

My Very First Talk on: *Slouching Towards Utopia: An Economic History of the 20th Century*

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2022-06-17 Fr

Schumpeterian Creative Destruction, Again & Again...



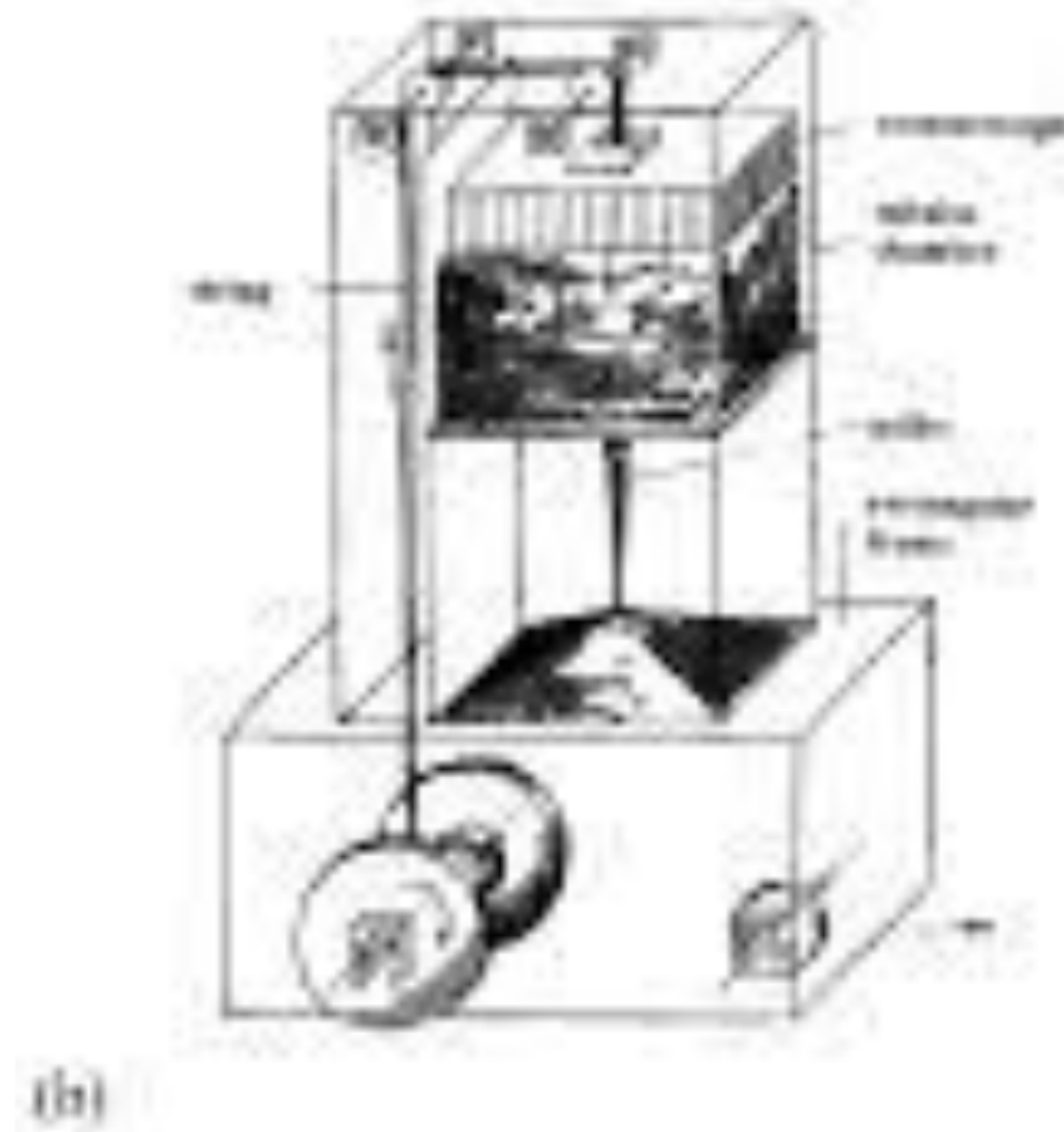
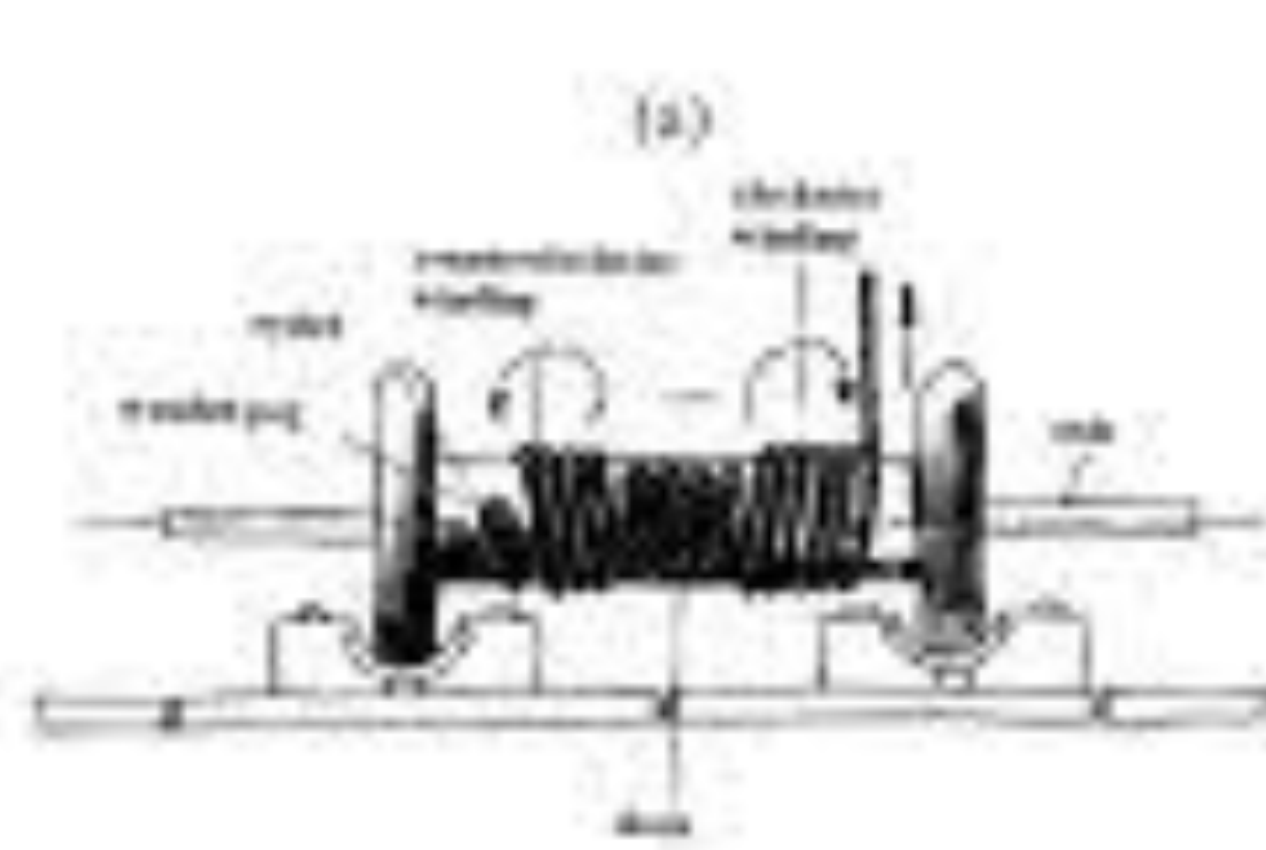
Slouching Towards Utopia

- An Economic History of the Long 20th Century, 1870-2010
- by J. Bradford DeLong
- <<https://bit.ly/3pP3Krk>>
- Forthcoming September 6 from Basic/Hachette

The Economic Pie



Aristotle & Ancient Greek Robots



“Technology”

Date	Technological Ideas-Stock Growth Rate h	Technological Ideas Stock Level H (1870 = 1)	Average Annual Real Income per Capita y	Total Human Population P (millions)	Total Real World Income Y (billions)
-48000	0.002%	0.011	\$1,200	0.2	\$0.24
-8000	0.003%	0.036	\$1,200	2	\$2.4
-6000	0.009%	0.043	\$900	5	\$4.5
-3000	0.018%	0.074	\$900	15	\$14
-1000	0.030%	0.136	\$900	50	\$45
150	0.060%	0.272	\$900	200	\$180
800	0.014%	0.297	\$900	240	\$216
1500	0.052%	0.429	\$900	500	\$450
1770	0.149%	0.643	\$1,100	750	\$825
1870	0.442%	1.000	\$1,300	1300	\$1,690
2010	2.159%	20.557	\$11,600	6900	\$80,040

- Technology:
 - $H = y\sqrt{P}$
 - $H_{1870} = 1$
- Why the $\sqrt{}$?
- What alternatives?

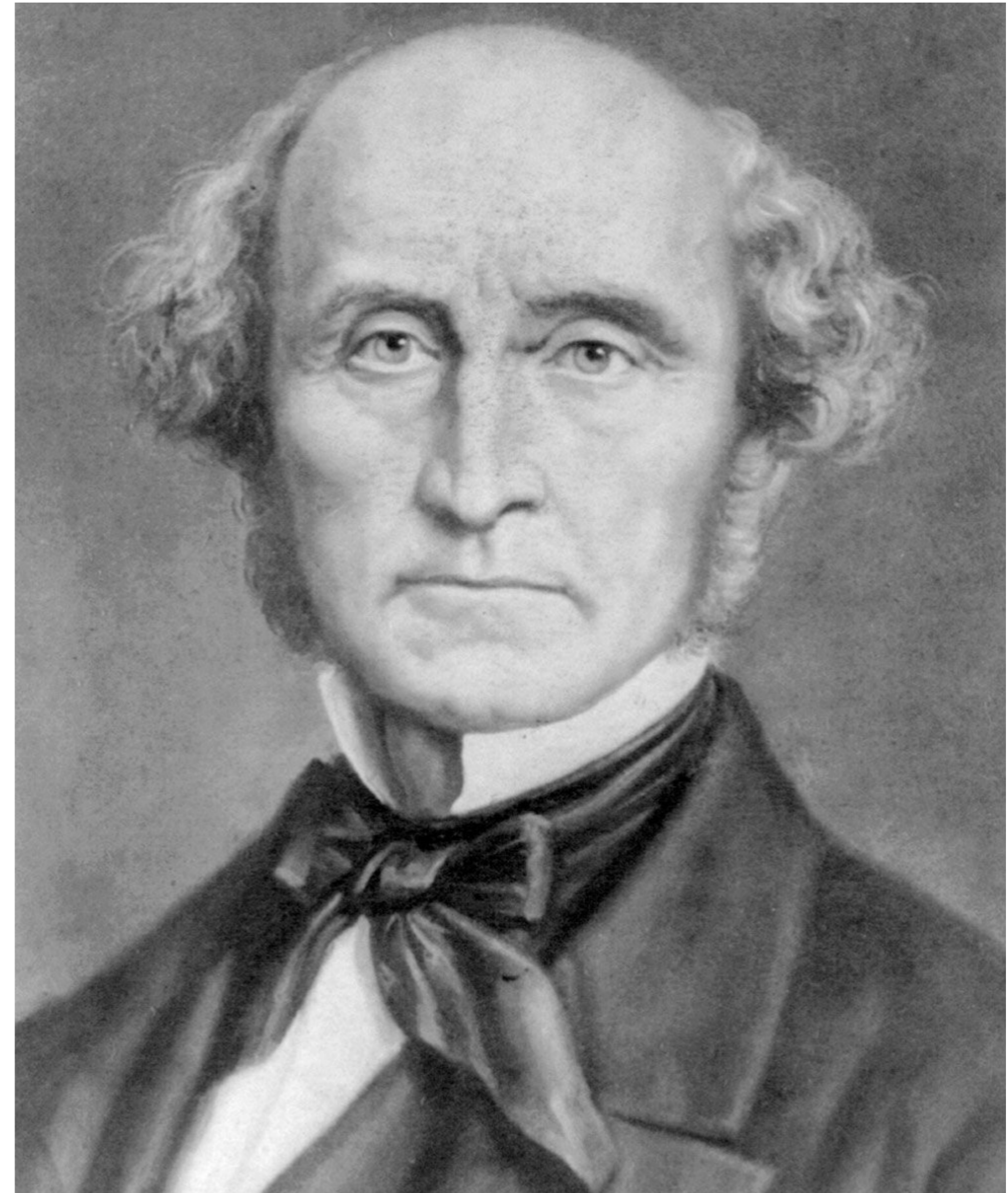


Persistent Steampunk Counterfactual World?



John Stuart Mill

Hitherto it is questionable if all the mechanical inventions yet made have lightened the day's toil of any human being. They have enabled a greater population to live the same life of drudgery and imprisonment, and an increased number of manufacturers and others to make fortunes... [and] increased the comforts of the middle classes...



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Friedrich A. von Hayek

The market
giveth; the
market taketh
away: blessed
be the name of
the market...



Schumpeterian Creative Destruction, Again & Again...



Guessing at Income Levels

- Is every single one of us richer than Nathan Meyer Rothschild?



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Where utopia?
Where Lambo?
When Moon?

Schumpeterian Creative Destruction, Again & Again...



Karl Polanyi

The market
was made for
man, not man
for the
market...



John Maynard Keynes



Social Democracy & Neoliberalism

A rough periodization of the long 20th century:

- “Economic El Dorado”, 1870-1914
- WWI & Failed Reconstruction, 1914-1929
- The Great Depression & WWII, 1929-1945
- 30 Glorious Years, 1945-1975
- The Age of Neoliberalism, 1975-2010
- ???, 2010-?

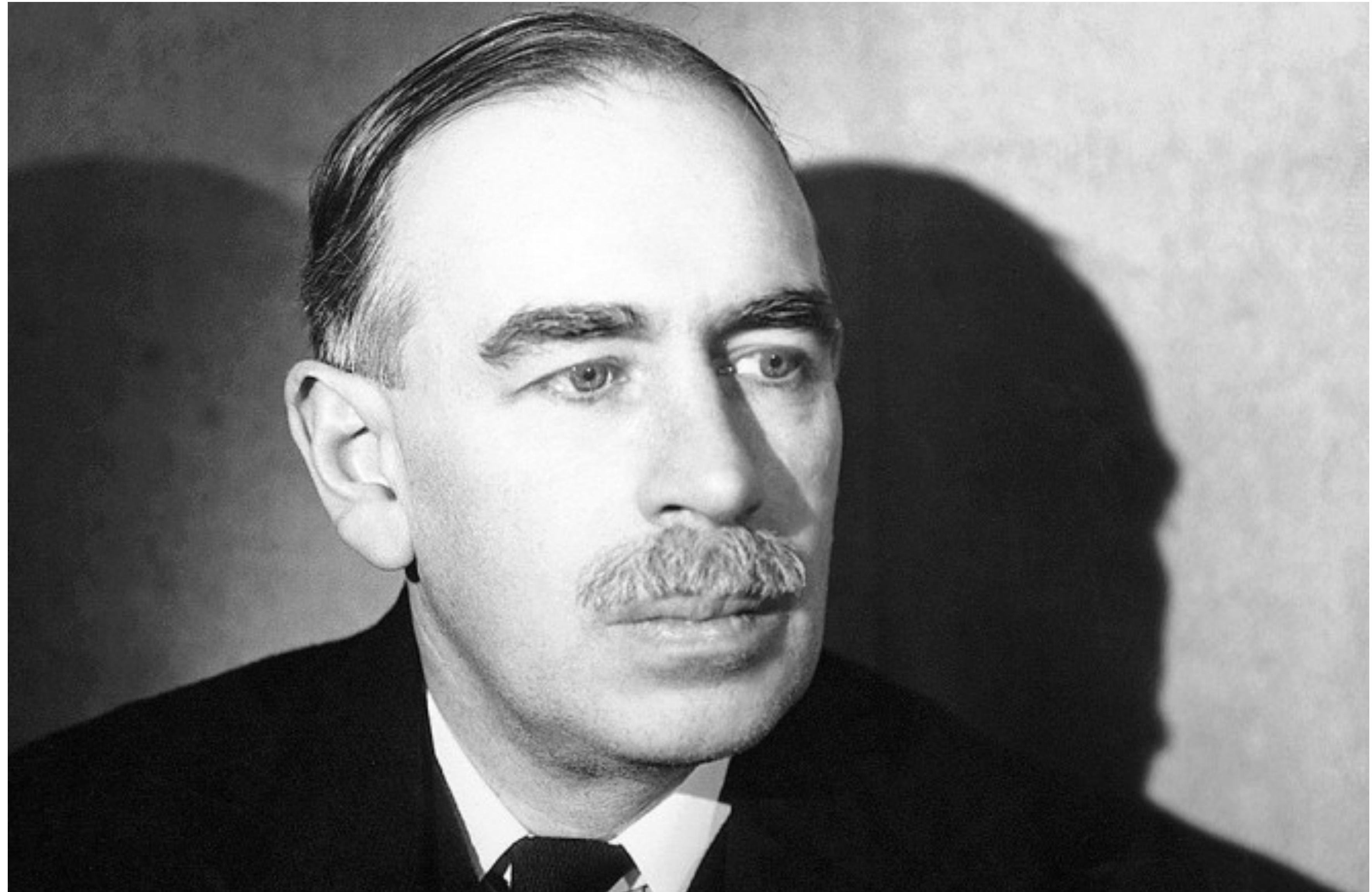
Ethno-Nationalist Fear & Rage?

Neoliberalism Promised Many Things:

- But, in the Global North, at least, it did not deliver on any of them...
- Save for its promise to make the rich richer...
- So why is it so stubbornly persistent?

John Maynard Keynes, Again

[That] assumes... a plan exists.... [But] we lack more than usual a coherent scheme of progress, a tangible ideal. All the political parties alike have their origins in past ideas and not in new ideas.... No one has a gospel. The next move is with the head...



Other Books I Might Have Written...

- The Michael Polanyi book.
- The David Landes book.
- The Joseph Schumpeter book.
- The John Maynard Keynes book
- The reacting-to-“Red-Vienna” books:
 - The Karl Polany book.
 - The Friedrich von Hayek book.
 - The Peter Drucker book.
 - The Karl Popper book.

Kindleberger : Minsky :: DeLong : Polanyi

- Minsky was a genius
- Minsky wrote *terribly*
- Polanyi was a genius
- Polanyi writes...
- Kindleberger showed how you could use Minsky's frameworks of analysis to understand stuff...

What Is Wrong with This Book?

- In what ways is its pseudo-neo-Polanyiesque Grand Narrative insufficient?

Slouching Talk: Davis Script

2022-06-17 Fr Davis Script
Slouching Talk

I am Brad DeLong

I am here to talk about my forthcoming book, Slouching Towards Utopia: An Economic History of the Long 20th Century, forthcoming on September 6 from Basic/Hachette. I oscillate between thinking it is the best work I have ever done, truly not a careerist or ticket-punching piece for the moment but rather a treasure for all time; and thinking that it is wholly inadequate to the subject—which is to tell the main thread of the story as to how we got here, with an eye toward understanding where we are.

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Let’s start with the metaphor of the “economic pie”. If you want to create a utopia, first you have to bake a big-enough pie; then you have to slice it equitably, so that everyone has enough; then people have to taste it—enjoy it—use their wealth, their power to manipulate nature and to command the attention and assistance of others (for that is what wealth is) to live lives in which they are healthy, safe, secure, and happy.

Before 1870 we humans simply could not bake a big-enough pie. By 2010 we could. That solving of the problem of baking ought, according to the thinking of those living in earlier ages, to have solved the big problem in building utopia.

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Most of the non-utopian features of previous human societies had, after all, been a consequence of there not being enough for everyone; to have enough for yourself, therefore, meant figuring out a way to dominate others and appropriate their work. That would be so, said Aristotle—and hence the chief field of economics had to be how to boss your slaves—because we did not have “the [robot] statues of Daedalus, or the [self-propelled catering-cart] tripods of Hephaestus... the shuttle... weav[ing] and the plectrum touch[ing] the lyre without a hand to guide them."

Well, now we do.

With the coming of a big-enough pie, all of that ought to vanish.

Yet it turned out that slicing and tasting were problems that were intractable: they were not easy or straightforward to solve.

Thus from one perspective my Slouching Towards Utopia: An Economic History of the 20th Century is about how we solved the problem of baking the pie—and how we fumbled the solution to the problems of slicing and tasting. That is one reading of its big narrative sweep, admittedly with lots of subthreads, digressions, and anecdotes along the way.

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Why start in 1870, rather than in 1917, 1914, 1780, 1712, 1688, 1649, 1492, 1346, 1122, 800, or, indeed, Octavian’s Second Settlement of -23? Three reasons:

The first reason is that my cliometric heritage requires me to have a time series. I assert that the level of “technology”—the value of the stock of useful human ideas about how to manipulate nature and productively organize ourselves—is proportional to the average level of real income per capita times the square-root of population. And I assert that we have to hand good enough guesses of world population, and of average world real income per capita. What does this time series tell us? It tells us that in the Industrial Revolution century 1770-1870 the proportional rate of growth of “technology” deployed and diffused into the world economy was 0.45%/year, worldwide. That is slow enough that a population growth rate of 0.9%/year would neutralize any impact of better technology on average incomes. And a poor world population could easily grow at 0.9%/year—doubling every three generations—at a stagnant level, and thus never get rich enough to trigger the fertility decline and the demographic transition.

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The second reason is that the 0.45%/year rate of growth of technology in the Industrial Revolution century was not necessarily stable. You can only concentrate the manufacturing of the world in the most efficient industrial districts once. You can

only mine the really-cheap surface coal where the last round of glaciers had scraped all the post-Permian rock off once. It is possible to envision a counterfactual—William Stanley Jevons in his 1865 The Coal Question certainly did—in which post-1870 technological progress slows because its continuation along previous lines requires a favorable coal abundance and cheapness that is no longer there. A slowdown of, say, 1/3 in technological progress post-1870 compared to pre-1870 would have given us in 2010 the technology level we actually reached in 1890, but with a much bigger population than the world had in 1890. Such a persistent-steampunk world is imaginable, but it is not ours.

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The third reason is a quote I ran across from the final post-1870 edition of John Stuart Mill’s Principles of Political Economy:

> Hitherto it is questionable if all the mechanical inventions yet made have lightened the day’s toil of any human being. They have enabled a greater population to live the same life of drudgery and imprisonment, and an increased number of manufacturers and others to make fortunes... [and] increased the comforts of the middle classes...

> John Stuart Mill did not think that the problem of enough—of baking a big-enough pie—was on the way to being solved in 1870, not with the economic and social institutions and patterns of that day.

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But we did get a big shift, a crossing of a watershed boundary, around 1870: the coming of the industrial research lab, the modern corporation, and full globalization with the global build-out of the railroad and the telegraph network, and the iron-hulled screw-propellered ocean-going steamship. In terms of our time series, the average rate of growth of technology deployed and diffused worldwide rapidly jumped up from 0.45%/year to 2.1%/year, where it stayed at least until 2010. From a doubling time of 160 years to a doubling time of 34. Malthusian population growth could not keep up, and the world became rich enough for the demographic transition to take hold, and take hold

it did relatively rapidly as such things go.

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After 1870 the problem of baking a big-enough pie was on track to being solved. And its solution was straightforward: Just let the market economy rip. Let the industrial research labs and the corporations do their thing in the context of the world market economy produced by full globalization. Industrial research labs, modern corporations, globalization, and the market economy—which, as that genius Friedrich von Hayek most keen-sightedly observed, is tremendously effective at crowdsourcing solutions—proved keys to the lock that had kept humanity in its desperately poor iron cage, with the only comfortable ones being the thugs with spears who took from the near-subsistence farmers, and those with whom they shared their extractions.

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Previously unimaginable economic growth revolutionized human life over and over, generation by generation, in not just one episode of Schumpeterian creative destruction but in repeated, never-ceasing episodes: five, if not more.

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And so humanity should have been able to turn to deal with the problems of slicing, and tasting. Certainly it had resources to deal with these problems on a scale that was previously unthinkable.

How should we answer our predecessors? They would look at the extraordinary and amazing technological power of our civilization, in which each of us is arguably richer than Nathan Meyer Rothschild along the dimension that counts, for even though he was the richest man in the world in the first half of the 1800s, he died of an infected abscess in his butt because he was not rich enough to afford penicillin.

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They would say: why have you not created a utopia, since you have solved the problem of enough and thus also removed all of the additional causes of strife that arise because people fight when there isn’t

enough? They would be very surprised to see that the problems of slicing and tasting have flummoxed us.

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What happened? This, I think, my book has nailed. Letting the market economy rip to solve the problem of making enough had consequences. The repeated, sequential, Schumpeterian creative-destruction economic revolutions meant that all was solid melted into air—all established patterns and orders were steamed away—and while men (and women) were not compelled to face with sober senses their real conditions of life and relations with one another, they did have to try to build new institutions to manage the problems and opportunities of production, distribution, and utilization that the onrushing technological cornucopia brought.

That idiot Friedrich von Hayek thought the unleashed market would do the whole job. The market would produce enough. True, it could not produce “social justice”, but we should not ask for social justice. Why not? Because attempting to achieve it would undermine the market economy’s ability to do what it could do, and put us on, well, The Road to Serfdom. “The market giveth, the market taketh away: blessed be the name of the market” had to be our only gospel.

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But, as that genius Karl Polanyi put it in his book The Great Transformation, the “stark utopia” of von Hayek’s catallaxy was unsustainable. People will not stand for being told that there are no rights but property rights. They instead insist that “the market was made for man, not man for the market”. The market’s treating those whom society saw as equals unequally, or unequals equally, brought social explosion after explosion, blocking the road to utopia. People saw themselves as deserving communities, incomes, and stability. They needed their Polanyian rights—to economic security, to an income level proportional to what they deserved, that other people should have income levels proportional to what they deserved too, in a connected society that gave them respect and place—plus that you should have some power in

society even if you had no wealth. Trying to bring about the stark utopia of market society would thus face explosions, and be overwhelmed by social-political movements that sought social justice—which might be a very egalitarian kind of social justice, because it would give people not equal shares but rather what those making the rules deserved.

Thus the book wound up with a Polanyi-Left Neoliberal grand narrative.

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Since 1870 humans—Theodore Roosevelt, John Maynard Keynes, Benito Mussolini, Franklin Delano Roosevelt, Vladimir Lenin, Margaret Thatcher, Deng Xiaoping, and others—tried to think up solutions. They dissented from “the market giveth...” constructively and destructively. They demanded that the market do less, or different, and other institutions do more. Keynes whimpered that if only governments allowed his technocratic students to conduct a sensible monetary policy along with a “somewhat comprehensive” socialization of investment, that everyone would have a job and technology plus compound interest would wreak marvels and rock-bottom interest rates would “euthanize” the rentiers—so that they could use their money social power only at the cost of spending down their capital, and so relinquishing it. Thus in the not-very-long-run, Keynesian technocrats could solve the problems of production and distribution, leaving humanity to grapple with its real problem: that of utilization of our wealth to create a truly human world.

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Perhaps humanity, did indeed come close to an institutional-societal setup to tackle the problems of slicing and tasting. Post-WWII “social democracy” in the rich countries was a good try. Keynesian focus on full employment (and low interest rates to make amortizing the WWII-era debt easy), Beveridgian equality-through-redistribution (and public provision), plus a little Pigovian externality-compensation produced the Thirty Glorious Years. But somehow social democracy failed its sustainability test, and was replaced by neoliberalism, which

stubbornly persists in spite of its failure to fulfill any of its promises except that it would make the rich much richer with much more social power. Society may not know what “social justice” is, but it knows that it manifestly does not consist of giving benefits to and making life easy for those it assesses as “undeserving”.

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And so the wheel turned. Here we are. Why are not the good people of the global north happier and more satisfied with the techno-utopian marvels that have been delivered to them? Why has great wealth in historical perspective produced not reduced but increased economic anxiety? And how does that economic anxiety get transformed into ethno-nationalist fear and rage? And how is it that the neoliberal ordering of society still survives, given that it has fulfilled exactly none of the promises made by its original salesmen, save for making the rich richer and society more economically unequal? Our current situation: in the rich countries there is enough by any reasonable standard, and yet we are all unhappy, all earnestly seeking to discover who the enemies are who have somehow stolen our rich birthright and fed us unappetizing lentil stew instead.

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What do we do next? This my book punts. That is for a younger generation than my failed one to decide. Global warming. Ethno-national terrorism on all scales from the individual AR-15 to the Combined Arms Army. Revived fascism. Technokleptocracy. I do quail.

As John Maynard Keynes wrote back in 1924:

> [That] assumes... a plan exists.... [But] we lack more than usual a coherent scheme of progress, a tangible ideal. All the political parties alike have their origins in past ideas and not in new ideas... No one has a gospel. The next move is with the head...

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Now I could have written a very different book.

After all, only one of the many threads that were the warp of the ideal book I first wrote in my mind’s eye survives as the book’s Grand Narrative.

In the beginning, the book was going to have a number of important threads. It was to be a science-and-technology book—a Michael Polanyi book. It was going to be an engineers-and-entrepreneurs book—a David Landes. It was going to be a Schumpeterian creative-destruction-and-finance-and-industry book. It was going to be a Keynesian macro-and-moral-philosophy book. And it was going to be a reacting-to-“Red-Vienna” book—a Karl Polanyi-and-friends book. Of all of these Grand Narratives that I had originally hoped to thread throughout the book, only the last of these—the Karl Polanyi Grand Narrative—survived the writing and editing process.

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That means that my aspirations for the book have shrunk: my hope now is that my book will do for Karl Polanyi something like what Charlie Kindleberger’s Manias, Panics, and Crashes did for Hyman Minsky—that is, make him comprehensible, arresting, immediate, and important, by providing lots of narrative examples for which the underlying theory can serve as a thematic lens.

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And I do confess that right now I am most interested in what people can convince me that I have gotten very wrong here. The book does havre an overly-simplistic stripped-down pseudo-Polanyiesque Grand Narrative at its heart. And while that may have been (but probably was not) adequate for a 1940s-era understanding of the dynamic of fascism, really-existing socialism, and classical (or, rather, semi-classical pseudo-) liberalism then midway through the Long 20th Century; it is wholly inadequate for grasping the political-economy dilemmas of the world today!

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Thank you very much for listening. Please read the book: I really do think you will find it rewarding.

Slouching Talk: Davis Script

◊ 2022-06-17 Fr