

2022 Tu Stone Lecture

The Annual Stone Lecture Presents

Slouching Towards Utopia

J. Bradford DeLong

Bechtel Sibley Auditorium, UC Berkeley

Tuesday, November 29 , 5:10 - 6:30 pm



1. Rebalancing the University



Several areas separate us from the UAW's proposal, however. The first area is a proposal by the Union to tie compensation directly to local housing costs. We are clear that housing costs are a significant challenge for many Californians. We will continue to work diligently to provide support to our students in this area through below-market housing programs and other means.

Forty-eight thousand academic workers in four UAW bargaining units at the University of California, including 17,000 student researchers who are fighting for their first contract, are in contract negotiations. Very shortly, they all will take strike authorization votes.

"Our members in the University of California system organized their union to win job protection from persistent bullying, harassment and discrimination from university supervisors, as well as the crushing burden of housing expenses," says UAW President Ray Curry. "This vote sends a message to UC that UAW members are ready to fight because they deserve dignity, respect and a fair wage. We know our over one million active and retired members agree."

"The University of California is a premier public university system, but there is nothing exceptional about how they have chosen to behave," adds Region 8 Director Mitchell Smith. "They chose to be adversarial and frustrate the bargaining process instead of respecting the rights of their thousands of academic workers."

By taking this strike authorization vote, academic workers at UC are saying they are ready to defend their powerful history of UAW members fighting and striking on behalf of America's working class. From the sit-down at John Deere in 2021 or the sit-down strikes in the 1930s, UAW has a proud history of action to win justice at work.

Tying compensation directly to housing costs, however, could have overwhelming financial impacts on the University. One review of the UAW proposal predicts an annual unfunded obligation of at least several hundred million dollars, with inflationary pressure and no cap.

A second particularly challenging proposal is waiving out of state tuition for international and other non-resident graduate students. We are a state university; taxpayer funding partially subsidizes the cost of educating non-resident students. That subsidy does not exist for non-residents. We have a range of ways in which we support international graduate students, and



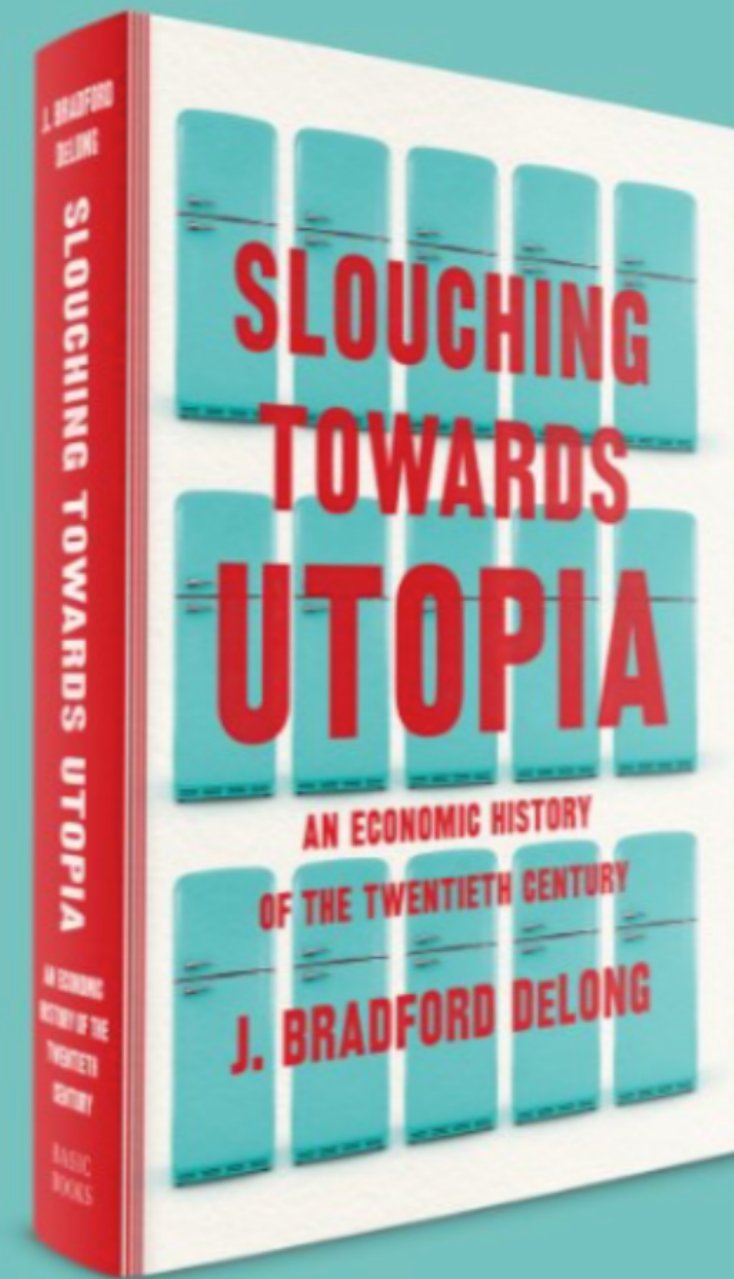
Law School?



Economics Ph.D. Career Trajectories



Slouching Towards Utopia



“A magisterial history” —Paul Krugman

An instant *New York Times* bestseller

ca. 26,000 copies sold, all formats

<bit.ly/3pP3Krk>

“Asks the right questions and teaches us a lot of crucial history along the way...” —Paul Krugman

“I’ve been waiting for Brad’s opus for a long time now...” —Ezra Klein

“Unmissable...” —Diane Coyle

“To follow the conversation, check out *Slouching Towards Utopia*...” —Adam Tooze

“Masterfully sweeping, a joy to read...” —Liaquat Ahamed

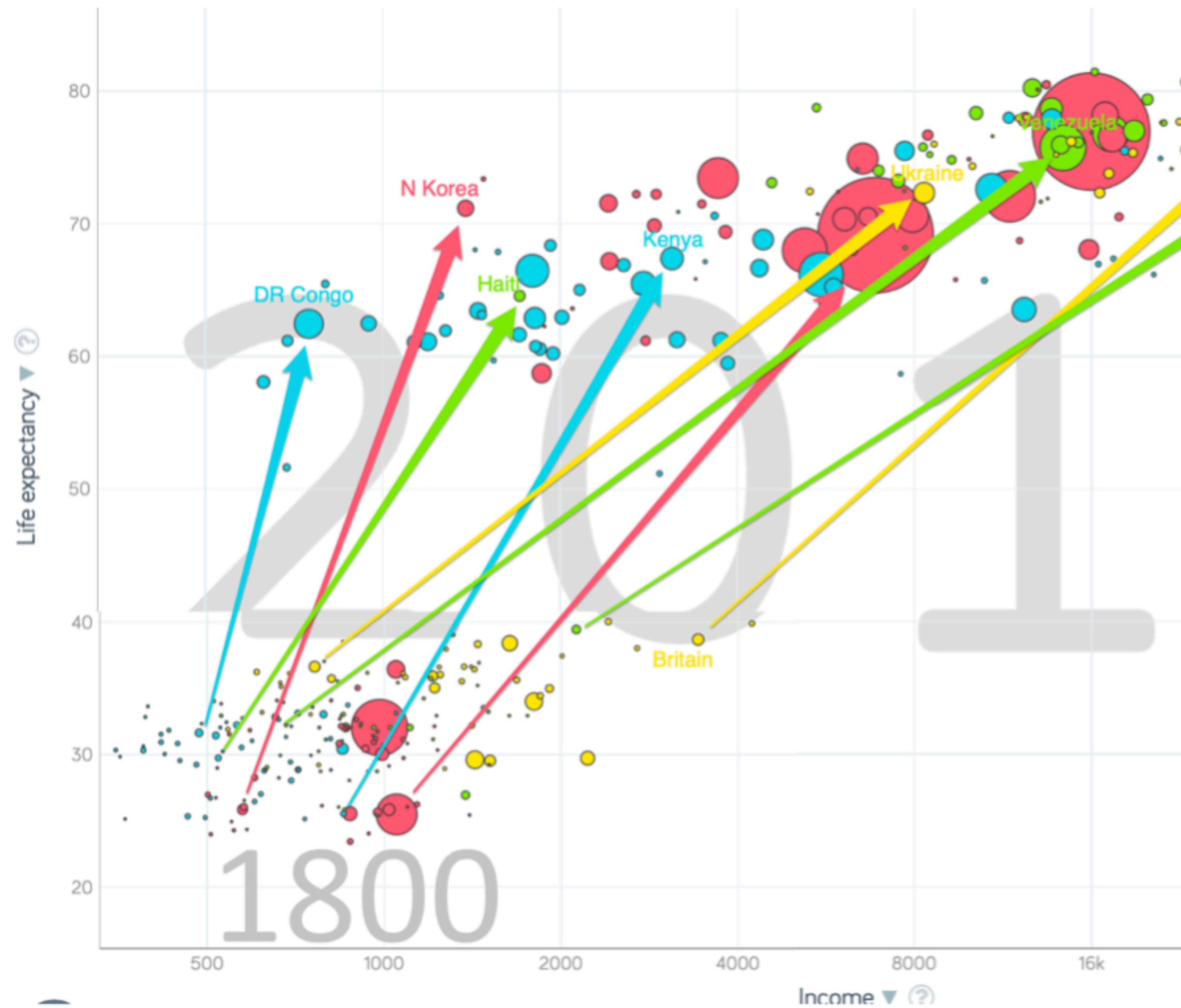
“A masterpiece...” —Zachary Carter

| | |
|--------------|-------|
| Nov 19, 2022 | 24600 |
| Nov 20, 2022 | 24650 |
| Nov 21, 2022 | 24728 |
| Nov 22, 2022 | 24794 |
| Nov 23, 2022 | 24877 |
| Nov 24, 2022 | 24956 |
| Nov 25, 2022 | 25013 |
| Nov 26, 2022 | 25072 |
| Nov 27, 2022 | 25150 |

1. How to Rebalance?: Takeaways

- Our current strike is not merely a short-run contest at the margin over the distribution of the university's resources...
- It is, rather, the surfacing of a very difficult problem...
- How the university of the future is to be organized for our collective benefit...

2. Surprising My 20-Year-Old Self



The Overclass

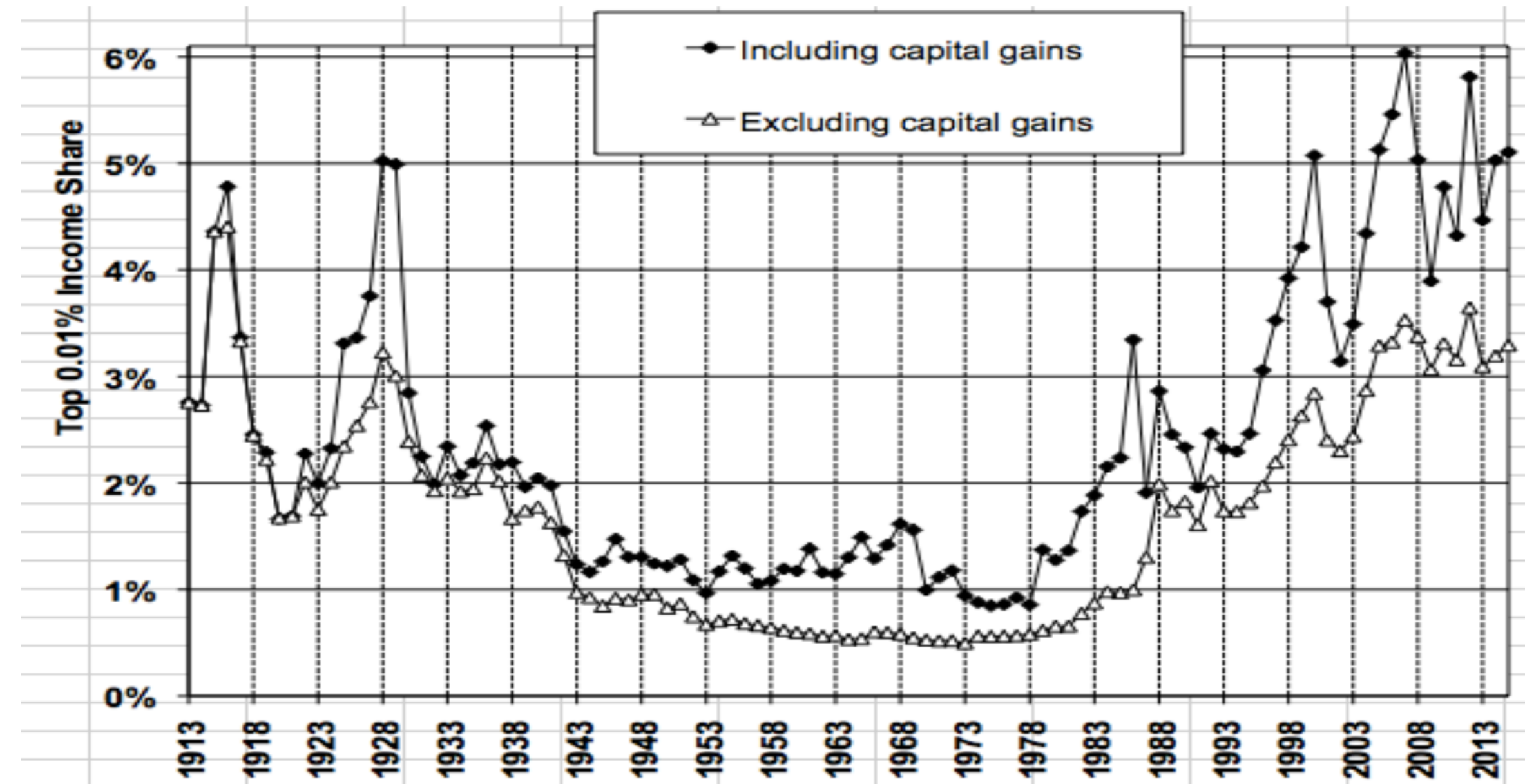
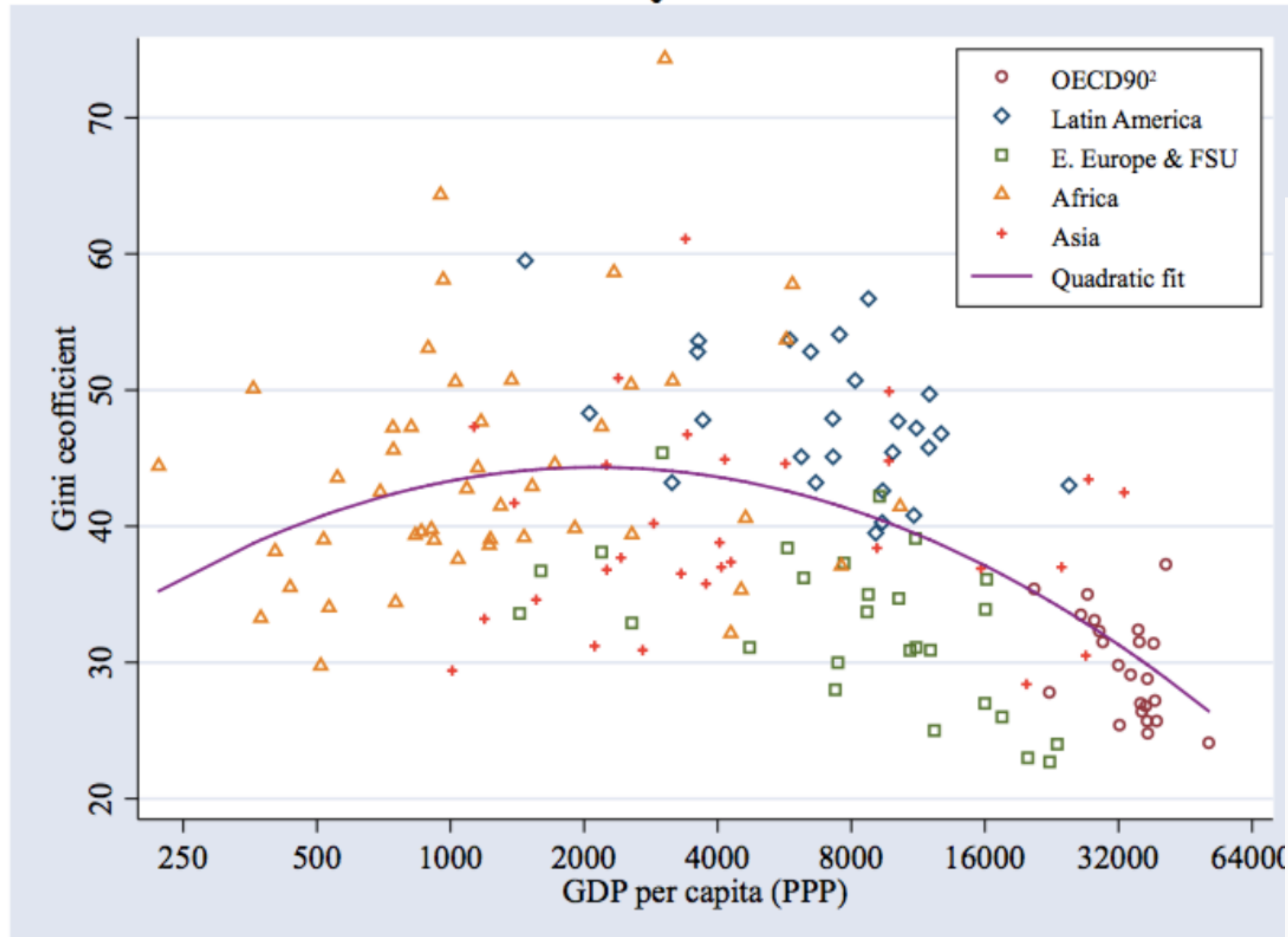


FIGURE 3
The Top 0.01% Income Share, 1913-2015

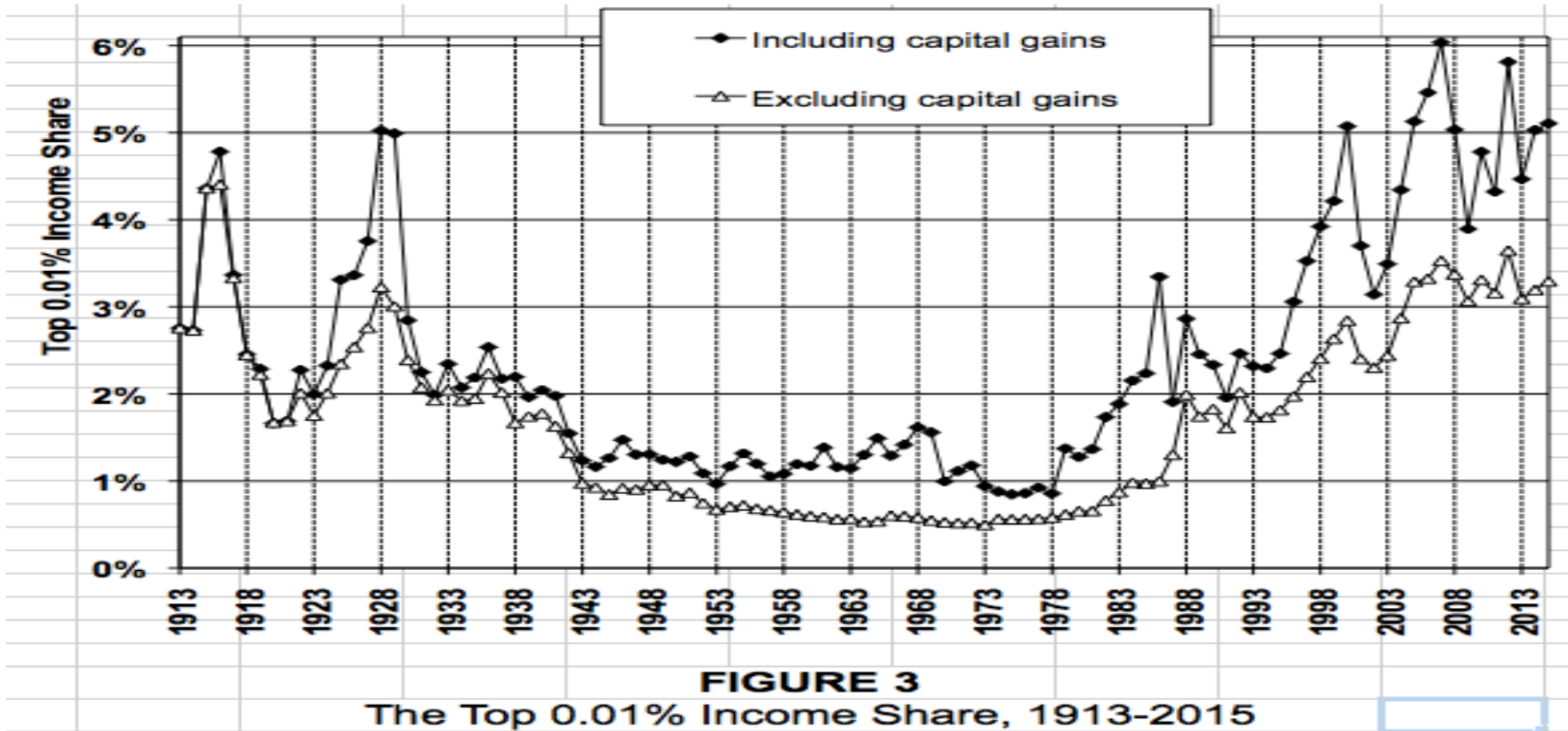
The Kuznets Curve

Figure 3: Inequality in a Cross Section of Countries with a Quadratic Fit

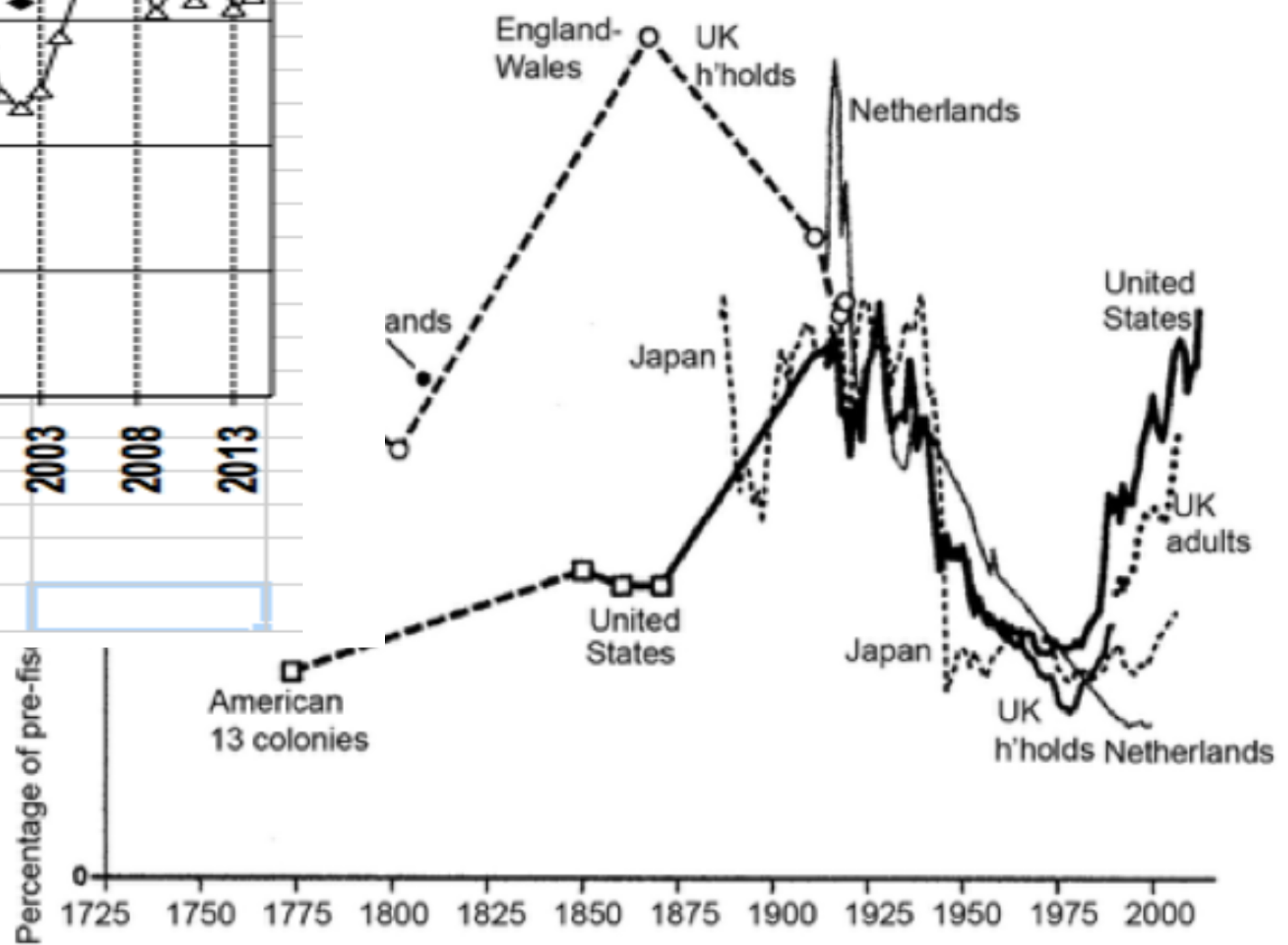


- As an agrarian economy industrializes, inequality rises simply because the modern-industrial sector pulls away from the traditional-agrarian one.
- More important, however, is that, at least in the early stages of industrialization, technological progress is labor-saving —makes capital a substitute for rather than a complement to labor—and so boosts returns to capital while lowering returns to labor.
- Moreover, a largely agrarian poor class, not yet through the demographic transition cannot afford the human-capital investments in their children needed to rescue the next generation from poverty.
- And last comes the substantial amplification of wealth disparities from the rewards to market position in increasing-returns and high fixed-costs industries.

Consequences of the Neoliberal Turn



are received by the top 1%, four countries over 1



2. Surprises!: Takeaways

- The failure of post-colonial convergence...
- The Neoliberal Turn of the early 1980s...
- The consequent coming of our Second Gilded Age...

3. Why the Neoliberal Turn?

| 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 |



Governance Pre-Modern Economic Growth



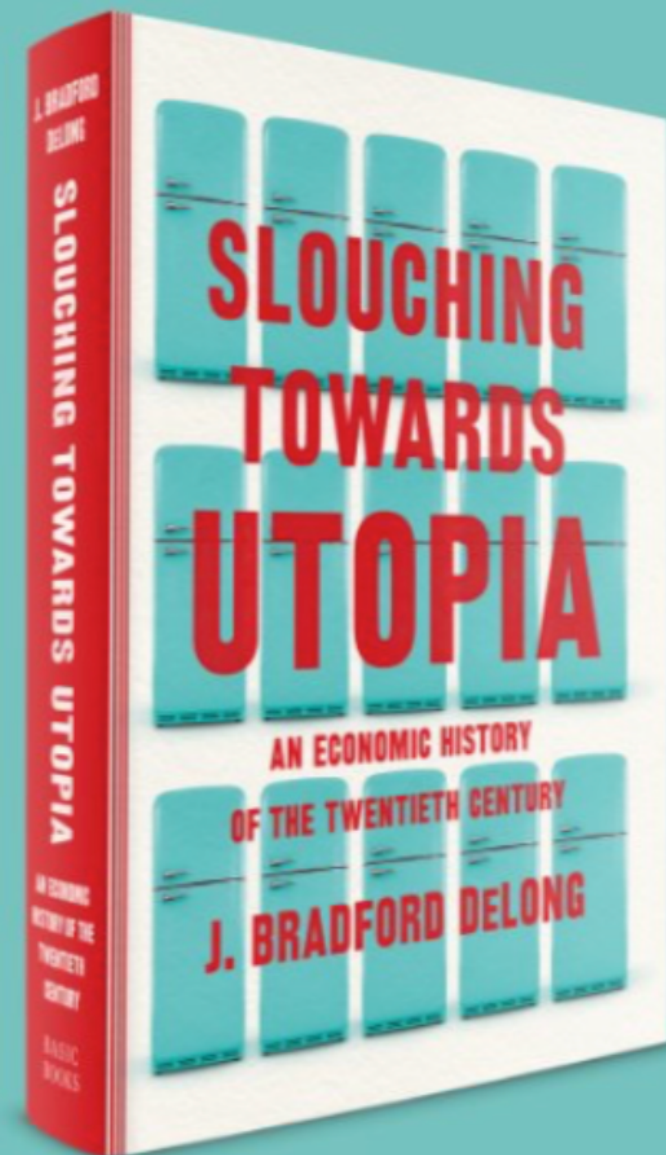
- one strained every nerve and muscle to become part of an élite.
- That élite would then elbow other potential élites out of the way.
- It would then run a force-and-fraud domination-and-exploitation game on humanity
- So that it could grab *enough* for itself.
- Thus politics and governance were, primarily:
 - How that élite—thugs with spears,
 - and later with gunpowder weapons,
 - assisted by their team accountants, bureaucrats and propagandists—
 - ran this domination-and-exploitation game,
 - using the resources they extracted to maintain their dominance,
 - and to build and enjoy their high culture.

John Maynard Keynes



I seek only to point out that the principle of accumulation based on inequality was a vital part of the pre-war order of Society and of progress as we then understood it, and to emphasize that this principle depended on unstable psychological conditions, which it may be impossible to recreate...

Social Democracy as Shotgun Marriage: An End of History?

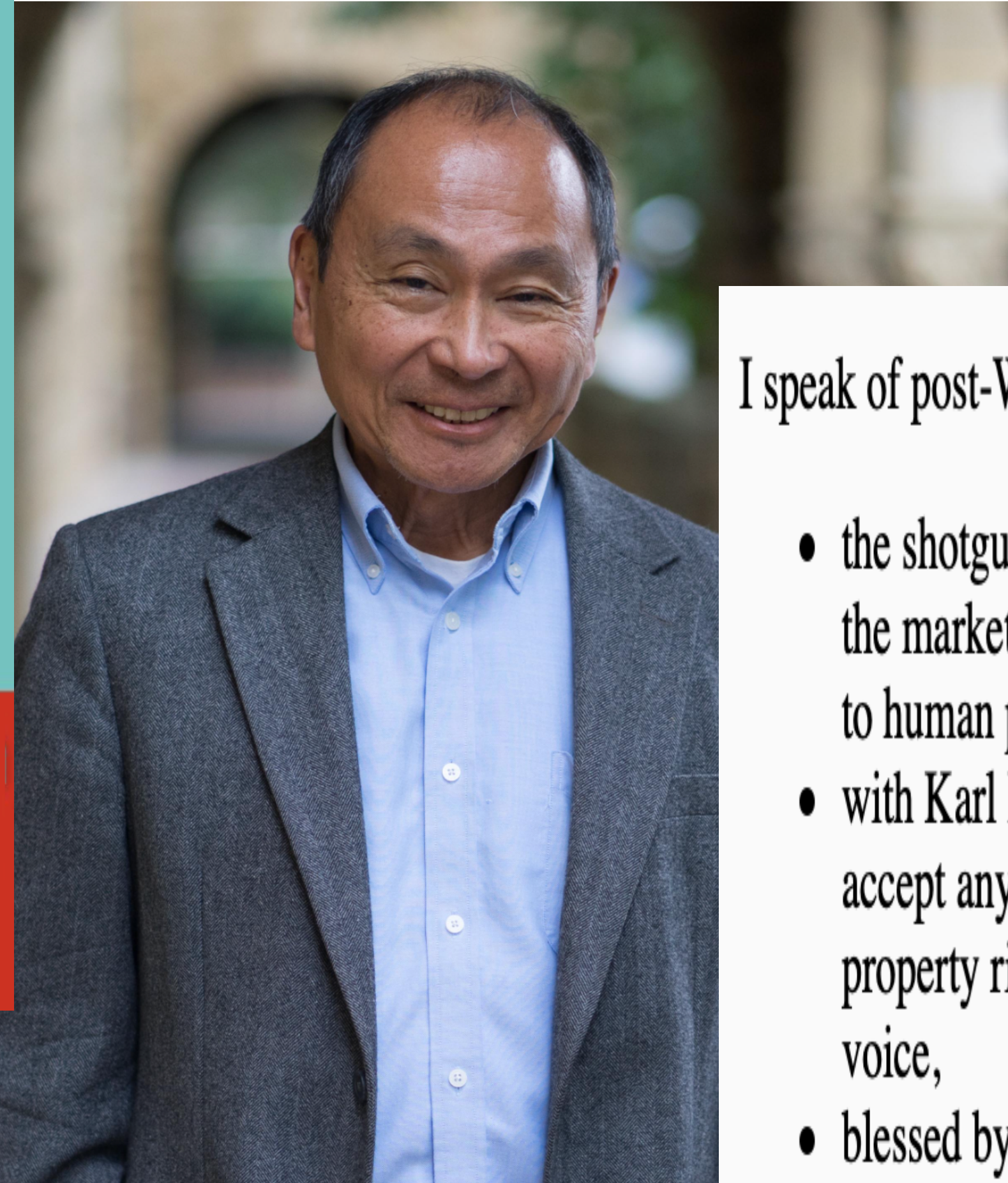


“A magisterial history” — Paul Krugman

An instant *New York Times* bestseller

ca. 26,000 copies sold, all formats

<bit.ly/3pP3Krk>



I speak of post-WWII global-north social democracy as:

- the shotgun marriage of Friedrich von Hayek’s insights into the market as a social device for crowdsourcing solutions to human problems
- with Karl Polanyi’s insights into the refusal of humanity to accept any order in which the only rights that count are property rights and only the rich have social power and voice,
- blessed by John Maynard Keynes

Why, Then, the Neoliberal Turn?

1. Unlucky accident
2. Thomas Piketty
3. The Neoliberals themselves had a mish-mash of reasons as to why the Neoliberal Turn made sense:
 - Make inequality greater to re-incentivize both the rich job creators and also the non-rich potential slackers and the moochers.
 - Social democracy was hopelessly corrupted by rent-seeking.
 - Social democracy was vastly over-bureaucratized.
 - Market means were better at attaining *worthwhile* social-democratic ends.
 - In fact, the market has a wisdom and a logic of its own, and if it produces inequality, it must be doing so for a reason.
 - The coming of information technology allows for a much more flexible, pro-freedom mode of social organization.
 - Social democracy is insulting: it gives you good things by virtue of your status as a citizen, when what you need is the opportunity to *earn* good things.

Craig T. Nelson: “Did Anybody Help Me...?”



3. Neoliberal Turn: Takeaways

- Social democracy—the New Deal Order—failed its sustainability test at the end of the 1970s.
- Perhaps it could have been revived and restored
 - Even if somewhat zombie-like.
 - Certainly those of us who worked for Bill Clinton or Tony Blair thought so.
- But I doubt it.
- I think people go too far when they see the coming of the Second Gilded Age as unhappy accident.
- Or even as simply the consequence of $r > g$ in a world of demographic and productivity slowdown.

4. What Should I/ We/You Do?

Adam Smith

No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, clothe, and lodge the whole body of the people, should have such a share of the produce of their own labour as to be themselves tolerably well fed, clothed, and lodged...

2022 Tu Stone Lecture

The Annual Stone Lecture Presents

Slouching Towards Utopia

J. Bradford DeLong

Bechtel Sibley Auditorium, UC Berkeley

Tuesday, November 29 , 5:10 - 6:30 pm

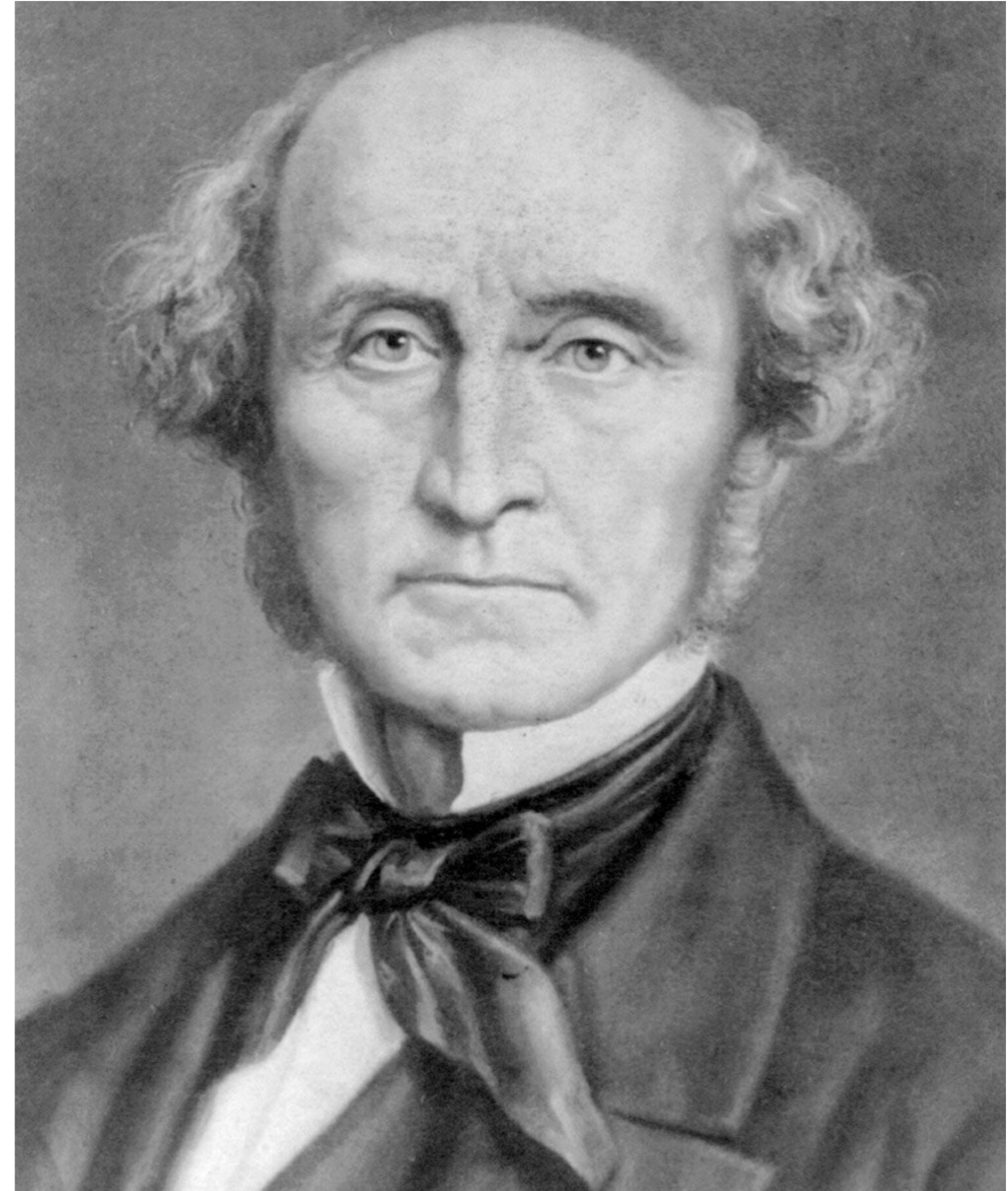


5. DRAFT NOTES

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...



The Condition of the Working Class in England



English construction workers

- Lots of priests and monks in England hiring construction workers, and then writing everything down, and then saving it
- English construction workers on average earned the same real wages in 1000, in 1450, and in 1850
- No reason to think that England is in any sense atypical here
- **Greg Clark:** *The Condition of the Working Class in England* <<http://piketty.pse.ens.fr/files/Clark2005.pdf>>

High Patriarchy

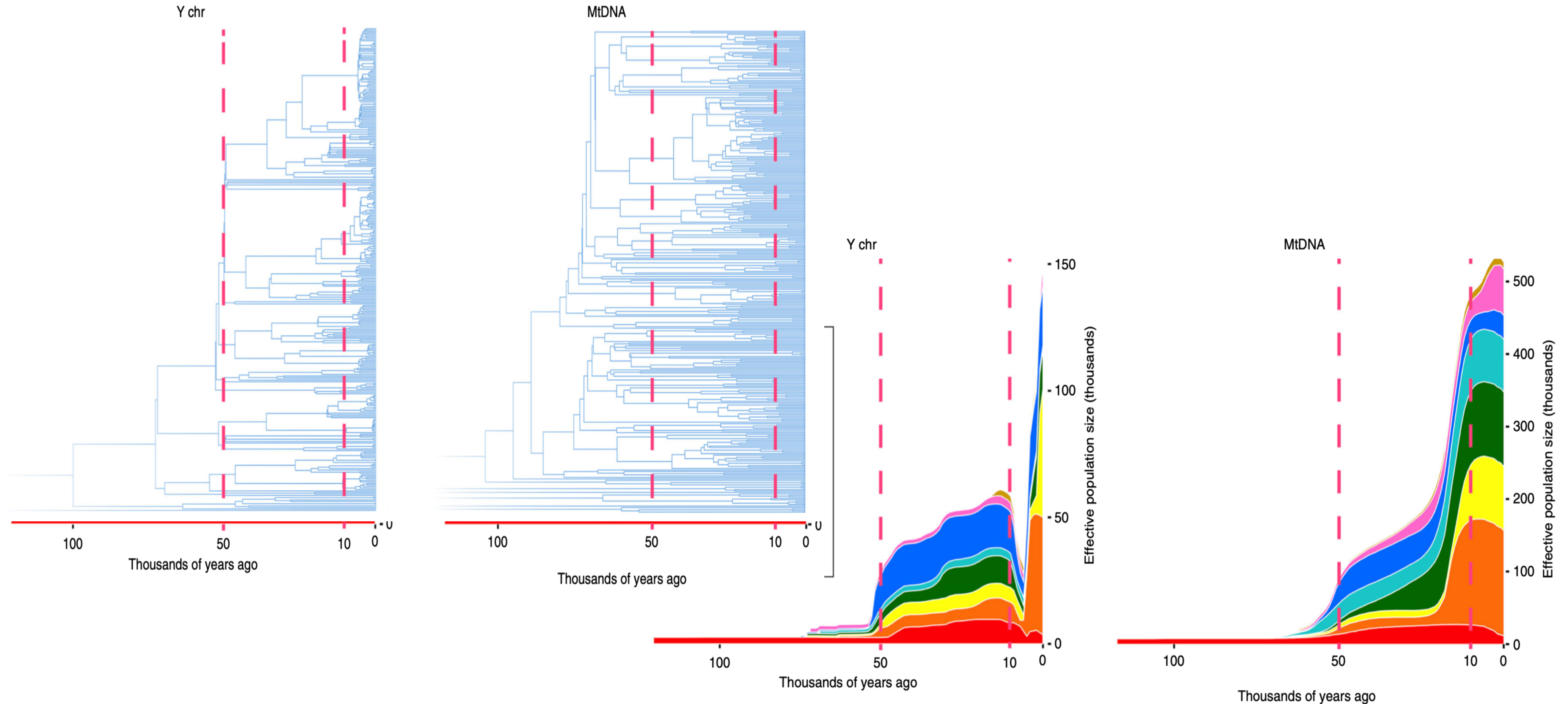


Fig. 1 Cumulative Bayesian skyline plots of Y-chromosome and mtDNA diversity by world regions. Reprinted from Karmin et al.⁴ with permission from Monika Karmin and under a Creative Commons License (Attribution-NonCommercial 4.0 International)

Ensorcelled by the Devil of Malthus

| 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 |

Pre-Industrial Inequality

Branko Milanovic, Peter H. Lindert, & Jeffrey G. Williamson. 2011. "Pre-Industrial Inequality." *Economic Journal* 121 (March): 255-272. <<https://www-jstor-org.libproxy.berkeley.edu/stable/41057775>>

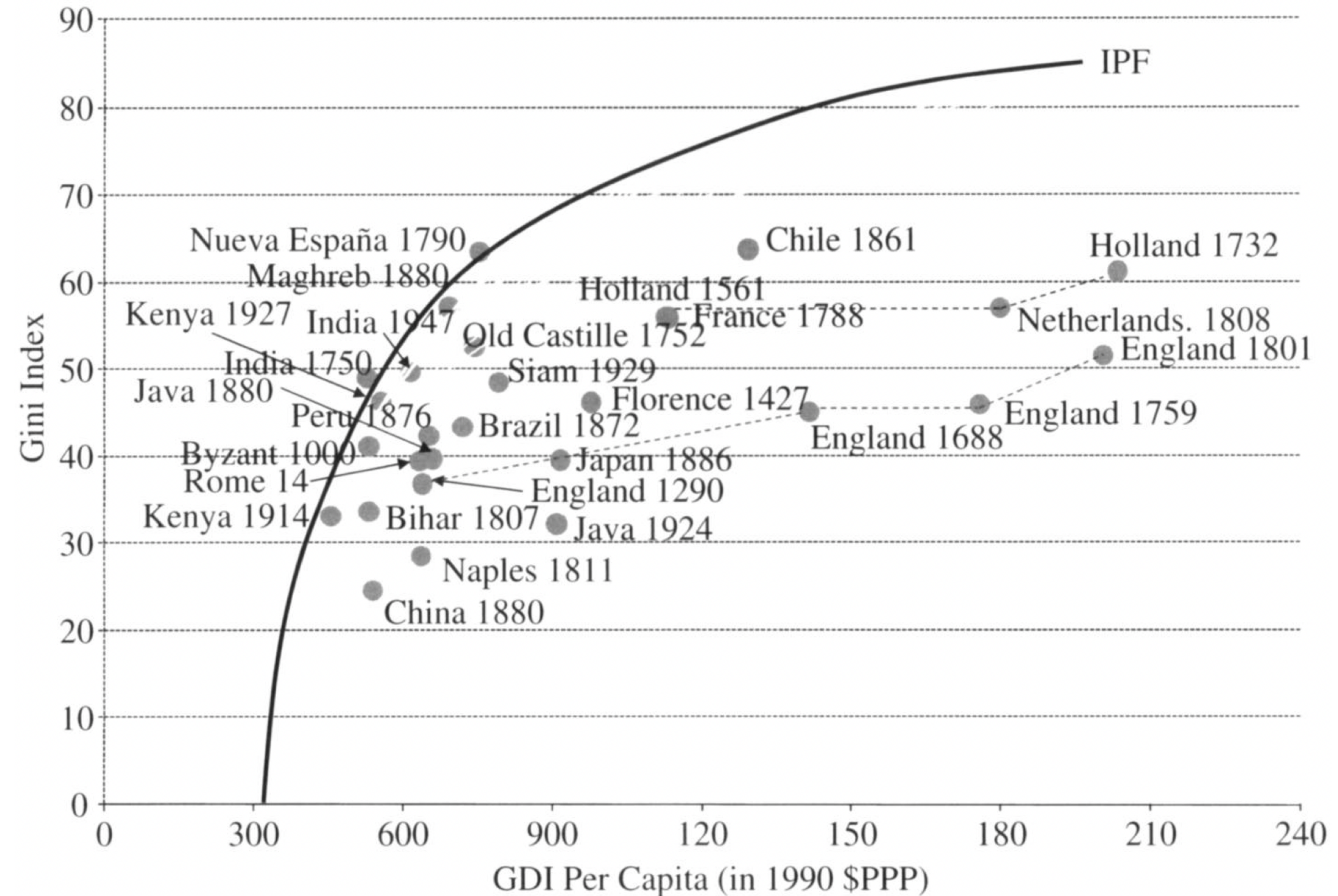
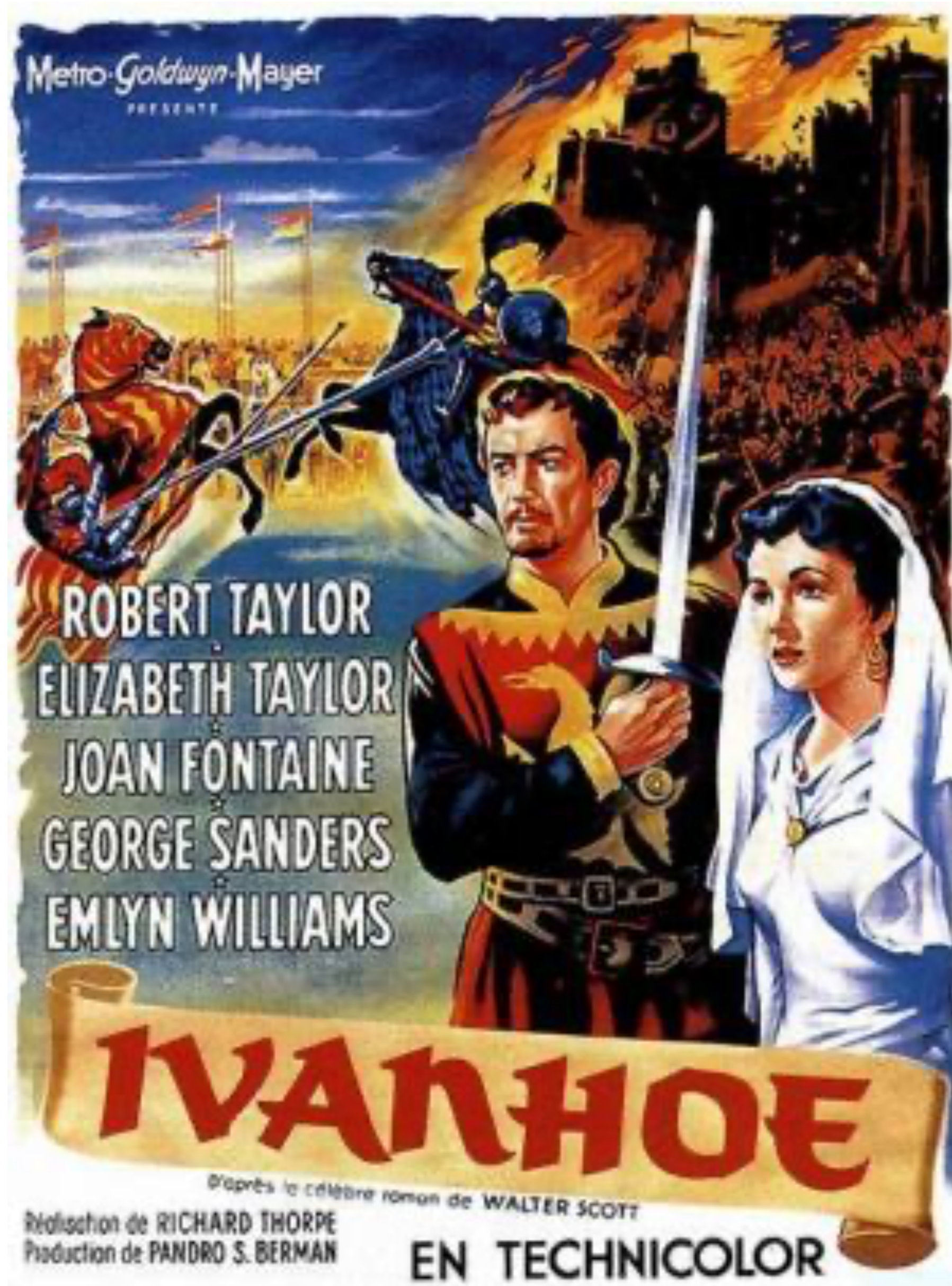


Fig. 2. *Pre-industrial Inequalities: Estimated Gini Coefficients, and the Inequality Possibility Frontiers*

Wilfred of Ivanhoe & Temujin Genghis Khan



Aristotle



Ancient Robots



Industrial-Era & Modern Inequality

Branko Milanovic, Peter H. Lindert, & Jeffrey G. Williamson. 2011. "Pre-Industrial Inequality." *Economic Journal* 121 (March): 255-272. <<https://www-jstor-org.libproxy.berkeley.edu/stable/41057775>>

Figure 3 Income share received by the top 1%, four countries over

