

About the Course

The long 20th century will in all likelihood be seen in the future as *the watershed in human experience*:

- Nine aspects:
 1. History was *primarily* economic—and that was true for the first time...
 2. Explosion of wealth: 2%+ per year...
 3. Cornucopia of technology...
 4. Demographic transition...
 5. Feminist revolution...
 6. Empowered tyrannies...
 7. Wealth gulfs...
 8. Inclusion and hierarchy attenuation...
 9. Mismanagement and insecurity...
- Humanity is unlikely to see as *transformative*—for good and ill, but mostly for good, so far at least, I think—a century again...

Coronavirus!

Calls are Carol Christ's...

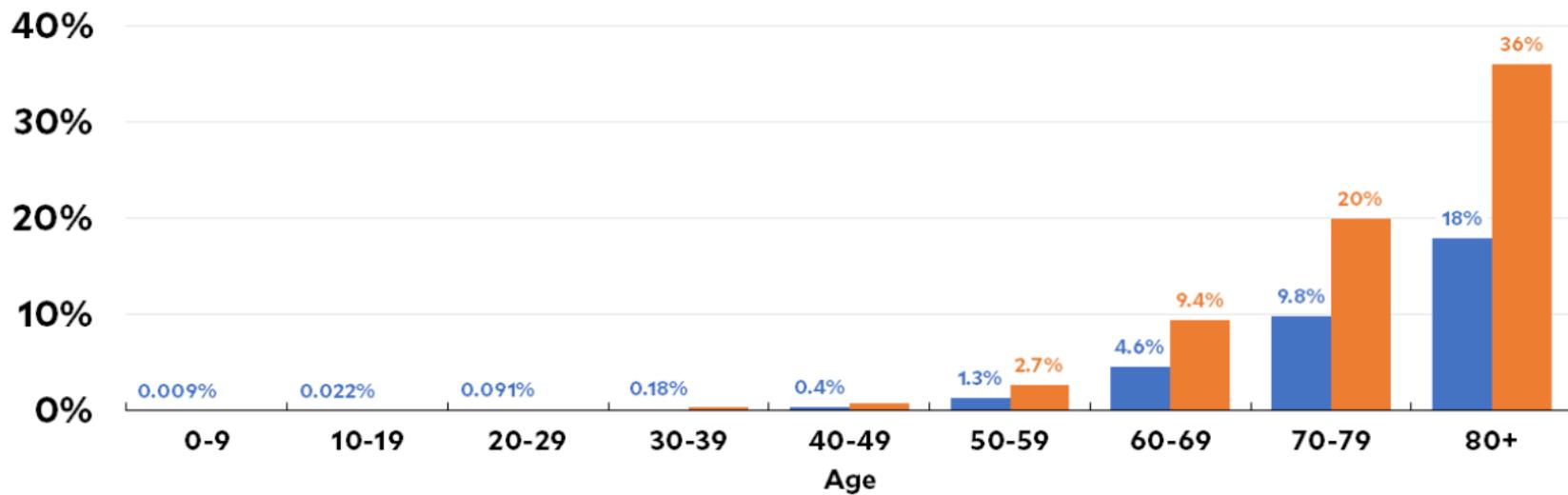
- She has made the call: classes are now moved online: I am busy adding audio to slide files
- That said:
 1. If you are coughing and sneezing, stay home! Email me and we will give you extra-credit points...
 2. Otherwise, there are powerful herd-animal benefits to coming to lecture
 3. (& to talking about course material with your friends: you need to convince your brain that these concepts are useful, & it should keep them)
 4. Washington State has been doing an intensive flu screening, so they know stuff:
 - They guess: 1 in 1000 people in WA has coronavirus right now
 - Half of them have no symptoms
 - Asymptomatic transmission means that we cannot contain this without shutting society down
 - Cases doubling every 5 days
 - Means that by the end of March 1 in 45 people in WA will have it...
 - April will be epidemic month
 - In the end, 30%-70% of us will test positive
 - &, worldwide, 20 million people are likely to be dead
 - Our hope is to stretch out this process as long as possible, so that health providers are not totally overwhelmed

MOAR Coronavirus!

It's a Thing for Geezers!

- Mortality for the Youngs very low...
- It's the flu for them...

Death Rate From Coronavirus
■ = All Infections, ■ = Only Symptomatic Infections



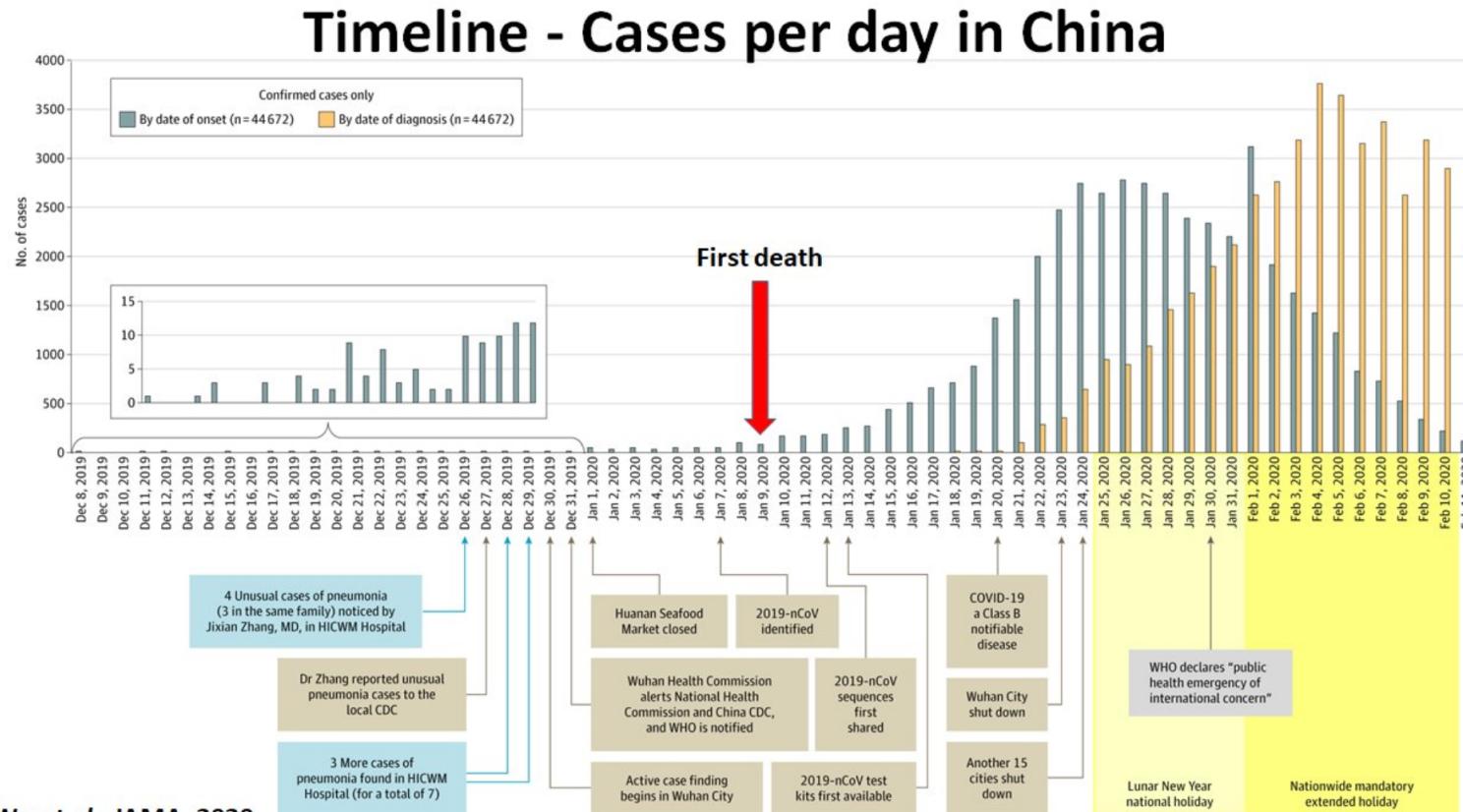
Source: Riou et al.

Mother Jones

MOAR Coronavirus! II

China Beat It!

- Shut down Wuhan when 200 cases per day
- That seems to have been a good decision



MOAR Coronavirus! III

When Is It Appropriate to Move on This?

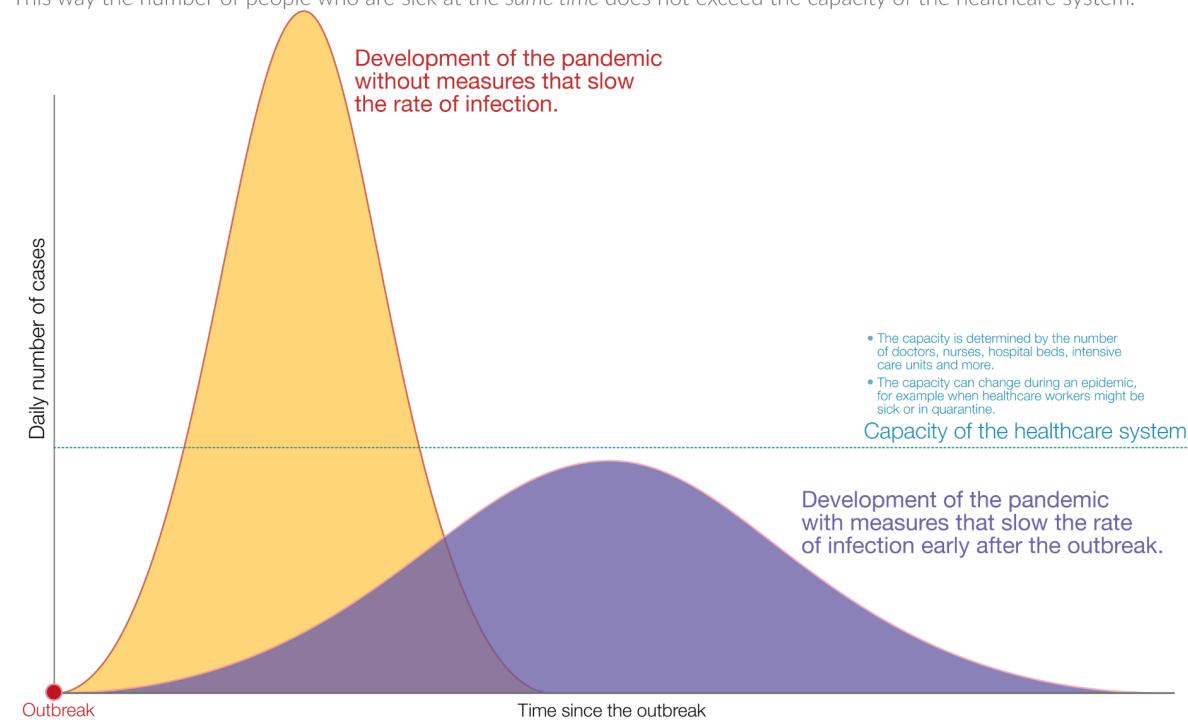
- Immediate social distancing...
- Self-isolate if you have a cough and a fever...
- Hope that warmer temperatures will do to this what they did to SARS...
- Otherwise, when do you want to start spreading out transmission. It seems that early is as good as later...

In the outbreak of an epidemic *early* counter measures are important

Their intention is to 'flatten the curve': to lower the rate of infection to spread out the epidemic.

This way the number of people who are sick at the *same time* does not exceed the capacity of the healthcare system.

Our World
in Data



U.C. Berkeley: Economics 115: Spring 2020

20th Century Economic History:

Lecture 10: Cold War

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<<https://bcourses.berkeley.edu/courses/1487684>>

<<https://github.com;braddelong/public-files/blob/master/econ-115-lecture-10.pptx>>

Takeaways from Last Time

From Fascism & WWII

1. Come up with your own five takeaways from our look at interwar (between World Wars I & II) fascism and World War II...

Preview

The Cold War

- Takeaways from Last Time
- Preview
- Administration
- The Cold War: There Was Not Supposed to Be One
- The Korean War
- Review: Broad sweep
- Consequences: After the Korean War
- Russia Sits Down
- Takeaways
- Preview

Econ 115: Administration: Office Hours &c.

DeLong: Office Hours

M 11:10-12:40, Blum Hall 200B

T 11:15-12:00, Blum Hall 200B

Email <delong@econ.berkeley.edu> for a virtual appointment

Read: DeLong, chapter 15

Slides: <<https://github.com;braddelong/public-files/blob/master/econ-115-lecture-10.pptx>>

Do: Assignments on suspension as we figure out what to do with the midterm...

Memo: bCourses website <<https://bcourses.berkeley.edu/courses/1487684>>

Reminding You:

In the abortive German communist revolution of January 1919, Petty Officer Lemmgen and his forces failed to take control of the offices of the Ministry of War because:

- A. Lieutenant Hamburger objected that the document authorizing him to do so was handwritten, and Lemmgen returned to Revolutionary HQ to get the document typed.
- B. Lieutenant Hamburger objected that the document authorizing him to do so was not signed, and Lemmgen returned to Revolutionary HQ to get the document signed.
- C. Lieutenant Hamburger objected that the Revolutionary Council that had produced the document was a bunch of traitors.
- D. Lieutenant Hamburger objected that the Revolutionary Council was only made up of a minority of the leaders of the German Socialist Party.
- E. None of the above.

How Important Was the Soviet Union for Twentieth Century Economic History?

- How much time should I spend on the Soviet Union in this class?
- A dead end
- Very important outside the United States...
- Not terribly important for America...
 - Socialism never got anywhere in America—Jack London: not proletarians but “temporarily embarrassed millionaires”
 - Virginia and Kentucky nationalism strongly opposed to “big government”
 - New-England nationalism not strongly in favor
- Cold War very important for America, however...

Communist Leaders and Dnepropetrovsk Dam



There Was Not Supposed to Be a Cold War

Leninist theory was very clear:

- Capitalism needed imperialism to moderate crises
- Imperialism led to intra-imperialist war
- War led to the advance of socialism
- Hence step back, rebuild, wait for the Anglo-American War, & then cash in your chips...
- That ought to have been Stalin's plan...



The NATO Alliance Did Not Want a Cold War Either

- Post-WWII demobilization
- Isolationism
- The “West” saw itself as secure
- Post-WWII opposition to the Marshall Plan, etc.
- Stalin’s patience
 - But Czechoslovakia
 - And Mao
- The U.S. military’s wish list: NSC-68



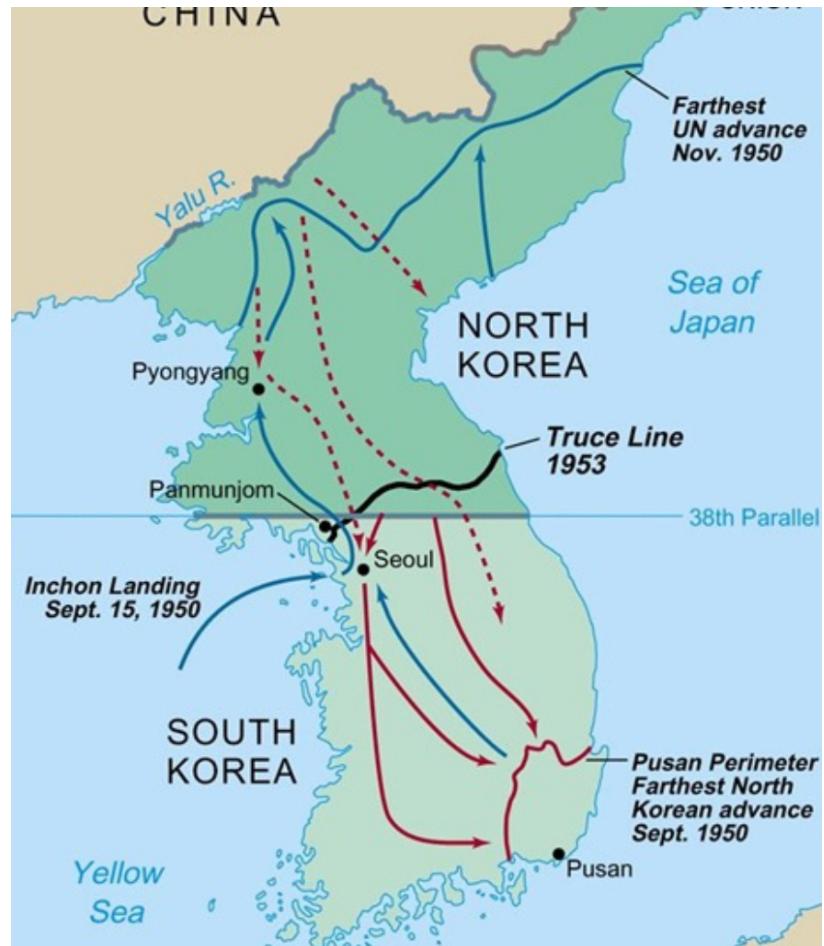
The Korean War

- The U.S. right wing was conflicted
 - Post-WWII opposition to the Marshall Plan, etc.
 - Yet, also: fight Mao! Unleash Chiang Kai-Shek! McCarthyism!
 - Isolationism abroad, plus red-baiting at home
- But Stalin could not stick to his plan...
- North Korea and Kim Il Sung...
 - Chinese intervention



The Korean War

- No U.S. use of nuclear weapons
 - A limited war
 - Dismissal of U.S. commander MacArthur
- Sought a return to the status quo ante
- The war dragged on...
 - The U.S. response and NSC-68
 - 10% of GDP in military...
- War dragged on for three years
- Settlement as essentially a return to the status quo ante bellum



Review: Broad Sweep

What was the growth rate of *ideas* in the industrial core of the world economy over 1870-2020?

- A. About 2.3%/year
- B. About 0.9%/year
- C. About 0.23%/year
- D. About 4%/year
- E. None of the above

Review: Broad Sweep

What was the growth rate of *ideas* in the industrial core of the world economy over 1770-1870?

- A. About 2.1%/year
- B. About 0.45%/year
- C. About 0.15%/year
- D. About 0.04%/year
- E. None of the above

Consequences: After the Korean War

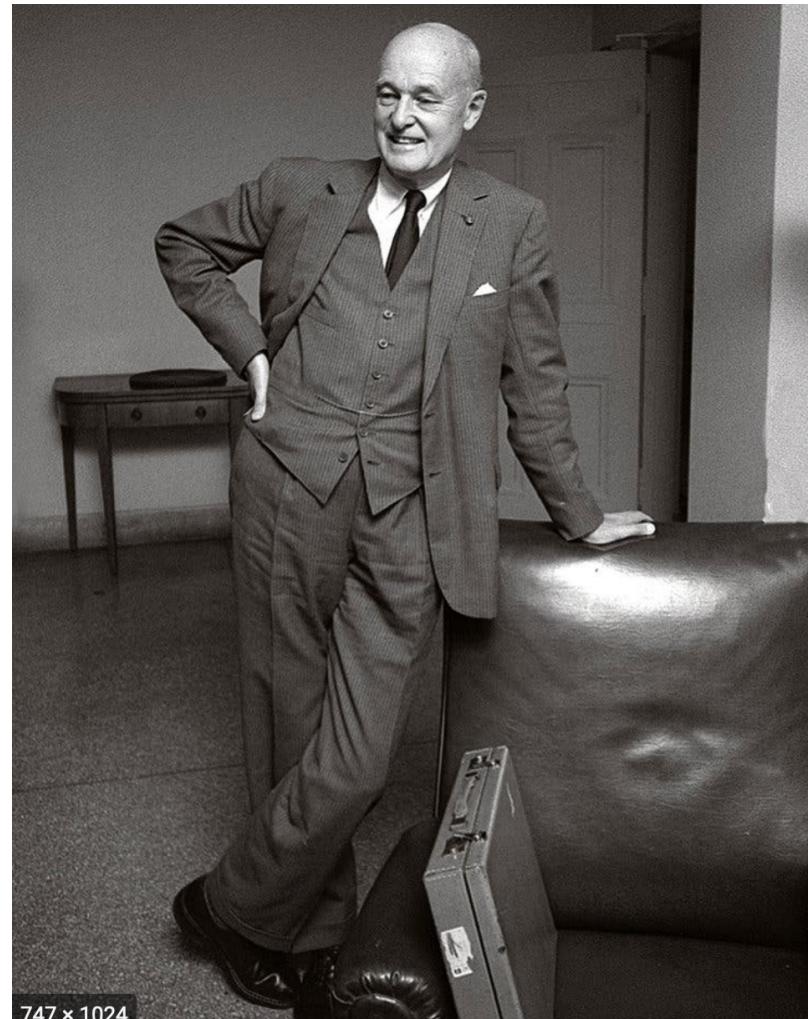
- NSC-68
 - 10% of GDP in military...
 - Western Germany looked a lot like South Korea
 - A full U.S. army in Europe
 - Containment
 - Projecting power



NSC-68: THE POLICY DOCUMENT THAT SH...

Containment and Destabilization

- Containment
- Projecting power
- Destabilization
 - Defensive weapons can look pretty offensive
 - “Peaceful coexistence”
 - Soviet hopes
- George Kennan
 - Meet force with resistance
 - Play the long game
 - A suitable challenge for America to face with confidence
 - Become and remain a City Upon a Hill



747 x 1024

“We Will Bury You”

- Containment as American policy
 - Pursued with confidence
 - Except possibly by Kissinger
- Confidence on the other side: Khrushchev
 - Nobody in Russia wanted a WWIII
- The “Third World”
 - Opportunities
 - Nehru, Sukarno, Tito
 - Threats
 - Soviet: East Germany, Hungary , Czechoslovakia, Afghanistan in 1978
 - U.S.: Iran and Guatemala in 1954, Cuba in 1961, Chile in 1973, Nicaragua in 1981, Grenada in 1983.
 - Cold War turning genuinely hot: Korea (5 million dead), Vietnam (2.5 million dead), Ethiopia (1.5 million dead), Angola (500000 dead), and more.
 - Governments that attack society: Indonesia, Khmer Rouge



The often used fake image^[citation needed] of Khrushchev waving a shoe (above), and the original photo taken at the [United Nations General Assembly](#), 23 September 1960, [AP](#) archives

On the Edge of Nuclear Fire

- The Cuban Missile Crisis
 - Missiles in Turkey and Cuba
 - Blockage
 - “The knot of war”
 - U.S. promises—and U.S. politics
- Teetering: other episodes:
 - Mistaking moonrise
 - Mistaking a solar flare
 - Training scenarios
 - Colonel Petrov
 - KAL 006
 - The Vincennes
- Still, by and large, something like peace



Winners of the Cold War

- Khrushchev
 - His successors concluded that the game was up
- Who made a difference?
 - Those who kept the Cold War from getting hot
 - Those who persuaded others it was over
 - Those who worked to make the Western Alliance its best self
- My list of ten:
 - Harry Dexter White; George Kennan; George Marshall; Arthur Vandenberg; Paul Hoffman; Dean Acheson; Harry S Truman; Dwight D. Eisenhower; Gerald Ford; George Shultz



The Soviet Union: An Example of “Late Development”?

- If you compare the Soviet Union to non-European non-settler economies...
- It does quite well—butcher’s bill aside
 - And it won WWII
- How to reconcile these?
 - Neocolonial origins of comparative development?
 - I think not—but it is an open question
 - And foundations for subsequent growth laid during Stalin/Mao?

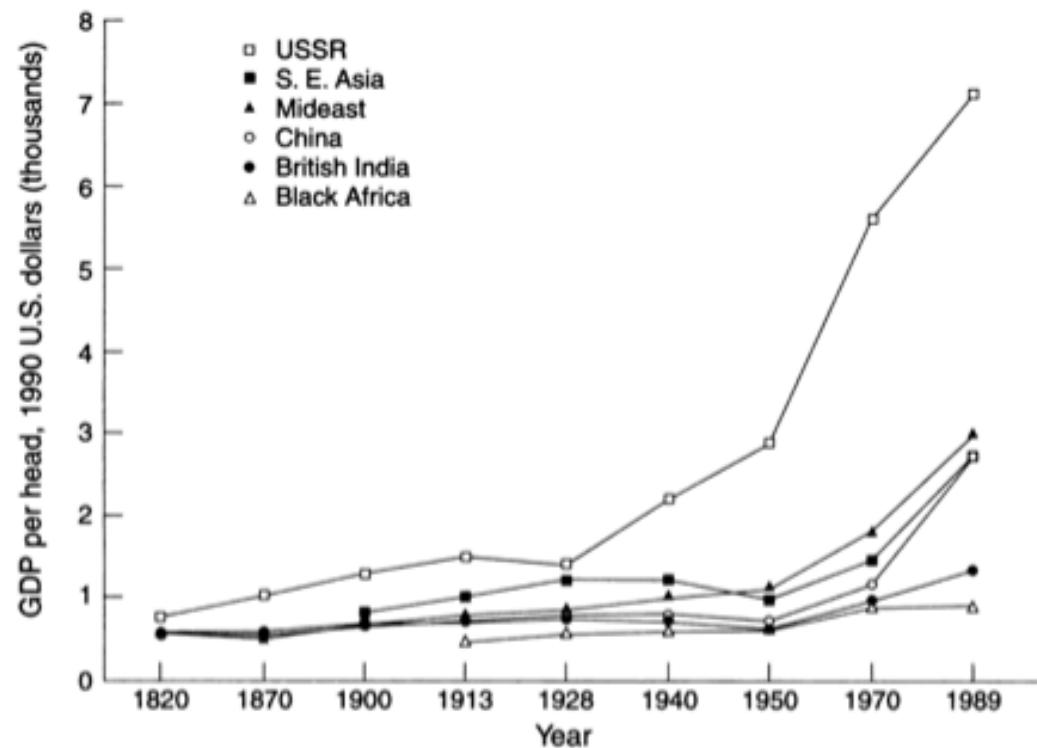


Fig. 1.5. USSR versus the Rest of the World. *Source:* Table 1.1.

The Trajectory

- Imperatives
 - Survive
 - Eliminate large-scale private property and market
 - Industrialize
 - No aid coming from Germany
- War Communism
- War Terror
- NEP
- “Scissors Crisis”
- Taking Marx’s *Capital* not as a critique but as a business model



Inefficiencies of Central Planning

- If the Soviet Union was “European” or “recent settlement”—an absolute disaster.
- If you compare the Soviet Block to the countries around its edge—an absolute disaster
- Why? Because bureaucracies undisciplined by markets are really not very good at organizing production
 - They can—sometimes—duplicate things they can see elsewhere
 - They can—sometimes—generate amazing feats of resource mobilization
 - While sharply reducing “profiteering”

How Much Does Market Organization Matter?

East-Block Country	GDP per Capita	Matched West-Block Country	GDP per Capita	Percentage Gap
N. Korea	\$700	S. Korea	\$7,660	91%
China	\$490	Taiwan	\$9,500	95%
Vietnam	\$170	Philippines	\$850	80%
Cambodia	\$150	Thailand	\$2,110	93%
Georgia	\$580	Turkey	\$2,970	80%
Russia	\$2,340	Finland	\$19,300	88%
Bulgaria	\$1,140	Greece	\$7,390	85%
Yugoslavia	\$3,240	Italy	\$19,840	84%
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Poland	\$2,260	Sweden	\$24,740	91%
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Geometric Mean:	\$930		\$8,030	88%

Failed Utopia: Social and Economic Organization

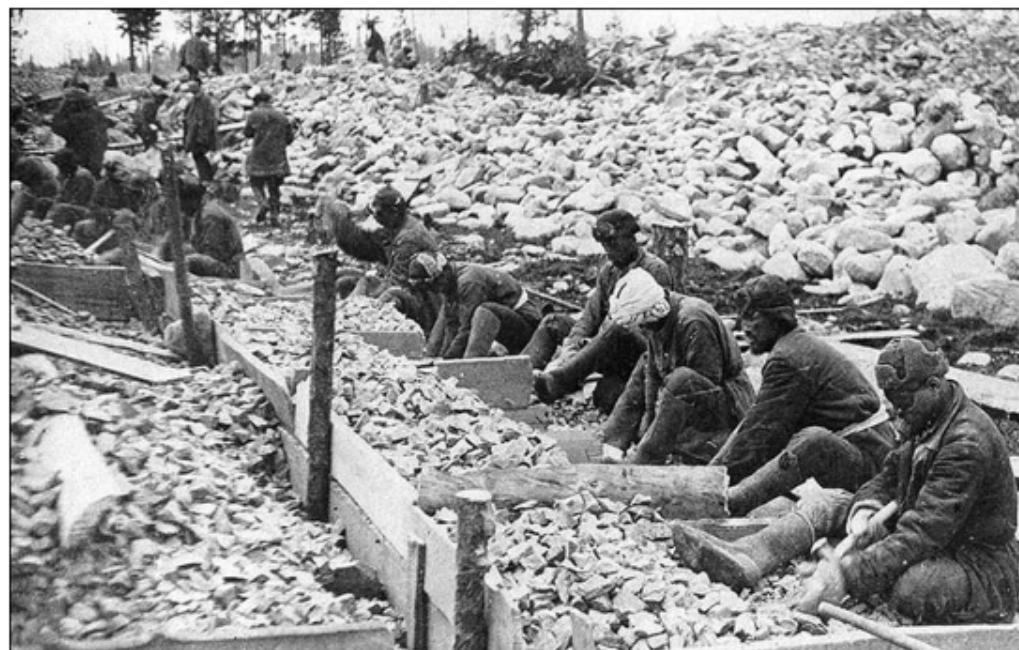
- Max Weber: “Wherever bureaucracy gained the upper hand... it did not disappear.... State bureaucracy would rule alone if private capitalism were eliminated. The private and public bureaucracies, which now check one another to a degree, would be merged into a single hierarchy.
- “This would be similar to the situation in ancient Egypt, but it would occur in a much more rational—and hence unbreakable—form... the shell of bondage which men will perhaps be forced to inhabit as powerless as the fellahs of ancient Egypt. Who would want to deny that such a potentiality lies in the womb of the future?...”

Vacation in a gulag: are you ready for the ultimate Siberian holiday?

By The Siberian Times reporter

27 March 2014

Tourist camps to be built at Stalinist camps where millions perished in the Soviet era, under new plan.



‘It is insulting to the hundreds of thousands people, families who lost their relatives in these camps’. Picture: Sakha news

The controversial scheme comes from the regional tourist department in the Sakha Republic, also known as Yakutia, the largest region in the Russian Federation.

Failed Utopia: Politics

- Rosa Luxemburg: “The tacit assumption underlying the Lenin-Trotsky theory of dictatorship is this: that the socialist transformation is something for which a ready-made formula lies completed in the pocket of the revolutionary party.... We [do] know more or less what we must eliminate...
- “But when it comes to the nature of the thousand concrete, practical measures, large and small, necessary to introduce socialist principles into economy, law and all social relationships, there is no key in any socialist party program or textbook. That is not a shortcoming but rather the very thing that makes scientific socialism superior to the utopian varieties...”
- What did Lenin do? The German war economy...



Failed Utopia: Politics II

- Rosa Luxemburg: “In place of... general, popular elections, Lenin and Trotsky have laid down the soviets.... Public life gradually falls asleep, a few dozen party leaders of inexhaustible energy and boundless experience direct and rule... meetings... [that] approve proposed resolutions unanimously... the dictatorship of a handful of politicians.... Such conditions must inevitably cause a brutalization of public life: attempted assassinations, shooting of hostages, etc...”



Failed Utopia: The Butcher's Bill

- Russian Civil War: 3M?
- Collectivization of agriculture: 10M?
- Great Terror: 2M?
- Post-WWII purge: 2M?
- Anti-landlordism: 4M?
- Collectivization: 4M?
- Great Leap Forward famine: 50M?
- Cultural Revolution: 5M?
- Pol Pot: 1.5M
- Kim Dynasty: ????



backyard furnaces

Failed Utopia: The Costs of the “Experiment”

- Guenther Roth: “Weber and Schumpeter... had their famous falling-out in a Viennese coffeehouse in 1918. Weber, ‘who took nothing lightly,’ and Schumpeter, who ‘took nothing hard,’ recalled Somary who witnessed the scene, clashed over the Russian Revolution.
- “Schumpeter welcomed it as a laboratory experiment.... For Weber it was going to be ‘a laboratory heaped with human corpses.’ When an enraged Weber stormed out, a smiling Schumpeter remarked: ‘How can someone carry on like that in a coffeehouse?’—the proper place for irony, never seriousness...”



Failed Utopia: Our Friend Nikita Sergeyevitch

- Francis Spufford: “So much blood, and only one justification for it.... If it had been all prologue, all only the last spasms of death in the old, cruel world.... Today the radio was reporting... Prague....
- “He fumbled with the tape machine... found the RECORD key.... ‘Paradise’, he told the wheat field in baffled fury: ‘is a place where people want to end up, not a place they run from. What kind of socialism is that? What kind of shit is that, when you have to keep people in chains. What kind of social order? What kind of paradise?...’
- “And then... the retired monster sat very still on the bench by the field...”



Russia Sits Down

Successes of the Soviet Union:

- By 1960, a roughly First World level of health, education, and other social indicators. However, *followed by a relative decline*.
- The victory in World War II--and the heavy-industrial and military production that made this possible:
 - No market economy would ever have built a heavy industrial complex in Magnitogorsk.
 - And all praise to comrade Alexei Kosygin for the most extraordinary industrial relocation effort in history.
 - But Tukhachevsky would have done a lot better than Zhukov.
 - And if the Ukrainians had not had to learn to be anti-Nazi things would have gone much better.
- Its relatively equal income distribution. Or was it a relatively equal income distribution?
- The attainment of military-strategic parity with the United States in the 1970s. But what do you have to believe about the world to see that as an achievement rather than as a mistaken waste of resources?

Failures of the USSR

- The Soviet growth rate was not impressively high when seen in a world context....
- Even before 1917, the Russian economy had taken off...
- The increased output achieved under the Communists was limited to steel, machinery, and military equipment.... The welfare of the working class... would have been better served by... capitalism....
- The collectivization of agriculture... is a particularly vicious example....
- Soviet socialism was economically irrational... driven by ideology, bureaucratic infighting, and despotic caprice... massive misallocation....
- The growth slowdown after 1970 showed the ultimate weakness of socialism: while it could function in a mediocre way to build... smokestack industries... it was incapable of the sustained technological advance required for the postindustrial age...

Robert Allen's Case

- Robert Allen:
 - “[In Britain] private property and... representative government... was the basis of civil society independent of the state.... [In Russia] the "rule of law" was a tool by which the tsar and nobles exploited the peasants rather than an impartial umpire.... Tsarist Russia [thus] lacked the social, legal and economic institutions that theorists of economic growth have argued are prerequisites for capitalist development. Indeed, much of the rest of the world lacked--and still lacks--this as well....”
 - “Two responses are possible... create the missing prerequisites... create substitutes.... Russia's path to industrial society was based on the state's creating policies and institutions to substitute.... In the absence of the communist revolution and the Five-Year Plans, Russia would have remained as backward as much of Latin America or, indeed, South Asia. That fate was avoided by Stalin's economic institutions...”
- Resource mobilization is not productivity-frontier post-industrial market capitalist development. But it is resource mobilization

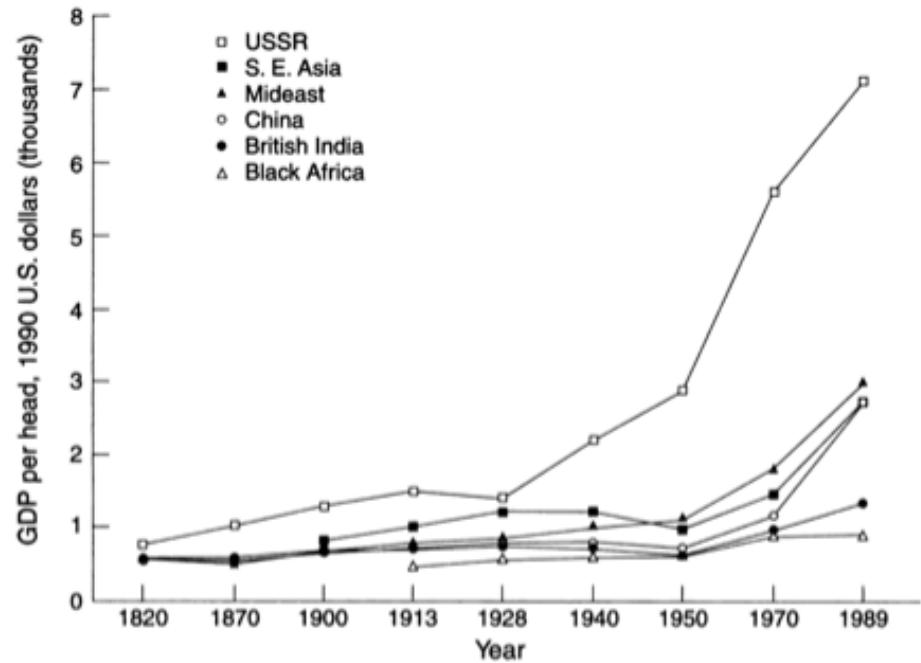


Fig. 1.5. USSR versus the Rest of the World. Source: Table 1.1.

Robert Allen's Case II

- Robert Allen:
 - Pre-October Revolution growth "a one-off resource boom with a veneer of some tariff-induced industrialization." Russia was headed for a Latin American or South Asian destiny.
 - You needed a Big Push, and heavy industry was the Turnpike.
 - Planning could coordinate a Big Push to replicate the industrial structure you know you want to have.
 - Russia was saved from India's fate by a rapid demographic transition fueled primarily by the large scale emancipation of women.
 - Rapid industrialization driven by resource mobilization.
 - A post-Stalin slowdown was due to (a) the requirements of military spending and (b) "hare-brained schemes".
- But those were baked into the system, right? You cannot take the system's successes and ignore its failures.

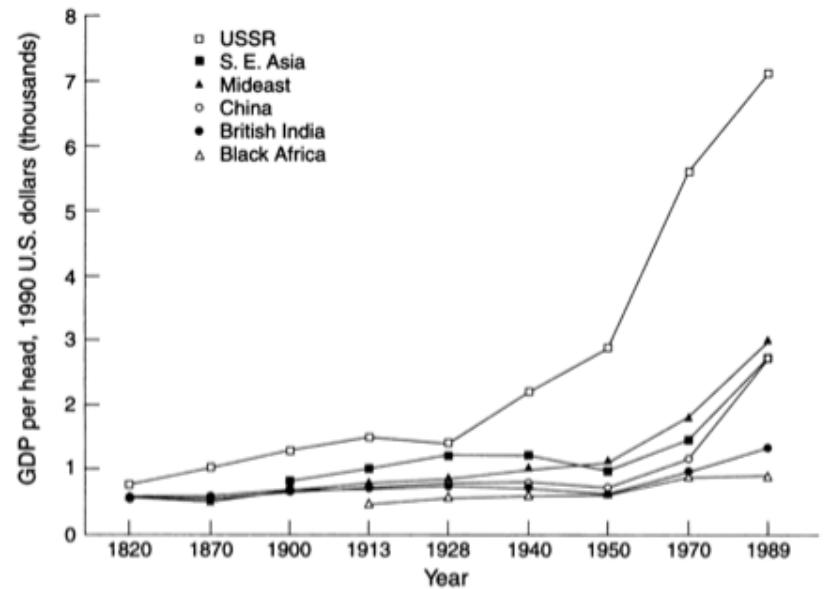


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Market Organization Matters a Lot

- We have covered this enormously...
- The lesson I draw from this tale is that—in contrast to, say, Soviet Georgia and Kazakhstan—Ukraine and Russia (and much more so Lithuania, Latvia, Estonia, and Leningrad Oblast) should have looked like western Europe: Finland and Sweden at best, Italy and Spain at worst, when the Iron Curtain fell if the Soviet economy had been a “success:
- Rick Ericson:
 - “Prices... used for measurement, accounting, and control purposes”: i.e., not for incentives.
 - “Prices provide irrelevant or incorrect information about relative values and scarcities”.
 - “The traditional Soviet economic system is very good at mobilizing scarce resources and concentrating on a few clear, well-defined objectives that can be expressed in measurable, quantitative, and communicable terms, and that yield large observable changes as outcomes...”

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Cuba	\$460	Mexico	\$3,610	88%
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“Peaceful Competition”

- N.S. Khrushchev (1958):
 - “Must we, in this period of the flourishing of human genius which is penetrating the secrets of nature and harnessing its mighty forces, put up with the preservation of relations that existed between people when man was still a beast?...”
 - “Time is a good adviser, or as the Russian people say, ‘Take counsel of one's pillow’. This is a wise saying.... We shall do everything we can to tilt the barometer's hand away from ‘Storm’ and even from ‘Changeable’ to show ‘Fine.’”
 - “I am confident, comrades, that... when the socialist camp has some one billion people and tremendous productive potential, when the Soviet Union has reached great heights in industry and agriculture, science, technology and culture, we can do a lot for the sake of peace.”
 - “In our actions we rely on reason, on truth, on the support of all the people. Moreover, we rely on our great potential. And let it be known to those who want to continue the cold war so as to turn it sooner or later into a shooting war, that in our time only a madman can start a war and he himself will perish in its flames...”
- Russia and its empire’s destinies after the 1989 fall of the Iron Curtain we will leave to later in the course... .

Takeaways from This Time

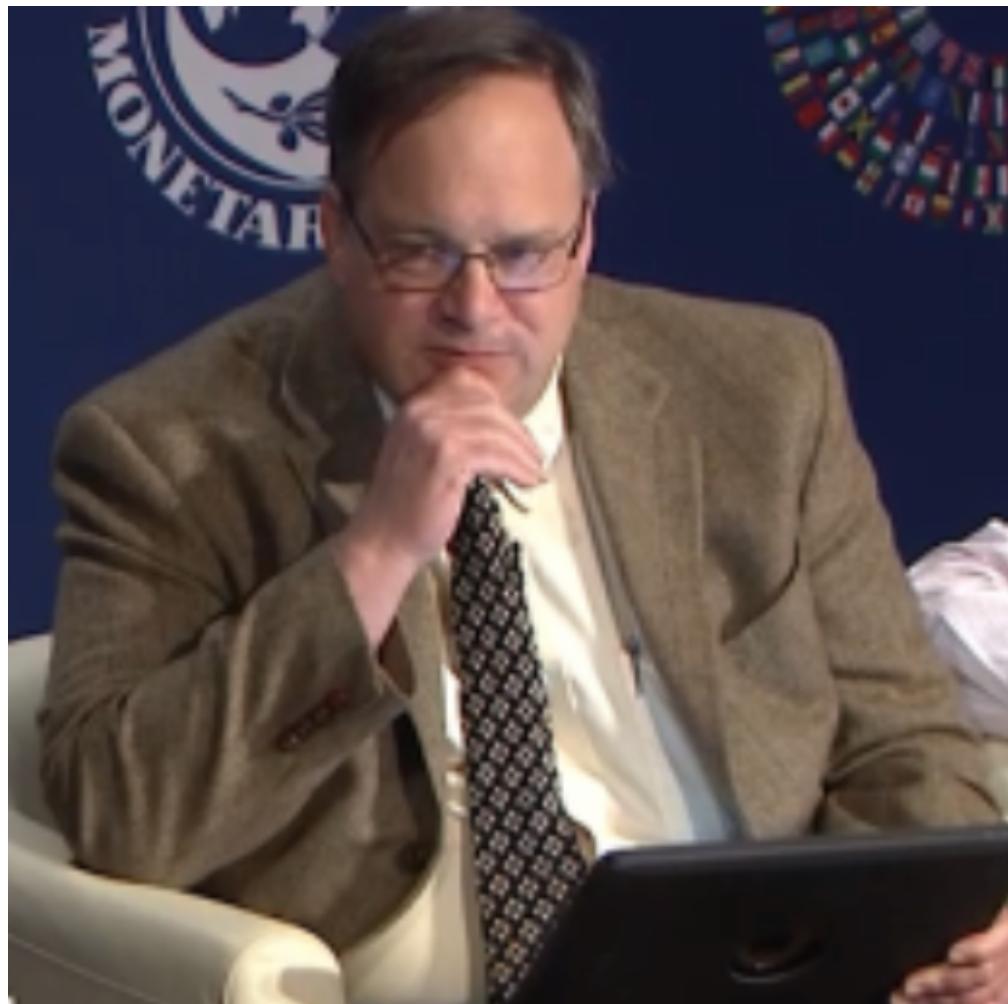
The Cold War: Lecture & Ch 15

1. Give me five takeaways from this lecture...

Notes: What Was Unconvincing Today?

Mistakes and unclarities:
typos, wordos, and
mindos...

- In the DRAFT textbook?
- In the lecture?



Catch Our Breath...

- Ask a couple of questions?
- Make a couple of comments?
- Any more readings to recommend?

