



MAN'S FIRST AND LAST ECONOMIC SYSTEM

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The cover picture shows a mature Red Deer stag. His set of antlers shows his fitness and experience over several years and thus his high status. A hind is genetically predisposed to choose a stag with a large set of antlers because he is likely to give her and her offspring more protection than stags with fewer antlers and less experience. In the case of the female's choice of a human partner, equivalent considerations apply for future security—the female generally choosing a male with as high intelligence and status potential as is available.

1. Summary

Man didn't need to trade for basic resources

For 140,000 years of his existence, man had hardly any resource shortages at all until he'd finally killed off the last large grazing animal in Asia with his lethal sprung spear, the atlatl.

There is evidence, however, that man was trading long before then. The earliest evidence discovered so far goes back to about 100,000BC when man was still living in the African savannah where everything he needed to survive by way of food, wood and rock (for making tools) was all around him.

Man first traded goods that enhanced status

The earliest goods traded between groups so far discovered in early sites of *homo sapiens* were of a trivial nature and something to do with ornamentation. From the evidence of all the remaining tribes of hunter-gatherer man that have been observed in the last century, these ornamental goods—whether of body-painting or special clothing—would have been insignia of status. It is always the males who possess the most status goods—or the more elaborate ones anyway—because it is always the females who choose the partners for sexual purposes.

The Evolutionary Economics Hypothesis presented here therefore suggests that, from the evidence so far, the materials to make these ornamentations were the first to be traded in order for the males to aspire to, or consolidate, their status to a greater or lesser extent.

Two sorts of status goods

Two sorts of status goods will be discussed in what follows. There are those that have great value which always remain scarce. These status goods are termed 'luxury goods'. Luxury goods are those that are difficult to find or to make and cannot easily be replicated.

The other sort of status good will be called a 'stratum good'. Initially these are also scarce and of great value, bought for status reasons. However, after a period of time, stratum goods happen to be those which can be found or made in much larger numbers. They then become steadily cheaper in price and sought after by the next lower social stratum of customer. Later on, stratum goods can be produced in such large numbers and at such a cheap price that they can be bought by everybody who is disposed to go to work in order to afford them.

At the lowest consumer level, stratum goods are better described as normal consumer goods. They are, effect, basic admission tickets to the ambient culture.

Only stratum goods promote investment and economic growth

Initially, a new stratum good has a very high profit margin and part of this can be re-invested in order to expand production. At a lower socio-economic level of consumer, the profit margin per unit is obviously lower but, because sales are larger, total profits are typically larger. This continues in successive stages to lower consumer strata until competition from other suppliers drives profits down to levels which are only sufficient to maintain the production and distribution machinery and to give a market rate of return.

The discovery, supply and purchase of stratum goods has been the only stimulus for trade and economic development. Once a stratum good has lost a sufficient rarity of status, or even before then, entrepreneurs start to seek out another stratum good. Economic growth depends upon the continual supply of new stratum goods that are able to motivate customers from the richest in the land to the poorest, imparting status as they do so. What is colloquially known as 'the standard of living' rises.

Any economy which is unable to supply new stratum goods, initially bought by the rich and ultimately mass produced for the middle ranks and then the poor is in great danger of losing employment opportunities and experiencing social unrest, particularly from young males. At best, a country's economy will stagnate; at worst, investment in maintaining its infrastructure will decline and a country's prosperity will steadily decline to poverty levels.

2. Introduction

Initial tributes

Two of mankind's greatest philosophers, Confucius and Socrates, could also be called the first anthropologists because they both considered rank order to be of the greatest importance. Confucius (551- 479BC) sought to replace the old religious beliefs with respect for family and social order. Socrates was more analytical. His sayings, as recorded in Plato's *Republic* (circa 340BC), argued that something called *thymos* was an important third constituent in man's soul (the other two being the rational part and the sensuous part). According to Socrates, *thymos* is that part of an individual that needs other people to recognise his or her status in society.

Tributes to economists

Tribute must also be paid to three economists who devoted a lot of attention to status goods (both luxury goods and stratum goods). These start with Thorstein Veblen in his classic work, *The Theory of the Leisure Class* (1899), which described the 'conspicuous consumption' of the rich in order to display their superior status to everybody else around them.

The next is Fred Hirsch of the University of Warwick, the author of *Social Limits to Growth* (1976), who died at a tragically young age some 25 years ago. He mainly discussed scarce luxury goods, calling them 'positional goods'.

The third economist—and still living today—is Robert Frank of Cornell University who has written many books on status matters including *Luxury Fever* (1999). Finally, mention must also be made of Vance Packard whose sociological work *The Status Seekers* (1959), was quite influential in its time, though it was a little premature to resonate sufficiently with the growing science of anthropology.

The Evolutionary Economics Hypothesis is based on science

The present pamphlet has been written on scientific evidence, and quite independently from the arguments of any of the above authors. Indeed, we are not concerned with arguing for any new economic term here but of being a first attempt in presenting the evidence of mankind's most powerful instincts and the way he has elaborated these into a symbolic system which we now call 'Economics'. The Evolutionary Economics Hypothesis rests mainly on findings that have emerged from anthropology and other allied evolutionary sciences in only the last 20 or 30 years.

The economics text books start off on the wrong foot

Unfortunately, many of the basic economics text books have inherited some wrong assumptions that were correct enough in the agricultural era but not before then. Economics is *not* about the distribution of scarce resources. If this were so, then the new species called *homo sapiens* would never have come into existence. Or, if he had, his existence would have been a fleeting one because of fierce competition from stronger primates with similar diets and needs. No—scarce resources only started coming into the picture during the agricultural and industrial eras. These eras together still comprise only about one-twelfth of man's total existence.

However, we must not deny the great contributions of what are now called the 'classical' economists of the 18th and early 19th centuries such as Jean Baptiste Say ('supply creates its own demand'), Adam Smith ('the hidden hand') and David Ricardo ('comparative advantage'). Their main findings are still sound.

The classical economists were all writing at a time when the vast majority of the world's population lived by means of hard labour and in which whole regions were at risk from periodic starvation or natural disasters. The ideas of Say, Smith and Ricardo were fashioned during an agricultural era when most of the expenditure of the average family was on food and basic shelter. The status goods of the rich and the new middle-class were still largely hand-made and had not yet started diffusing downwards by means of mass production in the factories.

Today, we can look backwards to man's earliest economic systems

But today, Janus-like, we can look both forwards and backwards. We can already look forward to the outlines of another era that is overtaking industrialisation—and swiftly, too. Some call this the post-industrial era; others call it the IT (information technology) Revolution. In due course, historians might well call today the genomic era—that is, when the science of genetics began to hold sway. But it's too early to give an appropriate name yet.

We can also look backwards to the earliest days of man. New sciences such as anthropology, ethology, paleoarchaeology, genetics and neurology are now throwing highly specialised beams of light on how early man arose and lived about 150,000 years ago.

For about 140,000 years of this period, man lived by gathering, scavenging and hunting. It was in this period—and very early, too—that trading and manufacturing also began. When the era of resource shortages began in earnest—the agricultural era at around 8-10,000BC—man was already making goods of great usefulness and beauty. He was already trading them along extensive trading routes. He already had an economic system. This is an era which most economists still ignore, despite the growing evidence from the early archaeological sites of man.

3. Discussion

Some of man's universals

The great political debate of the last century has been between the left-wing and the right-wing, between liberals and conservatives, between ideologists and pragmatists, between those who believe in the importance of nurture, and those who believe in unreformable human nature.

Under the calming influence of the modern human sciences, the debate is now settling down. Both viewpoints are right. Our behavioural predispositions are due to the particular structure of our brain and this, in turn, is due to specific genes that express themselves in the growing foetus. The basic 'envelope' of human nature is largely unchangeable.

On the other hand, our cultural environment—particularly that of early childhood—can certainly modify, though never overcome, our genetically-given personalities and abilities.

We are different from other animal species in a few respects. There is in particular which is of interest to us here. We have a truly enormous curiosity—even more so than elephants, dolphins and chimpanzees, for example. And this goes together with a great capacity for creativity and symbolism in our beliefs, possessions and behaviour. These abilities appear to be due to frontal lobes in our brain which are much more extensive than in other animals.

Some evolutionary scientists think these extended frontal lobes were formed by 'runaway' mutation—that is, possibly not greatly necessary for survival. Like the peacock's amazing tail feathers or the cumbersome antlers of a deer or the duration of the flight of a sky lark, we probably didn't actually need large frontal lobes for normal daily survival but that, in our case, imaginative males were preferentially selected by the females.

We still have strong instincts—or 'universals'

But underneath our curiosity and strong partiality for symbolism, our behavioural and emotional predispositions due to our genes—our instincts—still remain strong. We share many of these with other social mammals and particularly with the other primates such as the gorilla and the chimpanzee with whom we share about 98% of our genes.

Instead of 'instinct' another useful term is 'universal'. If a particular sort of behaviour is truly due to our genes then it should be found all the rich variety of man's different cultures that we're aware of today, and also from the past when sufficient evidence remains.

We will need to select only a few of these universals in order to show how our basic economic system has developed. The two most important ones are rank ordering and the human mode of sexual selection and they have both been highly associated during the period of evolution. We will discuss rank order first, as well

as the consumer goods that symbolise it. It is their supply or manufacture which is the main impetus of economic growth.

Rank ordering is universal

As in all other social mammals, if a group of *homo sapiens* is challenged or attacked from the outside, either by another group or a predator, then those groups that are well disciplined and can put their strongest and most skilful members to the fore will survive at the expense of those that are too easy-going or simply run away. Also even in normal times, some individuals particularly young males, are more unruly than others and if they start to become a nuisance then the older adults have to keep order.

Thus discipline and rank order became selected during the process of evolution. And this became a feedback loop when females started choosing their future mates from the rank order. Which came first is a chicken and egg problem. Rank order and the mode of sexual selection co-evolved together.

Glimpses before puberty—and the real things afterwards

Crude rank ordering can be seen in the playfighting that takes place spontaneously between all boys at a young age. Girls almost never fight unless they're very stressed. After puberty, rank ordering in males emerges anew though now in much more subtle ways. It is less to do with sheer physical exuberance than with mental and imaginative skills—particularly with a sideglance to the impression they create on their audience, the females.

The period from puberty until about 30 years of age is the time when young men are seriously finding their place in the adult world of work and society. They are not only continuing to assess the strengths and weakness within their own age group but also those of the adults who already hold power—and earn corresponding incomes. From this time forward, the more ambitious of the young males will be probing the adult world incessantly in order to insert himself as high as possible into the rank order or displace those who are already at the top.

By the age of about 30—when, incidentally, the frontal lobes of the brain have ceased developing—most young men will have lost the wild excesses of their youth and have accepted their rank order. Modern society, however, has long lost the simple group structure of the hunter-gatherer tribe or the village, and offers multiple opportunities in a variety of other groups.

Democratic societies don't exist

There are some seemingly democratic and easy-going societies with no apparent rank order which fooled the first practising anthropologists such as Margaret Mead or Franz Boas. Unfortunately, they started myths which are only just now subsiding after a generation. However, it is now realised by anthropologists who returned to the cultures first observed by Mead and Boas that, as soon as a crisis

occurs—either from within or without—male rank order becomes immediately apparent. Also, in a small number of apparently matriarchal societies, the same male obtrusiveness emerges at moments of crisis.

One other point must be made here. In simpler societies, the whole drama of rank ordering is largely over by about the age of 30. However, in modern complex societies in which there are hosts of separate specialist groups—in business, politics, part-time pursuits and so on—the small minority of males who are particularly ambitious have many further opportunities to get to the top in their next chosen group. Indeed, politicians and chief executives of large corporations in their 60s and 70s are often as keen—and ruthless!—as any younger man to struggle for the top positions and hang onto them ferociously.

Insignia of rank order

Rank order in earlier cultures is very obvious by means of the ornaments and clothing they wear. In the developed world it is also moderately easy to assess this even by looking at a person's bearing, tone of voice, clothes, the goods he possesses or the house in which he lives.

Less visible rank order insignia

There are, of course, a few very rare exceptions of 'inverted rankism' in which individuals with great power and wealth can afford not to make themselves so visible. Such is the case of Warren Buffet, one of the richest (and wisest!) men in the world, who still lives in an ordinary suburban house and drives a second-hand car. This also applies to very rich criminals who do not want to draw attention to themselves. However the usual 'give-away' in their case are the size and quality of their homes.

Then again, an observer from outside a particular developed culture may not appreciate the subtleties which the higher ranks adopt in order to show status among themselves but at the same time disguise it from those much further down the rank in order not to attract too much envy or criticism. Thus, we may sometimes have to look for much more subtle clues, such as the accent and vocabulary they use (which indicates what sort of school they were educated in), unobtrusive designer labels in their clothes, where they take their holidays, the types of paintings that hang on their walls and, what's more, they'll adopt even newer signs of status that the ordinary person is not yet aware of.

Obtrusive insignia retained in modern society

But, whether we are talking of hunter-gatherer societies in which the tribal leader usually wears an elaborately ornamented head-dress (and his minions lesser ones) or that of the modern ultra-rich with their ocean-going yachts, insignia of rank order are usually meant to be seen by all. In all older civilisations, sumptuary laws existed by which people who wore clothing of a higher rank order to which they

should belong from birth were severely punished, sometimes by death.

Even in modern society, its more ancient institutions such as religious organisations, armies, law courts, parliaments, etc have retained, and often amplify, gradations in rank order in a very visible way with a multitude of strange headgear, insignia, medals, tassels, suiting and pompous ceremonial behaviour. All these seem absurd to the sceptical observer. But, in fact, they are readily accepted by the average layman as quite 'natural'. Why? Because the idea of rank order is innate within all of us.

Sexual selection

And rank is extremely important in the choice of sexual partners—at least it is by the female. The fact of the matter is that the female of the species, being the bearer of children and more economically vulnerable than the male, has so much more invested in the choice of a suitable partner. An unwise choice can make her life a misery, whereas the male can more easily simply walk away from a partnership and encumbrances such as children—and all too frequently does so.

This situation has been so in all cultures in man's history until very recently when women in developed countries have started to work in full-time jobs—probably motivated by the boredom of modern housing estates—but, in recent years has become an economic necessity. Even so, women generally still earn less than men for the same type of work and most still need their partner's earnings to keep up their style of living—that is, to buy goods according to their accustomed rank. It is quite possible that the present fashion might reverse and females might wish to become traditional full-time mothers again in tomorrow's society.

How women choose their partners

Today, females are not so much concerned with any elaborate clothing a male may be wearing (though this is often important) but much more with the income and security of his job. Social surveys clearly show that females normally choose male partners who have higher social rankings than themselves, are more intelligent than themselves, and/or have a secure economic future. Indeed, many highly intelligent women remain unmarried because they have not found a man of higher intelligence that they liked. Conversely, males who are not intelligent or who have poor jobs—or no jobs—are much less likely ever to be chosen by a female. The overwhelming majority of beggars and the homeless in modern society are males.

Outbreeding

Besides the instinct to marry upwards by the female into higher status levels, there is also the matter of outbreeding which can be very important in some species. In many mammalian species which live in fairly small groups, and certainly in all primate species such as ourselves, one or other of the sexes leaves the parent

group as soon it reaches sexual maturity.

The reason why this evolved as an instinct was to maximise genetic mixing. It ensures that two harmful recessive genes, one in the female's genome and the other in the male's, have less chance of matching up during mating and thus producing a dominant gene in the offspring. Any group (or family) in which inbreeding occurs is in danger of producing defective children and that group will become extinct sooner or later, though in cases where the defect doesn't emerge until old age and long past child-bearing it may take a very long time, perhaps centuries.

It is well known that brothers and sisters normally find it impossible to form romantic attachments and they normally never marry no matter how much affection they may have for each other. This instinctive barrier against sexual partnership is called the 'incest taboo' but it also exists between any male or female individuals who are brought up closely together during their very early years.

Matrilocality and patrilocality

In the case of some primates, such as chimpanzees and baboons, and other social species such as elephants, it is the young males who leave the parent group at puberty. Such species are called *matrilocal*—that is, the females stay. (Such females, because they know their territory and are thus of great value to their group, can sometimes take over a high rank order temporarily during times of drought or other exigencies.)

Man, however is *patrilocal* and, in hunter-gatherer societies, the females will move away at puberty and choose partners from males in other groups—and from as high a rank as possible, as already mentioned above.

However, the fact that it is the physically smaller females who are genetically programmed to leave their original groups at puberty means that they are more vulnerable than sons if a father wishes to use them as bargaining counters during trading opportunities between groups. Something similar certainly applies even today in poor agricultural societies in Asia where fathers sell their pubescent daughters—though not their teenager sons—into bondage as labourers in order to pay off family debts.

This possibility of using daughters is mentioned not as a definite cause of the very earliest economic trade between groups. This can never be proved, of course. But it certainly seems to have been a possible catalyst when a father or older brother is trying to effect a trade with an otherwise reluctant seller from another tribe. However, whether girls were involved or not in the earliest trading, it is to this that we now turn.

Early trading as a possible extension of altruism

Whether trading between groups can be considered instinctive is a moot point. But it is a very close cousin to acts of kindness and altruism, which is certainly instinctive within groups—particularly between closely related individuals with a high proportion of identical genes. Trading, as a fair exchange of goods between individuals, is very similar to the mutual kindnesses that occur within a family or between friends within a close-knit group. In an act of kindness, even though an explicit compensation is not stated, a payback of another kindness is expected sooner or later. There is an expectation of repayment just as much as there is in an economic exchange. Individuals who never repay a kindness with something similar are soon left friendless. Acts of altruism have mental balance sheets with credits and debits just as economic transactions have balance sheets on paper or in a computer hard disc.

The earliest trading events

We are now to imagine the very earliest days of mankind and what might have gone on between tribes in adjacent territories. We know from many hundreds of anthropological observations of hunter-gatherer tribes, and also of societies in primitive agricultural areas, that great tensions invariably exist between a group in one territory and that in an adjacent area. In the case of the earliest eras—probably when we were scavenger-gatherers and before we were hunter-gatherers—it was a case of necessity that boundaries were patrolled often enough by one tribe to prevent the neighbouring tribe from entering and stealing its food resources.

Anthropologists have observed that warfare between adjacent tribes occurs quite frequently in fertile habitats with dense populations but, even if warfare doesn't always follow, dramatic confrontations between tribes are usual and frequent. Usually the males of one tribe will gather in some sort of aggressive way in order to test the strength and numbers of the other. The girls of both tribes would be there, too, but for entirely different reasons! They will be assessing possible future partners for the time when they leave—or are allowed to leave by their fathers.

It could only have been on these occasional confrontational occasions at territorial boundaries that trade originally started. It is strongly suggested, therefore, that a status good displayed by leading ranks in one tribe—say, elaborate head-dress—might be earnestly desired by males in another. It is thus easy to imagine that a father could indicate the availability of his beautiful daughter in exchange for a head-dress. He might physically prevent her going across the boundary to the other tribe unless he received the head-dress or something else he wanted.

This, it is suggested, is the catalyst by which the earliest trade got started. However, it is not essential to the Evolutionary Economics Hypothesis. It is just as conceivable on present evidence that trade could have started without the use of

pubescent girls as bargaining chips. But, apart from the girl—who may or may not have been involved—what would have been the original goods?

The first tradeable goods were not necessities

While modern trade contains a significant proportion of food, raw materials production tools and other necessities of greater and lesser importance, the first goods traded across territorial boundaries would almost certainly *not* have been basic necessities. The first group of the new species of *homo sapiens* simply could not have survived and reproduced unless it had access to everything it needed in its immediate surroundings! The first group may not have had everything it needed in great abundance but enough of its basic necessities would have been present in his habitat in the savannah. The bones of man from early sites reveal that the further back in time we go the better their health appeared to be even though individuals died sooner than in later eras due to the dangers they were constantly facing.

Indeed, it is not until man started to migrate far from his original savannah environments in Africa about 85,000 years ago that he might have started to run into severe resources shortages such as flint. Such migrating groups—perhaps moving 30 or 40 miles every generation or so—would have required to find new goods in order to trade backwards to its original groups for the necessities.

But if the original groups in Africa were self-sufficient in basic survival goods why would they want to make the effort to trade with a group that had migrated into an area that was deficient in some materials such as flint? We have to remember that early man was a peripatetic species, wandering long distances within its territory every day and having to carry everything. He would certainly not have wanted to carry anything heavy or bulky.

Early man had no pack animals

Pack animals, such as donkeys, were not bred for the purpose of carrying goods until about 150,000 years later—at around the time of agriculture and pastoralism. Even camels—the classic pack animal of the Great Silk Road across Asia from China to the Middle East—and able to survive for days without water, were not tamed and used as pack animals until about 200BC.

Status goods could act as a trading infrastructure for necessities

So it is highly likely that the earliest traded goods were of extremely light, portable items—such as feathers for head-dresses or egg-shell beads or small pieces of ochre used for face painting. However, as man started to migrate outside Africa at about 50,000BC then his habit of trading in lightweight status goods could act as a basic trading infrastructure to which trading in some basic necessities could be added later if the need arose.

If this were so, then man could start to migrate for very long distances indeed,

such as out of Africa altogether, then proceeding steadily all round the coasts of southern Asia and eastern Asia and also up any broad river valleys such as the Indus in India or the Pearl River in China. And, indeed, this is what happened about 100,000 years after his origins.

Once out of Africa, and once trade routes has been established by habit over thousands of years, it would even be possible for some groups to migrate into regions that almost entirely lacked basic resources and would have to trade for almost everything they needed. However, it would have always been necessary for such a group to find something new that would serve as an exotic new status good and could thus be backtraded for their necessities.

Evidence of early trading in status goods

There is, in fact, evidence emerging for very early trading in lightweight trinkets of no survival value which could serve as status goods for high-ranking members of a tribe. Until recently, the earliest known evidence was of matched shell beads from Ucağizli in Turkey that have been dated to 40,000 years ago. It is highly likely that at this relatively late date shells would have been traded for necessities that happened to be lightweight or was needed in only small quantities. There is, in fact, evidence of trading at about that time of high quality flint or bitumen that was used to haft flint axeheads onto wooden handles.

There is also evidence of trading in status goods from much earlier times in Africa—possibly long before flint was traded. Objects discovered in the Blombos caves near Capetown in Africa in recent years by Christopher Henshilwood from the University of Bergen have been dated back to at least 100,000 years ago.

The Blombos Caves contained many hand-sized tablets of red ochre that had been buried in detritus over a period of thousands of years. These tablets had not been used for cave drawings—which came much later in man's existence. The earliest evidence of red ochre being used for rock drawings comes from the Kimberley area of northern Australia at about 50,000BC or for cave paintings in Europe and at about 35,000BC—that is, 50,000 years later than the red ochre used in the Blombos caves.

Going back to 100,000 years ago at Blombos, those who have studied these red ochre tablets consider that they were probably used to dye animal skins for symbolic purposes and for painting the human skin. A tribal leader wearing a red animal skin and with intricately drawn red patterns on his face would certainly have added extra charisma to his leadership—and probably fear in the eyes of people in other tribes seeing him for the first time.

Interestingly, red ochre is still used today for face ornamentation—for status reasons—by indigenous people in the same region. Face-painting is, in fact, a human 'universal'—a practice that has been found in all cultures and right up to the present time. In simpler societies, the more elaborate the face paintings then the higher the rank it signifies.

Trading across territorial boundaries

A most significant fact about the Blombos caves site is that there were no red oxide quarries in the immediate vicinity. The nearest source was 20 miles (30 kilometres) away. It is possible that both the Blombos caves and the quarries lay within the territory of a single tribe, and the tablets were simply carried from one place to the other. But this is highly unlikely.

The remains at the Blombos caves suggest quite a large manufacturing operation of some sort. If a single tribe had 'owned' both the quarries and the cave then surely they would have found a place in which to dye skins much nearer the quarries. It is thus reasonably certain that the red ochre pieces would almost certainly have been traded—from the 'quarrying' tribe to the 'skin-dying' tribe. Perhaps only the latter knew how to cure the skins and carry out the dying properly. It is certainly a long and involved operation as anybody who has visited Morocco, for example, can testify. The 'skin-dying' tribe might have kept its secrets for a long time.

Then again, more recently (early 2004), clusters of carefully-matched sea shells have been discovered at the Blombos caves. These shells, with holes carefully drilled in them, were almost certainly strung together as beads. These beads are dated to having been made about 75,000 years ago. The nearest seashore source was also a long way from caves, much further than any territorial area that might be expected.

So, although the amount of evidence is not great, sufficient has already been discovered to indicate that trading of otherwise trivial objects and materials occurred in the very earliest days of man. But all the trivial objects so far discovered could be easily carried and worn as permanent ornaments for status reasons on the person's body. And all this occurred when man lived in his original habitats before any necessities needed to be traded.

4. Luxury goods and stratum goods

Status goods generally

We now have sufficient preliminary evidence from early man from which to draw some conclusions about trading. Hopefully, it has been shown that in the very earliest centuries, perhaps millennia, trading in basic goods would not have been required. The only goods traded would have been of a nature that could be used for status reasons only. However, even these early thin trails along which status goods flowed were probably the basis for more formal trading routes thousands of years later when heavier basic goods were transported by merchants with slaves, and then by pack animals.

Indeed, it is highly probable that, without the initial trading habits in status goods, further trading in basic resources would never have occurred at all and man could never have migrated out of Africa.

Almost any new item which is exotic or has an entirely new use and which is extremely scarce and expensive to start with is likely to appeal to the highest ranks in society in order to confirm and reinforce their status. In the earliest days of man the status goods had to be lightweight and portable. Today, we can consider status goods that have more uses than just personal ornamentation. Some can be very large, even immovable.

So far, we have used the general term 'status goods' to describe those non-necessary goods which were used by man signify their status and for no other reason. We now need to analyse status goods a little further.

Luxury goods

Status goods can be regarded in two main categories. Firstly, there are those that are expensive, scarce and can never be produced in large numbers. These types of status goods were called 'positional goods' by Fred Hirsch in his book *Social Limits to Growth*. He maintained that because such goods cannot be acquired or used by everybody, then this will limit economic growth in the future.

This cannot be so for all positional goods. Some positional goods—such as a house in a beautiful private beach—will always be scarce. Fabergé eggs are also limited in number because their creator has long since died. But brand-new positional goods can always be invented or discovered. Ever since Picasso and Braque, a steady stream of abstract paintings by other modern artists are considered to be status goods. Whether they remain so in the far distant future is debatable. But for now new abstract

paintings can be promoted as works of genius by fashionable art galleries.

Another current fashion among billionaires today is the commissioning of large ocean-going yachts for themselves. Their owners make sure that they and their yachts are in full public view on important occasions such as the Cannes Film Festival. They have ferocious status competitions between themselves, in recent years each billionaire building a yacht that is a few feet longer than their rival's.

But almost anything that is scarce, novel and very expensive can serve as a positional good *par excellence*—so long as it is cleverly introduced as the current fashion among the very rich.

Because brand-new positional goods are not limited in number and variety and can be invented at almost any time it is simply better to call them 'luxury goods', as does Robert H. Frank in his latest book, *Luxury Fever*.

What is the economic effect of making and purchasing luxury goods? Very little. Apart from a mild 'trickle-down' effect of income to the relatively small number of workers who have made them—sometimes only a single creator—the production of luxury goods has almost no effect on the wider economy.

There are also luxury goods that only have a temporary status effect. Examples include exclusive and very expensive clothes or new fashionable types of home decor. Only rich people buy them but then, when the goods become a little bit too popular outside a small circle, rich people quickly dispense with the and turn to something new in order to keep their high status.

Stratum goods

We now turn to a much more important category of status goods. These comprise those goods that happen to be mass-producible later, whether originally intended or not. It is quite certain, for example, that the earliest motor cars were never expected to be widely produced. They were originally intended to remain as luxury goods in the same way as diamond tiaras or lavish country houses —and owned by the same rich people. Indeed, the earliest cars needed a chauffeur-mechanic to drive and maintain them. The original owners thought that there was no possibility that anybody less rich than themselves could ever own a car and be driven around in one.

However, in becoming mass-producible in due course, goods such as cars can no longer be called luxury goods. As they are produced in larger

quantities and at cheaper prices and sold downwards to successively lower socio-economic strata of consumers they are best termed 'stratum goods'.

The economic importance of stratum goods

And it is *stratum* goods, not *luxury* goods, which have a powerful impact on the economic system. As a stratum good—such as the car—is sold in successive waves downwards, the consumer market thus becomes wider, the total profits become larger and more finance can be re-invested in more factories in order to expand production.

Although status goods of both sorts—luxury goods and stratum goods—are eagerly sought so that the purchaser gains status, the former have little significant effect on the overall economy while the latter are powerful stimuli of economic growth.

If, by accident or design, a country can supply a steady succession of new stratum goods, each powerfully stimulating the purchasing power of the different social levels of the whole population from the richest to the poorest, then status aspirations for all are able to be satisfied and, what is more, economic growth continues apace. Let us give a few examples about how economic growth has been sustained for long periods at various times during the last 150,000 years—that is, when periods of peaceful trade have not been interrupted by periods of warfare.

The first currencies

We have already glimpsed status goods from the very earliest days of man—sea-shell ornamentations and red ochre pigments for bodily ornamentation or for dyed clothing. Other natural ochres, particularly greens and yellows were also traded later. In fact, when these ochres all became easily available they were also used lavishly in painting the houses of the rich and powerful people and the used in the temples and palaces of the earliest civilisations such as the Sumerian, Egyptian, Minoan, Greek, Indian and Chinese. There was also a beautiful blue pigment, lapis lazuli, used first by the Sumerians and obtained from what is now Afghanistan. It was probably exchanged for grain which was able to be grown intensively in the fertile alluvial soils of Iraq brought down by the Tigris and Euphrates rivers from the mountains of Turkey.

Gold also became an early ornamental item. But it took a lot of effort to find it, separate it from base rock and melt it down into suitable small ingots for trade. It was always a luxury good because it always remained scarce and could not be discovered and manufactured in large quantities.

Much the same applies to sea-shells. These were almost universally highly valued by early man and were traded from sea-shores to the interiors of continents for long distances for many scores of millennia before merchants and their pack animals appeared. Although sea-shells are to be found in abundance on the sea bottom, it is a very difficult job to dive for them from flimsy canoes and they always had to be of exactly the right type, colour and size. So they, too, were always a luxury good.

In fact, because both gold and sea-shells were easy to carry and had high value for their weight, both gradually progressed from being purely ornamental luxury goods to becoming valuable currencies also. If, for example, one tribe wished to receive a good from another tribe but had nothing else to offer at the time, then gold or sea-shells could be offered in exchange. The other tribe could then keep the gold or sea-shells as a reliable store of value until they had needs of their own.

Thus we can now see the sinews of the modern economy being laid down, firstly by status goods alone, then by status goods forming the first trade links, and then at least two of these status goods, gold and sea-shells, becoming currencies which helped to make long distance trading a smooth continuous process. Even if some intervening tribes didn't have any needs on some occasions when goods appeared at their borders they could still receive and pay for the goods with currency and then pass them onwards to other tribes.

Candidates as stratum goods

We have remarked that some status goods, unlike gold or sea-shells, would be able to be mass-produced in ever larger quantities and become what we term stratum goods. It is these stratum goods that enable great profits to be gathered together and re-invested in even more production.

Many goods in past history that were sought by the rich as signs of status—seem trivial to us today. But if they were new, initially scarce and expensive, offered a new labour-saving or time-saving use or supplied a new sensual experience, then almost anything exotic was liable to be eagerly sought after by the upper classes and subsequently by the lower strata of the population. If they were able to be supplied or manufactured at ever cheaper prices and in larger quantities sufficient for everybody in due course then these stratum goods became powerful economic stimulants.

Stratum goods and trade throughout history

There have been several periods in history when powerful economic

growth took place in particular civilisations when they allowed themselves to trade outwards. All great civilisations were associated with long-distance trade routes over hundreds or thousands of miles by which status goods were exchanged, developed and multiplied in volume, gradually becoming stratum goods. We can instance the great civilisations and trading empires of the Sumerians, Egyptians, Minoans, Phoenicians, Greeks, Romans, Indian, Chinese and the Islamic.

For examples of the stratum goods of these civilisations we can instance—roughly in chronological order— speciality ochres, speciality flints for tools, speciality woods for tools, dyed cloths, bitumen, lapis lazuli, pottery, wine, silver, copper, tin, bronze, amber resin, iron, glass, linen, steel, silk, ivory, jade, incense, mercury, metallic household ornaments, porcelain and spices as the most important of these. All of these, starting as extremely highly-priced goods gradually became, in their own day, very cheap as they began to be produced by big industries.

What's more, the vast bulk of these stratum goods were transported along very long rivers or by sea in small coastal-hugging vessels with simple sails, only able to sail with the wind. In cases of adverse winds or storms, these merchant ships would have to dart into nearby ports for safety.

The reason why sea trade was so important in founding these civilisations and expanding their economies was that the economic (energy) costs in transporting goods over water are so much less than carrying goods over the ground—particularly on rough or mountainous trails.

The biggest economic surge of them all

However, the biggest economic surge of all—and continues even now—was the one that started in the 16th century. The reason why it started then is due to a special circumstance in the sea-trading system of the world at that time.

Stretching between the western edge of Europe and the eastern edge of Asia, three principal trading systems existed in the world—the European, the Islamic, and the Chinese. The whole of the southern edge of the Eurasian land-mass was connected by a chain of three separate links with just slight overlaps between them. There was no trading by these three systems with North and South America nor with the scattered islands of the central Pacific Ocean. The bulk of Africa was not involved either at that time.

The central link of the chain consisted of Islamic merchants sailing in fairly simple single-masted dhows which couldn't tack very well against adverse winds so they mostly kept close to the coastline all along the Mediterranean Sea, and some way down the coasts of both east and west Africa. They also continued the previous Roman sea-trading route between Yemen and India by sailing when the regular trade winds blew though they had to stay in port in between times. At the Indian end Arab merchants also traded further along the coastlines of southern Asia and a little further onwards into the islands of the China Sea where they overlapped with Chinese traders.

The European merchants in the 16th century had ships that were very little better than Arabic dhows and, like them, had only single masts and couldn't tack against adverse winds. So they couldn't trade across the Atlantic Ocean as might have been expected and were largely restricted to trading up and down the west coast of Europe and the Baltic Sea when it was ice-free. Some merchants also ventured down the coast of western Africa a little way where they met competition with Arab traders and similarly when they sailed around the Strait of Gibraltar into the Mediterranean Sea.

On the other hand, the Chinese in those times had already developed much larger, multi-masted merchant ships which not only traded up and down the Chinese coastline but could also navigate against adverse oceanic winds. Thus they sailed confidently to Japan and northern Australia, and also across the Indian Ocean to both India and the east Africa coast. They were able to tack against cross winds by virtue of the lug (triangular) sail which, unlike a square sail, could be easily adjusted at any angle against the wind—and by people on deck not having to climb the rigging to the top of the masts. Chinese ships—unlike Arab and European ships—also had rudders and leeboards enabling them to prevent sideways drifting when tacking. Also their three or more masts were staggered down the lengths of the decks and this prevented the foresails from shielding the rear sails from the wind. Altogether, their junk-rigged boats were far superior to anything in the Middle East and Western Europe.

The Dutch take-off, the British Empire and American dominance

The above, then, was the situation of the three principal trading systems in the 15th and 16th centuries. However, two important events occurred quite closely together. In China, an Imperial edict of 1421 suddenly put a stop to the building of multi-masted ships and of foreign sea trade. The decision

was sudden and complete and was probably due to the need to conserve their resources for defending their country from the Mongols who were attacking them from the north at that time. From then onwards Chinese traders were confined to coastal trading or to trade internally up and down their rivers and canals. The Emperor's decision left a large vacuum of trading in far Eastern Asia, and China never recovered from this isolation until fairly modern times.

At about the same time as the Imperial edict, however, European ship-builders, hitherto only making single-masted ships, were beginning to experiment with multi-masted ships with triangular sails hoisted fore and aft the mast with the big square sail. Triangular sails were thrust forwards on a bowsprit and a rear mast was given a lateen sail similar to the lug sail of the Chinese boats. The European ship-makers also discovered the use of a rudder and a compass at the same time (or they may have heard of both of them from China). However, by 1492, Christopher Columbus was able to cross the Atlantic Ocean, and by 1496 Vasco da Gama had sailed round southern Africa and reached India.

From then onwards, trade between Europe and Asia developed with breakneck speed. For about a hundred years, Dutch and the Spanish merchants were dominant in trading with the islands of south-east Asia. And, once again, the first goods brought to Western Europe were trivial goods of no practical usefulness at all. However, they were great novelties to the royal families and the very rich who paid very high prices for them and the merchants very wealthy.

What were these goods? Initially, they were spices such as pepper, mace, nutmeg and cinnamon—adding brand new tastes to the food on the rich person's table. This was followed by sugar cane, which only the very rich could afford. The profits of the merchants were thus very high also. They could invest in more ships and much bigger ones. They could also afford to protect them against pirate attacks with cannons. And, as the goods grew cheaper with larger quantities they were also bought by the lower economic strata of Europe. In short luxury goods became powerful stratum goods—fuelling more and more economic growth.

In the following century, more south-east Asian goods were added to the stream going to Europe in larger quantities—sandalwood, coral, indigo. Then tea was added from Japan, lacquer, opium, porcelain and silk from China, and calico muslins and cotton fabrics from India. All these were in small quantities at first but gradually became exported in volume as they

were eagerly bought, firstly by the rich, then the not-so-rich, then more ordinary people.

By about 1700, there were 300 to 400 ships a year plying backwards and forwards between Europe and Asia. The city of Amsterdam alone employed 150,000 people in warehousing duties and ship-building alone. By this time, the English had caught up and were specialising in the Indian trade but also with the Caribbean Islands such as Jamaica from which they were obtaining sugar cane.

The English trade was huge, being a three-way affair between Africa from which merchants bought slaves in exchange for metal goods and traded the slaves for sugar in the Caribbean—sugar being in increasing demand in England. It was this stratum good, sugar, and the metal goods we made, which were the main stimuli of the Industrial Revolution that then began to take off at a fast pace in England.

But equally large was the English trade with India. Cotton goods from India, starting as stratum goods originally, soon became normal clothing for many people in England. In turn this stimulated huge new textile factories in the north of England centred around Manchester which imported raw cotton from America and Egypt.

Egypt became one of the many colonies that England turned into satrapies all round the world because, by about 1750, the English were building more ships than any other country and its trade was by far the largest and most profitable in Europe.

England also tried to make America into a dependent colony, too, but without success. Instead, America became independent very quickly, and copied all the science, technologies and industries of England. In the 1880s America was fortunate enough to discover oil in large quantities. This enabled American industry to be very much more efficient than industries in Europe which depended only on coal until about the 1960s. From then onwards, America proceeded effortlessly to become the mightiest economic power in the world.

Thus, in an astonishingly short period of 300 years only a new vast economic and industrial industrialisation had started and, by about 1800, was producing more goods than China. And it had been triggered off with trivial status goods such as pepper and cinnamon from south-east Asian islands! Hardly anything more unlikely could ever be imagined but this is what had happened.

Status goods of the 20th century

Let us now look at the latter part of this period since about 1900 because this has been the fastest growing economic period of any in man's lifetime. Millions of people have gained a standard of living far beyond anything that was ever achieved before—even by the greatest emperors in history.

The stratum goods of the 19th century were what we now consider to be modest household goods such as cutlery, ornaments, household curtains and adequate furniture both for vanity reasons and for usefulness. However, the 20th century saw the dawn of a totally new genre of stratum goods for the home which were of a highly labour-saving and time-saving nature, such as washing machines, vacuum cleaners, motorised lawn mowers, central heating systems and dishwashers. And then there was an even more novel group of stratum goods that offered completely new experiences—or old experiences in modern guises. Here we have cinema, radio, recorded music, television and the car.

All these goods were high-priced to start with. They were initially expensive and could be bought only by the upper classes. But all these goods were also able to be mass-produced and, in each case, over periods of decades they successively invaded the next lower social level, giving each one of them in turn a status that they hadn't had before. Each of these stratum goods produced high profits at each level that were able to be re-invested to supply an even large market lower down the social scale.

We haven't included the personal computer in the above because, right from the beginning, it was never high-priced and thus never became a sign of high status. It tended to be bought by young people from all classes with a technical bent and mainly for playing games. Since then it has been more widely sold among middle-class people because it is useful for word processing or Internet use. But the production of personal computers has never been a huge industry in itself in the same way as say washing machines or the car in the last century. Furthermore, the personal computer hasn't penetrated all social classes as before and is only about 2% of the total modern economy. Only about half the households in developed countries possess one and most of those are mainly used for playing games or buying groceries or books.

Although almost all the stratum goods mentioned above were household goods, we also haven't yet included the house itself. This is essential for every family and the total number of houses comprise a very important part of the economy. But is it a stratum good? In one way it is because the size and style of house someone buys is a very precise indicator of status. On

the other hand, houses have been built over long periods of time—in good economic times and bad—in poor countries and rich countries—and last for long periods of time. They don't produce the powerful waves of economic growth. They are by-products rather than original causes of growth. So although housing is very important, of course, and a minority of grand houses are certainly status goods in the case of rich people it is not a stratum good in the sense we are meaning it here.

Also, since the personal computer, we have had a plethora of other new electronic goods in the developed world such as video recorders, digital cameras and mobile phones. They have wide sales but they have never been status goods because they have all been fairly cheap to start with and very cheap soon afterwards.

In the last century, ordinary working people had to save hard for years to buy the latest stratum good such as the washing machine or the television set. This century they are all very cheap and so are all the latest new consumer goods. Last century a man and his wife took a lifetime before they had a houseful of furniture and the things they wanted. In this century a young married couple in Western countries will start off their first home with almost all these things already because they're relatively cheap.

Today, in the developed countries, there do not seem to be any new stratum goods on the horizon that consumers will strive to obtain by hard saving. We will now discuss this in a concluding section because the coming period in the Western world—though not yet in China and Asia generally—might well be the period in which the economic growth will come to an end and the Evolutionary Economics Hypothesis will be proved correct.

5. Conclusion

Has the stream of stratum goods dried up?

It is hoped that enough evidence has been given to show that the goods that initiated trade at least 100,000 years ago and which, until recently, have stimulated powerful economic growth in different eras and in different countries, have not been basic necessities. However, most of them—as they become widespread and then become 'ordinary' household items—start to become essential because consumers in a particular culture are expected to buy them just in order to show they belong to that culture.

Furthermore, some stratum goods, once they begin losing their special value as strong indicators of status, start to become essential to normal living. Employers, for example, expect that their employees have a phone at home so they can be contacted in an emergency. Workers who want to change jobs can often only do so if they have a car to get there every day. Mothers with young children have got to have machines to do the washing while they are away at work.

Almost any new item with a brand new aesthetic, experiential or labour- or time-saving attribute can serve as a potential stratum good—so long as it is taken up first by the rich as a desirable thing to possess. It then becomes an insignia of superior status. If, thereafter, the same item is able to be steadily mass-produced it will then work its way downwards through the lower socio-economic classes dispersing new promotions of social status as it does so. In due course, once a stratum good is widely possessed it then becomes just a normal household or personal item which everybody is expected to buy. At that stage the good is widely available and is produced at only low profit margins. It doesn't stimulate the economy. It just helps it to tick-over.

And have consumers the time or need for more significant stratum goods?

But what of the future? Since about the 1980s there does not appear to have been any further stratum goods in Western developed economies. This is also the period when many social surveys in the developed countries report that most people start to feel less satisfied, feel more stressed and are more apprehensive about the future.

Then, too, it must be asked: Do the rich middle-class have any more time or space available to use another expensive status good? Do they need any more labour-saving machinery? Are there any more brand-new experiences waiting for them to sample? After all, we have a limited

number of senses—visual, auditory and bodily senses—and they all seem to be fully catered for already with such things as television, radio, music sports and gymnasium facilities and foreign holidays.

The only other item that occurs to the writer that could possibly serve as a possible stratum good of the future is the personal aeroplane or helicopter. Indeed, many rich people already possess one of these and they certainly derive high status from owning one even if they don't use it very often. But, for daily commuting by middle-class office workers, there is simply not enough space in the sky even with the most detailed air traffic control. Personal aircraft will always remain expensive luxury goods confined to the rich, at least while there are large masses of workers who have to commute into the metropolises every day.

The evidence is now accumulating that economic growth as we have known it for the last 200 years has come to an end because there are no more stratum goods in the pipeline. There is nothing to save hard for and there is nothing that gives a really strong feeling of status in society. The country with the highest standard of living, Japan, has been economically stagnant for about 15 years now, and the whole of Western Europe is slowing down. America at present is apparently still growing healthily but when inflation is accounted for and allowances made for the growth in armaments production since the invasion of Iraq, it is doubtful whether America is growing economically in the same way as the last century.

Some might say that we should not worry. Most people in the western world have most of what they want and little time or space to want any more goods. But we need to worry because the supply of stratum goods has been the main method for most people by which status has been able to be re-established every generation during at least the last 200 years. And the constant re-establishment of status is the most important method of keeping social order in the developed world. Without a method for achieving this for most of the population, then society is in great danger of descending into demoralisation and chaos.

How can status re-emerge in tomorrow's society?

If the stream of stratum goods dries up—as appears to be the danger today in all developed countries—and there appears to be no possibility of more to come, the demoralisation could become a countrywide phenomenon. This demoralisation will come about in the opposite way from which status satisfaction came before—that is, it will proceed from the bottom to the top and from the youngest to the oldest. There is plenty of evidence of this in

the growth of an underclass in all developed countries and also in the way that the younger generation are detaching themselves from any interest in the adult world—particularly in not voting at elections or joining political organisations.

If a stable society in developed countries is to continue then status must be supplied in a different way than from the purchase and display of status goods. And there would be no better way than by re-creating smaller communities in which man and his predecessors evolved for millions of years. Status is then just as much a matter of personal abilities and mutual respect as the possession of status goods. Smaller communities also offer the opportunity for more security both for children and old people and more personal service type of employment.

How can post-industrial communities come about?

A great many utopian communities have been proposed and practised throughout history and have almost invariably failed. New communities have never been successfully established by government diktat. These have been tried on a massive scale by communist governments in Russia and China and have failed disastrously. They have difficulty in being established even by extremely homogenous religious sects such as the Amish in America. And even they need subsidising by the country at large for such things as basic law or defence.

Self-managed communities such as Celebration in America and many other high-security ('gated') communities are more successful but only because their inhabitants earn money from the exterior economy. Also, in those established so far, the average income of their inhabitants is relatively high. Rather like the many thousands of villages in the prettier parts of southern England today they are really dormitories. They make no attempt to be economically self-sustaining as were the villages and townships in medieval times.

Work-home clusters

The fact of the matter is that smaller communities cannot be planned or engineered. Like all built environments of the past they can only be forced into existence by powerful economic forces.

The rise of ever-cheaper coal in the 19th century brought the large manufacturing cities into existence. The use of ever-cheaper oil and gas in the 20th century brought the metropolises into existence.

If, however, the discoveries of new reserves of coal, oil and gas

continues to decline—as they have done since about 1985—and costs of fossil fuels keep on rising then all the trends of the last 200 years will start to slow down and then go into reverse. So shortages of energy and much higher costs of commuting by car will also cause the cities to decline.

Then we also have the Internet and the rapid spread of broadband communications. This will enable a large amount of work that is presently being done in the cities to be done in smaller villages and townships. Such environments would be greatly desired by adults wishing to raise a family in secure surroundings—so long as opportunities remain for the brightest young people, particularly the young females, to leave for a few years at puberty in order to have access to other intellectuals in, say university cities, for reason of both marriage and intellectual stimulation. And there would still need to be areas of concentrated scientific research even if most massive office and factory employment can be almost fully automated in future years.

There will always be trade, too, because we will want to retain all those consumer goods that we have become used to, even though they have lost their status-imparting abilities. In many decades to come, perhaps centuries, we will be able to make all these physical objects *in situ* by using various solar-based technologies and using genetic methods of manufacture. It is likely that a great deal of the trade in future centuries will be of information and know-how only rather than the physical goods themselves.

The other important point that should be made about smaller-scale work-home clusters instead of city-suburbs environments is that the former will enable a far better mix of employment that is better matched to the intelligence distribution of the population. Today, the structure of employment in modern economies has become increasingly hour-glass shaped with ever-decreasing numbers of middle-skill jobs. In smaller communities, without welfare state overheads and commuting costs, more personal service type and middle-skill manual jobs will be become feasible and economic again.

6. Finally

Working and living in smaller communities is a more natural state of affairs and a better way of coping with our strong status instincts without having to be constantly buying new consumer objects. But smaller communities won't come about by wishing them into existence or by planning them — if they are forced into existence by the breakdown of the present type of cities-suburbs built environments due to higher energy costs and other factors. But at a deeper level, as this Evolutionary Economic Hypothesis proposes, the present sort of economic system, requiring regular boosts of new status goods may start failing of its own accord. There are more than a few signs—as discussed above—of this happening already.

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