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WEALTH, UNREALITY, AND OUR VIRTUAL WORLD  
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I begin with two brief stories.

A couple years ago I was having a talk with my then-ten-year-old son about how now, since he was getting older, decisions he makes will start to count because they will form habits that will eventually steer his life down long-term paths; thus it might be a good idea to start asking himself now what kind of person he wants to become later in life, and to start adjusting his behavior accordingly. As Aristotle said, after all, “It makes no small difference [...] whether we form habits of one kind or of another from our very youth; it makes a very great difference—or rather *all* the difference.” To drive home the point of this sage fatherly lecture, I asked my son to consider what he would do if, much later in life, he realized that his life had indeed gone down a path he didn’t want.

Without missing a beat, my son said, “I’d hit the reset button.” Ah yes, *the reset button*. It came as something of a shock to him, I think, as he began to realize the consequences of the fact that life, unlike video games, does not have a reset button.

Here is the second story. This past summer I taught a course on the ethics of philanthropy for the Fund for American Studies. The course had students from all over the country, from South America, from Europe, and from the Far East. One of the essays I had the students read was William Graham Sumner’s canonical “The Forgotten Man.” If you haven’t read it recently, Sumner argues that politics often proceeds this way: Activist *A* sees Someone Who Is in a Bad Way *B*, so he calls Politician *C*, and *A* and *C* soon figure out a way to make Citizen *D* pay for a new program to help *B*. Sumner points out that this Citizen *D*—the “forgotten man”—is the person who does everything right: he works productively, he honors his obligations and his

responsibilities, he stays sober and upright, and he does not ask others to pay his way. Yet despite his virtue, indeed *because* of his virtue, he is punished by the activist and the politician. For he is made to provide not only for himself, for his own family, and for his voluntarily undertaken obligations, but also for whoever and whatever the activist and politician think deserves his money.

Now Sumner's argument is not that all recipients of government redistribution programs are undeserving; some clearly are deserving. But he argues that the unheard-from "forgotten man" is also deserving of our concern. Shouldn't we celebrate this person, Sumner asks, instead of punishing him? Shouldn't we have as much concern for his wellbeing as we have for those to whom we wish to give his money? Indeed, shouldn't one of our societal goals be to enable as many people as possible to *become* "forgotten men"?

This strikes me as an important and plausible argument, worthy of serious attention whether we ultimately agree with Sumner or not. But what was my students' reaction to Sumner's argument? It was clear and resounding. They said, "It's his *own* fault that the 'forgotten man' is 'forgotten.' He needs to get politically active and make his voice heard!"

Consider that response for a moment. He should 'get political'? I gently suggested that if all the "forgotten men" in the country decided to become politically active whenever their interests were threatened or neglected, it might lead to some problems. Who, for example, would fix the cars, or build the houses, or run the farms, or man the stores? Doesn't *somebody* need to be engaged in productive labor—if for no other reason than to give all the activists and politicians something to redistribute according to their wisdom (not to mention to create the wealth off which they live)? But many students would have none of it. Everybody, they thought, needs to be politically active; indeed, some claimed that everyone should be a political activist. I suppose the planes, trains, and automobiles—not to mention the iPods and laptops—would all just produce themselves, then.

I relate these two stories because they are indicative, I believe, of a common and spreading malady. Many Americans today live in a world of unreality, a virtual world that bears only slight

connection to the real one. Their world is a grandiose creation that would be dashed to pieces in an instant by the real world were it not, I suggest, for the enormous wealth we enjoy. I think this is a deep and fundamental problem we face today as we proceed apace to destroy the institutions that have allowed the creation of the wealthiest and most prosperous nation on earth. Our spectacular wealth has enabled hundreds of millions of us to rise out of the miseries of poverty; but it has also enabled more and more of us to indulge not only bad judgment but fantastical worldviews because we—or someone, at least—can always afford to pay someone else to clean up our messes when things go wrong.

Wealth, like so many other things, is a blessing that can become, in excess, a curse. There is no denying the astonishing transformation in standard of living the commercial revolution has brought to those lucky enough to be part of it. Whereas for the previous twenty thousand years or so the average human being lived on the rough equivalent of \$100 per year, beginning around 1800AD there occurred an explosion of real wealth unlike anything ever before seen—or, likely, imagined. The worldwide average per-capita income in 2008 was about \$8,000, an *eighty-fold increase* over the average that obtained for the previous 99% of humanity's existence. Not all the newly created wealth is enjoyed equally, of course. Indeed, in the United States the average annual income is \$48,000 per person—an astonishing 480-fold increase—whereas there are still countries in the world where citizens remain in the \$100 per year range. But the wealth and prosperity that commercial society has engendered for its beneficiaries has been tremendous and cannot be gainsaid.

One fact will illustrate the transformative effects: The worldwide life expectancy in 1800 was in the low 30s; today it is sixty-seven. In 1800, an American male could expect to live to about 45; today his life expectancy at birth is 75, a 65% increase.

This increasing wealth thus has enabled us to do many beneficial things, including dramatically extending people's lives. But allow me to dwell for a moment on one not-so-good thing it does: It allows us to insulate ourselves from the consequences of our bad decisions. It is like the magical ring in Plato's story of Gyges. What does the shepherd boy do when he discovers a ring that can make him invisible? Why, of course, he seduces the queen, conspires with her to kill the

king, and puts himself on the throne. (As you know, Socrates went on argue that justice is its own reward and that it is never in one's interests, properly regarded, to act unjustly. If only more people believed that.)

The moral of the Ring of Gyges story is that when people do not have fear of repercussions from doing the bad things they desire, they—or at least some—will do them. Socrates's position notwithstanding, the truth that this story illustrates is that people respond to the incentives they face and to the feedback they receive.

Let me give you a few examples. It turns out that the wearing of bicycle helmets does not decrease the chances of significant injury while cycling. Why not? Because, feeling invulnerable under a helmet, people take greater risks—and the cars, trucks, and buses around them do the same.

It also turns out that the increase in the proportion of people wearing helmets while skiing and snowboarding is not decreasing serious injury. Why not? Because, again, with helmets on people feel invincible and so ski and snowboard beyond their abilities. They take risks they otherwise never would have.

Another example is seatbelts. It turns out, astonishingly, that there is no evidence that lives have been saved from the large increase of seat-belting worldwide. According to one British study, "In fact, after the passage of the [1983 British mandatory] seat-belt law more pedestrians and cyclists were killed as a consequence of belted motorists driving less carefully. And after seat belts became compulsory for children in rear seats, the number of children killed while travelling in rear seats increased, again almost certainly as a result of the false sense of security induced in the parent/driver."<sup>1</sup> According to one researcher, "There is no country in the world that has passed a seat belt law that can demonstrate that it has saved lives."

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<sup>1</sup>See <http://john-adams.co.uk/wp-content/uploads/2006/12/Seat%20belts%20for%20significance.pdf>.

The reason for this is a phenomenon called *homeostasis*, or *risk compensation*. The more that people perceive that risks are minimized—and people often wildly misestimate risks—the more likely they are to engage in dangerous or foolish behavior than they otherwise would have. Thus, undertaking to protect people from the unpleasant consequences of bad decisions (which is what safety measures like helmets and seatbelts largely do) gives them exactly the mental ammunition they need to—you guessed it—*keep making bad decisions*. The more you believe that the costs to you of dangerous risks have been lessened, the more risks you take.

Apply this lesson to a recent case: Bernie Madoff. His malfeasance looms large in our consciousness (and mine especially since he was on the board of trustees of Yeshiva University, where I teach). Of course no one wants what he did to happen again. But what would be the best way to ensure that there will be *more* Bernie Madoffs in the future? The answer is: telling individuals not to exercise scrutiny and skeptical judgment when investing their money because there is some government agency—or indeed lots of them—who will watch out for you. That, ladies and gentlemen, is precisely the *wrong* thing to do. Here's what we should tell people instead: "You are on your own. If you invest foolishly and lose your money, too bad for you. Don't come crying to us. So you'd better invest wisely." Now if we said *that* to people, what would their reaction be? After wailing and gnashing of teeth and crying out "who will protect us?" people will begin—and pretty quickly, I'd wager—asking their brokers and advisors difficult questions, shopping their money around, bringing market pressures to bear on investment advisors, and in short being far more careful with their money than they otherwise would be. I promise you, that would be a far better system of "regulatory oversight" than anything anyone in Washington, DC could provide.

I suggest that many welfare and state aid programs—including, I should add, government bailouts—thus provide exactly the wrong incentives by shielding people from the risks and real consequences of dangerous and foolish things they do. This encourages people to engage in all manner of risky social activities, to try out all sorts of dangerous behaviors and activities, even to flout traditional morality and the rules of decorum and decency—all with relative, and increasing, impunity. Why wouldn't they? Indeed, shouldn't we *expect* more and more people to behave foolishly if we eliminated the costs to them?

Imagine you were given the authority to run a huge corporation, but you were assured you wouldn't be held responsible if it went out of business and you couldn't lose your job as the company czar no matter what. Just think of all the zany ideas you might try out. Maybe you'd decree that no one was allowed to make more than three times the lowest salary. Or maybe you'd decide that since everyone is equal you should randomly swap people around in jobs in the company—one day, janitor; the next, CEO. Or maybe you'd decide that everyone should be able to take three months off per year— without losing their job and without even a reduction in pay. Well, why not?

In a fantasy world like that you might like to try out all sorts of magical ideas that sound nice. What fun it would be! Now if we suppose our intrepid czar gets to run, again guilt-free, a company that is already doing well and thus already has a built-up store of capital when he's put in charge, it might actually be able to survive for some time under his daft leadership. It might be able to lumber along as he increases vacations and benefits to workers, cuts pay to executives, adds “green” regulations but forbids price increases, and so on. Who knows how long the company might coast until the added weight finally brings it to a halt?

You might think I am exaggerating, but, really, how different is this from the situation we currently face as a nation? Which of our audaciously hopeful political leaders really has any idea how to run ... well, anything? Which of them has ever had a job in the private—that is, the *productive*—sector? Many of them have instead come out of academia, which may be the most corrosive environment ever conceived by man for understanding reality. (More on that in a second, but right now back to the dangers of wealth.)

The institutions that allow the creation of wealth can generate not only prosperity but also an indifference to the nature of the institutions that allowed its creation. And the wealth created can give people the luxury of indulging that indifference because they do not have to exercise prudential judgment regarding scarce resources, proper allocation of time and energy, even how to regulate their behavior so that they can *contribute* to society rather than *free-ride* on it. Great wealth can pay for a lot of “safety nets” and “bailouts” when people do poorly; as Adam Smith

said, “there is a great deal of ruin in a nation.” He was right; but even a “great deal” is not without limit. And what our wealth *cannot* do is make the costs of bad decisions go away. Foolish behavior will issue in costs to someone, somewhere. To imagine otherwise is suffer from the malady of “unreality” I argue that wealth itself can, unfortunately, enable.

This, then, is the curse of wealth: it enables the alleviation of suffering and poverty, but it also enables release from the rigors of reality that train and hone individual judgment. We trade robust independence, common sense, and a healthy connection to reality for a comfortable but vapid and inane life in a virtual—i.e., an unreal—world.

Well, all right; but what should be done? I am not suggesting that we should stop producing wealth: far too much good, and far too much benefit to human life, comes from the production of increasing wealth. Instead, we must take seriously the obligation to figure out what the best uses of wealth really are. As Andrew Carnegie argued, this is indeed a *moral* obligation.<sup>2</sup> Wealth is a powerful tool, and it can be used for enormous good; but it can also be enormously destructive.

According to Carnegie, the wealthy man must therefore undertake the difficult, but morally necessary, task of close scrutiny and investigation to see what incentives his giving will create. Will giving money to this organization or to this person encourage *good* things—industry, perseverance, the development of independence and judgment (or, to use a quaint word, “virtue”); or will it encourage *bad* things—laziness, dependence, enervation (what used to be called “vice”)? This is often very difficult to judge. It requires a great deal of detailed knowledge of the people involved, of the situations they face, of the resources and opportunities open to them, of their history, of their proclivities, and so on. That is what makes effective giving so difficult (and nearly impossible for a distant legislator to get right, but that’s a different matter).

Thus one thing our wealth requires of us is to take seriously our obligation to use it effectively and wisely. This entails what Albert Jay Nock called the philosopher’s first obligation, which is *to see things as they are, not as we wish them to be*. This is not as easy as it sounds. Indeed, it is

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<sup>2</sup>In his 1889 essay, “The Gospel of Wealth.”

surprising how much effort is required to allow ourselves to see things as they are, so inclined are we to let our hopes, our aspirations—and in this wealthy society, our fantasies—to color what we see and to affect what we believe. To view the world as it in fact is, to view human beings and human nature as they in fact are, requires a persistent struggle, and the effort is often met not with gratitude but with condemnation from those among us who prefer the hope and the fantasy to the reality. But serious times call for serious people, and here, I think, the responsibilities of those of us who are academics are finally implicated: It is our obligation to see things as they are and to stop indulging the nonsense we see in the unreal world of education.

Now, I do not wish to overstate the effect that any of us academics can actually have. But we can make a start by calling our students, our colleagues, and our administrators on the fantastical delusions they routinely engage in. And let us be honest: there is a lot of that in higher education. Whole fields of study float on clouds of unreality, supported by invisible skyhooks utterly disconnected from reality. And the system of higher education seems almost designed to encourage unreality. Consider for a moment these facts: (1) we academics have tenure and work for institutions with endowments, both of which insulate us from the real world; (2) we enjoy “faculty governance,” whereby people who have never run anything come to believe they can run everything (and endowments and tenure protect us against the negative feedback that results from our silly, even absurd, decisions—so we can continue on in them almost indefinitely); (3) we develop a sense of superiority and condescension that comes from having little or no involvement with the outside world; and (4) we nurse a resentment because the outside world does not properly recognize our manifest superiority. This, ladies and gentlemen, is a witch’s brew of dysfunction. It is amazing that *anything* good comes out of it, but certainly not surprising that a lot of nonsense does—and it makes academia one of the worst places one could imagine from which to select our leaders.

For those of us who are academics, then, I contend that we need to stop accommodating the nonsense—starting in our own backyards. There is simply too much at stake. If not for yourself, then for your students, for your country, for your civilization. Mill argued that truth can arise only from a crucible of contentious examination. *Be the other side*. Stand up and proclaim loudly for dissenting views. Make people defend not only their pieties but also the premises on which

they are based. You may be surprised how effective this can be at stanching the flow of nonsense.

Since proper diagnosis is the first step to treatment, I believe that understanding the connection between wealth and unreality is crucial. And my exhortation to act, especially to academics, is motivated by the fact that we are not playing tiddlywinks here. I believe our civilization hangs in the balance right now. Future historians will identify decisions made now as the critical causes that charted the ultimate fate of our civilization. You, therefore, have a dog in this race, as do I. And ladies and gentlemen, *there are no reset buttons*.

Let me close, therefore, on a serious note. Most of us have been lucky enough to live in a time of relative peace and prosperity, with a material comfort that has afforded us the luxury of not having to fight for, or even think much about, the institutions required to uphold civilization. But when the threats to civilization are gaining ground, I believe we must rouse ourselves from our luxury and face reality with seriousness. I do not think the future is lost; on the contrary, I think not only that the best aspects of Western civilization can be saved but that they are worth considerable effort to preserve. But I also believe that we can no longer afford to continue living in our “virtual” world of unreality: despite our wealth, the real world is threatening to reassert itself with a vengeance, and it will not be deterred by the fact that it does not comport with our juvenile wishes about the way the world “ought” to be.

As I see it, then, we have two choices. One is to assume that the battle for civilization is lost, and thus to hunker down and hope to ride out the coming storm of impoverishment and barbarism. The only other option is to stand, to face reality with the seriousness it warrants, and to shoulder our part of the real burden of upholding civilization, leaving the rest in God’s hands.

That is the course I choose. I hope you will join me. Thank you.