after children.

After child care, there followed hordes of private tutors, test coaches and university admissions consultants. Beyond childhood and adolescence, the need for specialized personal support only grew.

Some of the new services would stretch the imagination of previous ages. Dating agencies have developed increasingly complex algorithms to sort out their clients' romantic lives. Lawyers work out prenuptial contracts and then the complexities of divorce negotiations. Design consultants choose our interiors and clothing. Personal trainers look after our fitness. Cosmeticians, skin-care specialists and tattoo artists shape our appearance.

Two of the largest areas of service-employment expansion have been education and health services. And yet this has not been a result of adding more teachers or doctors. Instead, a new division of labor has surrounded the classical providers of education and healing with more and more layers of administration. Doctors need experts to deal with insurance forms, negotiate with other doctors and pharmaceutical providers and manage legal risks. Educational specialists fill every conceivable logistical and administrative gap, run sports and arts programs, guarantee diversity and oversee technology transfer to the private sector. Indeed, a rapidly growing army of administrators is overrunning our universities.

None of these new services can easily be standardized or dealt with at long distances in contrast to some types of clerical legal and financial work. The caregivers and consultants need to be on location. And that raises a question of control. How can child-care providers be trusted? Cautious parents seek agents to select their employees and technology to monitor them as they work. So to find out about the reputation of service providers, we need still more service providers: ratings and surveys and agents to tell us about agents.

The new service economy extends market relations to areas of life in which, previously, informal assistance and guidance within family units prevailed. To the extent that employment and income in the new services can be easily recorded, this change implies an increase in measurable economic wealth and output because unpaid household services are ignored in calculations of gross domestic product.

Experts might thus interpret the macroeconomic consequences as largely positive. But the element of personal dependence is a throwback to the preindustrial world.

The zenith of the old service economy was the court of Louis XIV, where specialist courtiers attended to the king's every need, even the most intimate, including the groom of the king's stool. In that pre-modern world, private life was extraordinarily public, whereas the social movements of the 19th and 20th centuries dramatically expanded the realm of individual privacy and self-definition.

Today's new service economy is driven by the resulting uncertainty over identity. We need advice on every aspect of life, provided in a complex world by people whom we think to be experts in ever-narrower and more specialized fields. We can easily monitor that advice and subject it to statistical testing: Are our children doing better on tests? Are we more fit? Are we dating more people who share our perceived interests?

Paradoxically, the new technological possibilities are also eliminating privacy. We are moving back to Louis XIV's world, in which everything personal is known, rumored or whispered. But now, with electronic surveillance, personal dependence has never been more extreme, more humiliating and more depressing.

This might explain some of the public dissatisfaction captured in so many surveys, even when economic conditions are not dire. Subjectively, modern growth feels problematic — and perhaps even immoral.

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