

Coronavirus!

Calls are Carol Christ's...

- She has made the call: classes are now moved online: I am still busy adding audio to slide files...
- Plus zoom sessions
- Plus bCourse discussion threads (mandatory)
- Plus zoom & email office hours...

What is the state of the epidemic?

- I am looking at the sources on: <<https://www.bradford-delong.com/2020/03/coronavirus-daily-read-list.html>>
- What else should I be looking at?

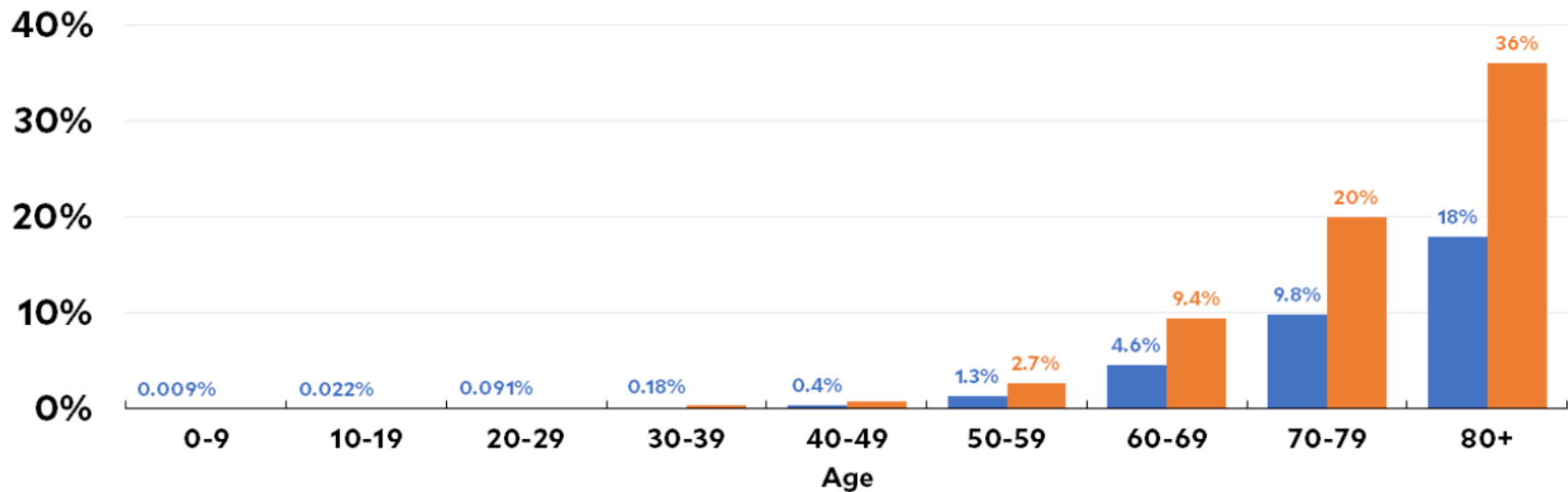
MOAR Coronavirus!

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.

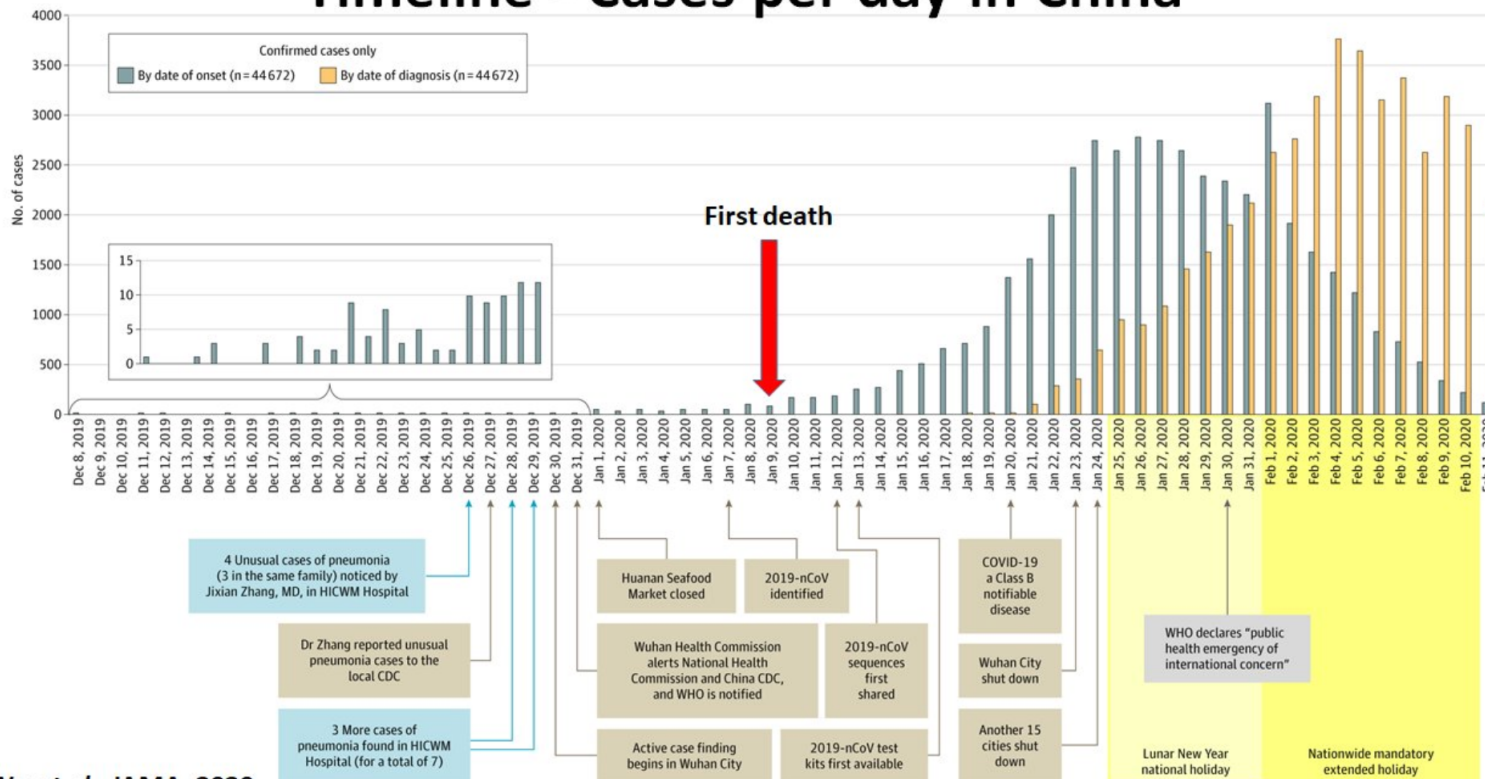
Mother Jones

MOAR Coronavirus! II

China Beat It!

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

Timeline - Cases per day in China



MOAR Coronavirus! III

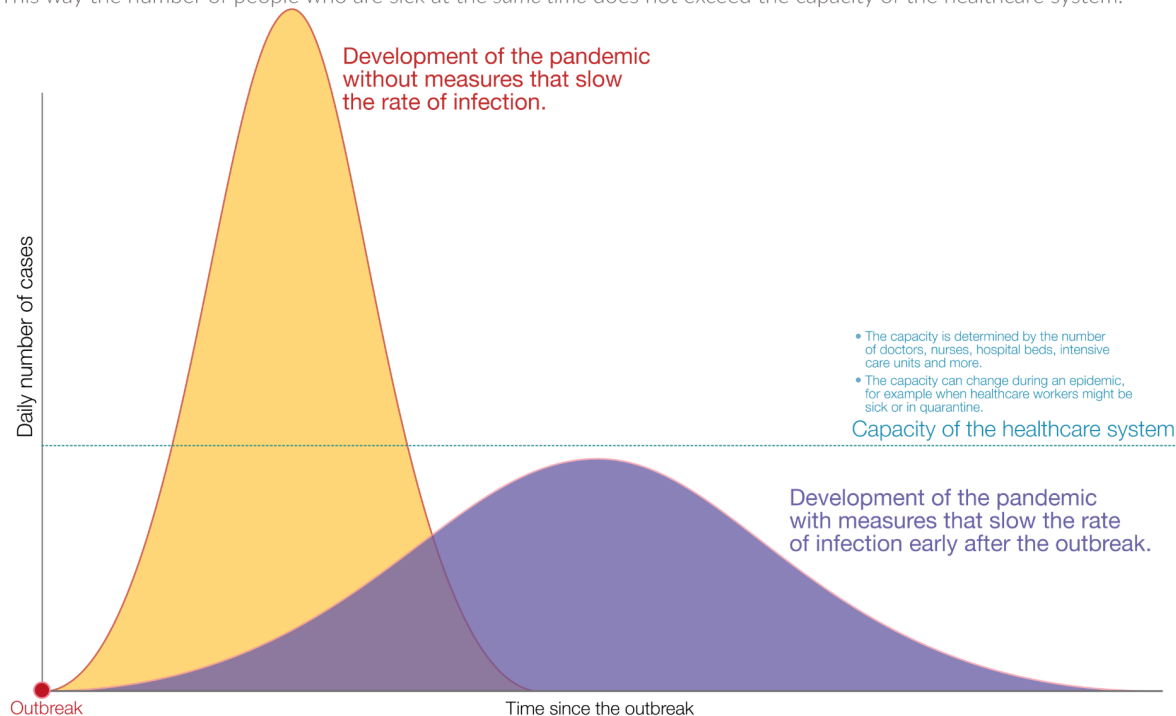
When Is It Appropriate to Move on This?

- 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

Our World
in Data

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.



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...
 10. The global public health system and global epidemic transmission
- Humanity is unlikely to see as *transformative*—for good and ill, but mostly for good, so far at least, I think—a century again...

U.C. Berkeley: Economics 115: Spring 2020

20th Century Economic History: Lecture

13: Social Democracy: High Tide and Ebb

Brad DeLong

Department of Economics & Blum Center, U.C. Berkeley; & WCEG

delong@econ.berkeley.edu

last revised: 2020-03-24

for delivery: ???

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

<<https://github.com/braddelong/public-files/blob/master/econ-115-lecture-13.pptx>>

Takeaways from Last Time

From Thirty Glorious Years

1. Come up with your own five takeaways from our look at the “Thirty Glorious Years”...

Preview

Social Democracy: High Tide and Ebb

- Takeaways from Last Time
- Preview
- Administration
- Social Democracy: Successes at Regulation and Provision
- Validating Rights Other than Property Rights
- Moochers and Takers: Trouble for the Future
- Social Democratic Political Stabilization
- Review: ??
- Failures of Social Democracy
- Driving for Full Employment
- The Inflation of the 1970s
- Oil Shocks
- Why Did It Matter
- Takeaways

Econ 115: Administration: Office Hours &c.

DeLong: Office Hours

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

Read: DeLong, chapter 18

Slides: <<https://github.com/braddelong/public-files/blob/master/econ-115-lecture-13.pptx>>

Do: Assignments ????

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

Social Democracy: High Tide and Ebb

Successes of social democracy:

- The 1891 Erfurt program of the German socialists
- The ‘reform’ part:
 - universal adult (including female) suffrage,
 - the separation of church and state,
 - the secularization of education,
 - the eight-hour day,
 - government regulation of health and safety in the workplace,
 - the right to unionize,
 - unemployment insurance paid by the state and administered by the workers,
 - popular referenda to control parliaments and bureaucracies,
 - & the election of judges
- Cf.: U.S. social democracy today...

Social Democracy Politically Successful

Politicians who want to cut back these programs have to hide their desires:

- Voters distrust politicians who seek to cut back on the major programs of the social insurance state
- Voters find taxes earmarked to support social insurance programs less distasteful than taxes that flow into general revenues.
- Right-of-center parties made no attempt to make a stand against social democracy.
- In the middle of World War II Britain's conservative Prime Minister, Winston Churchill, could call for the postwar:
 - abolition of unemployment
 - compulsory public insurance “for all purposes for the cradle to the grave”
 - historian Donald Sassoon: “standing up boldly against the welfare state... would have taken either some guts and/or a strong urge to court unpopularity. The Conservative Party was too wise to have either.”
- U.S. somewhat of an outlier
- In their heyday, social democracy was part of an extraordinarily successful institutional configuration

Validating Rights Other than Property Rights

The late 1800s socialist program also had a revolutionary component:

- Reformism, however, was very attractive: it delivered the goods
- Socialists in the industrial core became weak-tea socialists
- And then transformed themselves into social democrats
- The example of really-existing socialism
- Behind the Iron Curtain, communists became social democrats as well
- The dream: remove goods and services—and status—from the domain of market allocation, where the only rights you had that mattered were your property rights.

Shrinking Income Differences

But where the rubber met the road the emphasis was different:

- Not so much removing commodities from the market
- But providing all with incomes with which to purchase
- Fears that public provision would be inefficient in many ways
- Success of Keynesian doctrines
- Let the voters decide how large social democracy would grow
- The “leaky bucket” of Art Okun

Moochers and Takers

The Polanyian Perplex Problem:

- Humans as gift exchange animals
 - Not good to always be a giver or a receiver
 - Not good for others to always be givers...
 - Especially not good for others to always be receivers...
- Contested societal definition of what it is to be a “moocher”
- The logic of social democracy
 - But if citizens believe some are more equal—and worthy—than others?
- These issues could be papered over, as long as economic growth remained strong, and egalitarian

The Welfare State

Origins of the term

“welfare state”:

- “Fare well...”
 - “Fare”—a traveling, a journey, by extension one’s journey through life
 - “Well”—easily, abundantly
- Hence “welfare”—the well-being of a group
- Hence “welfare capitalism”—Edward Filene
- Hence “welfare state”

Google Books Ngram Viewer



Google Books Ngram Viewer



But Then Why Did People Come to Hate the Term “Welfare State”?

David Garland: *The Welfare State: A Very Short Introduction*:

- Garland finds himself spelled to say:
 - “The welfare state’s name has always been a problem... entered common usage in the 1950s and 1960s... least popular with the people most closely associated with the institutions it purported to describe. William Beveridge... heartily disliked the term. He objected that it implied a ‘something for nothing’, ‘Santa Claus state’ quite at odds with his stress on the importance of worker contributions, voluntary effort, and personal responsibility. T. H. Marshall...Richard Titmuss...
- And:
 - “‘The welfare state’... a hostile phrase, used by social policy’s enemies rather than its friends... a mendicant clientele receiving undeserved benefits from an overbearing state. That the name eventually became established, and used by supporter and opponent alike, has meant that these negative associations remain just beneath the surface and are all-too-easily brought to mind...”
- Something weird has happened linguistically between Edward Filene’s 1920s and David Garland’s 2010s.

The Polanyian Perplex

This is, once again, the root of the phenomenon:

- People believe that in a good society they have:
 - Gift-exchange relationships with other members:
 - In which they are not suckers
 - And are not grifters
- Rights to:
 1. Keep their community stable
 2. Have their income not collapse as long as they “work hard”
 3. Keep the kind of job they expected—often at the same firm
- A market economy is not guaranteed to produce (1), (2), and (3)—have property rights and thus control over things, plus the ability to use your property rights to make things that rich people have a serious jones for
- But the moment you start using the government to provide social insurance you set in motion enormous tension

Strongly Dissonant Cognition

American Right-Wing Thought:

- 2009: Arthur Laffer:
 - “If you like the post office and the Department of Motor Vehicles and you think they’re run well, just wait till you see Medicare, Medicaid and health care done by the government...”
- 1993: John Breaux:
 - “...was walking through the New Orleans airport, returning home, when an elderly female constituent approached him. ‘Senator, Senator’, she said, plucking emotionally at his sleeve. ‘Now don't you let the government get a hold of my Medicare’. Breaux, ever the charmer, smiled and said reassuringly of this greatest of government entitlement programs, ‘Oh, no, we won't let the government touch your Medicare’...
- The joke, of course was on them—or was it on us?



When Matthew DeLong asked her if she was on Medicare, she said no, but she was carrying the sign for her friend who is on the government-run, single-payer health insurance program for older Americans. “I asked the friend if she was happy with her Medicare, and she affirmed that she was.”



Would a System That Steps Back from Social Democracy Go Smash?

Of course, stepping back from social democracy will produce a society that also has enormous tensions—and great poverty:

- David Garland on the “indispensability” of the welfare state:
 - The welfare state—social insurance—is indispensable
 - Why? Because capitalist economies are prone to rapid undirected and unwanted changes...
 - Plus uncertainty, insecurity, inequality...
 - All established orders and expectations are *steamed away*...
- But capitalism needs a supportive social environment
- The welfare state uses the magic of averages and the collectivization of risk to render market capitalism
 1. habitable for humans
 2. compatible with modern democracy

- **NELSON:** We are a republic. And that means that we need to be represented. We're not being represented. I'm not going to pay any more money...
- **BECK:** You're seriously saying you won't pay income tax anymore?
- **NELSON:** I'm really thinking about it, Glenn.... There are programs that they're asking me to fund that I refuse to fund.... I'm not going to spend money on these things that you're asking me to. They should be allowed to go bankrupt!... I've been on food stamps and welfare. Anybody help me out? No. No.... [What] gave me hope... gave me encouragement, and... gave me a vision... [was] my education....



Craig T. Nelson on Government Aid

Would a System That Steps Back from Social Democracy Go Smash?

Of course, stepping back from social democracy will produce a society that also has enormous tensions—and great poverty:

- David Garland on the “indispensability” of the welfare state:
 - The welfare state—social insurance—is indispensable
 - Why? Because capitalist economies are prone to rapid undirected and unwanted changes...
 - Plus uncertainty, insecurity, inequality...
 - All established orders and expectations are *steamed away*...
- But capitalism needs a supportive social environment
- The welfare state uses the magic of averages and the collectivization of risk to render market capitalism
 1. habitable for humans
 2. compatible with modern democracy

- **NELSON:** We are a republic. And that means that we need to be represented. We're not being represented. I'm not going to pay any more money...
- **BECK:** You're seriously saying you won't pay income tax anymore?
- **NELSON:** I'm really thinking about it, Glenn.... There are programs that they're asking me to fund that I refuse to fund.... I'm not going to spend money on these things that you're asking me to. They should be allowed to go bankrupt!... I've been on food stamps and welfare. Anybody help me out? No. No.... [What] gave me hope... gave me encouragement, and... gave me a vision... [was] my education....

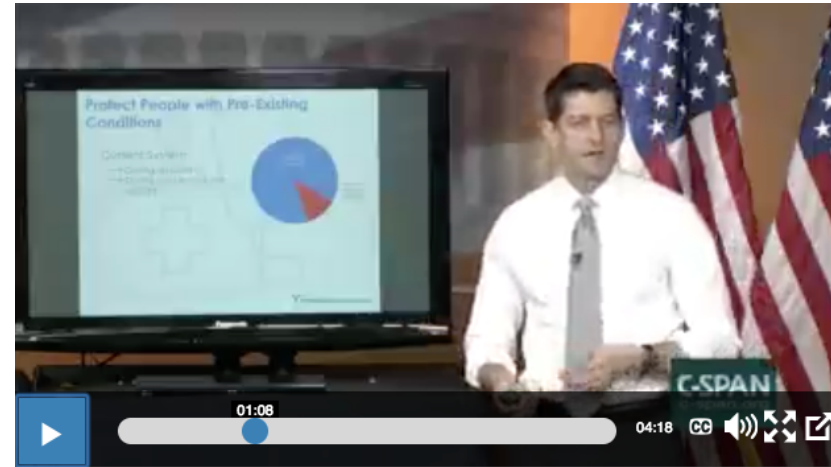


Craig T. Nelson on Government Aid

Or Witness Republican Speaker of the House Paul Ryan

Denouncing the idea of health insurance—needed since some people but not all get sick in an expensive way:

- One would think spreading risk and thus eliminating it via the law of large numbers would be a no-brainer, right?
- No
- Doug Elmendorf and Alice Rivlin assured me that Paul Ryan was good-hearted and... intelligent.
- Paul Ryan:
 - “The fatal conceit of ObamaCare is that we are going to make everybody buy our idea of insurance, at the federal government level. Young and healthy people are going to go into the market and pay for older sicker people. So the young healthy person is going to be made to buy health care, and they are going to pay for the person who gets breast cancer in her forties, or gets heart disease in his fifties. So take a look at this chart. The red slice here are what I call people with pre-existing conditions. People with real health care problems. The blue is the rest of the people in the individual market, people who don’t get health insurance with their jobs, who buy it themselves. The whole idea of Obamacare is the people on the blue side pay for the people on the red side, that the people who are healthy pay for the people who are sick. It’s not working, and that’s why it’s in a death spiral...”



Social Democratic Political Stabilization Was Tenuous

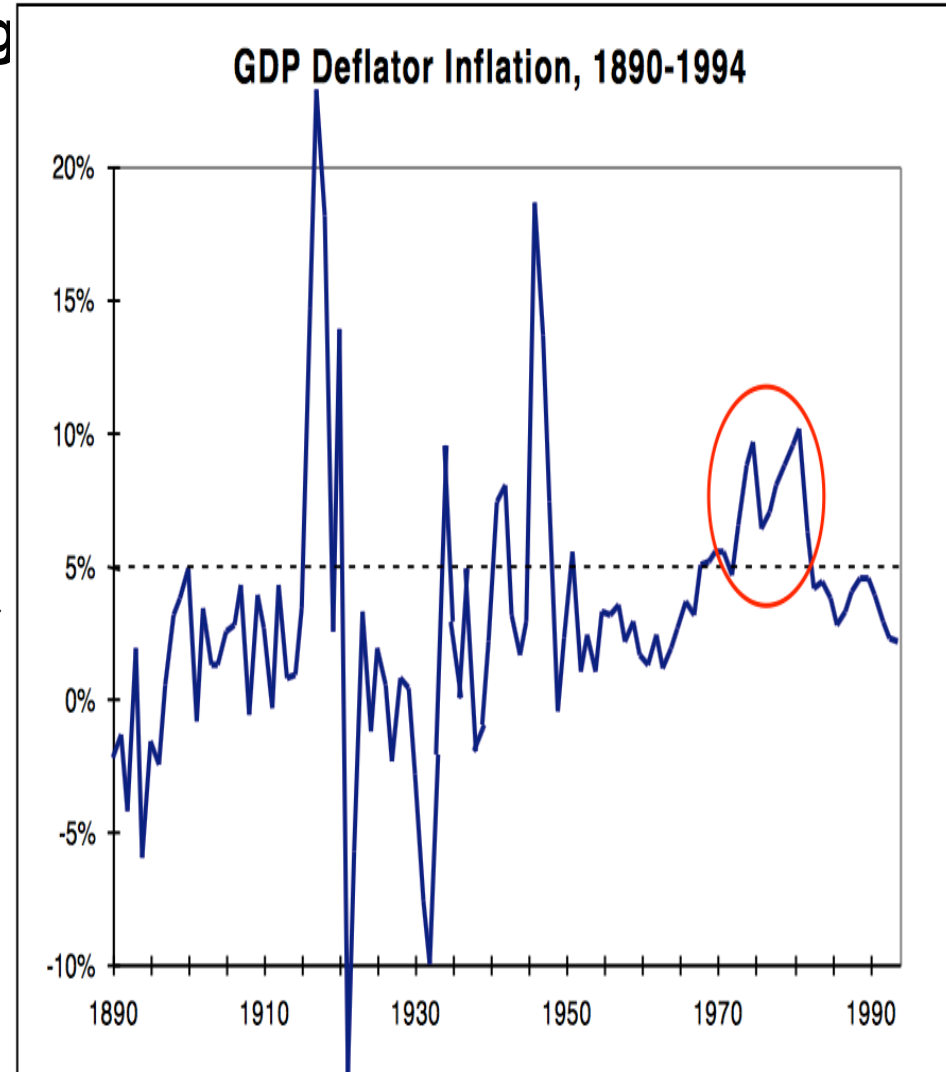
1800s fears: “bread and circuses”—and tyranny and poverty:

- People voting themselves benefits while they do not work
- Analogies with Imperial Rome
- Friedrich von Hayek’s *Road to Serfdom*
 - With which Keynes found himself in “deeply moved agreement”
- Hayek was wrong
- Pressures balanced
- Positive-sum

Still, Instability...

Only as long as growth is strong and economic stability is perceived is social democracy solid:

- Paul Krugman's theory:
 - Social Democracy rested on an ability to deliver the macroeconomic goods...
 - The inflation of the 1970s and the productivity slowdown destroyed the faith..
 - The pre-Depression right was there to pick up the pieces...
- A historical contingency “butterfly’s wings” argument...



Laissez-Faire in Exile

Mont Pelerin!:

- George Stigler—the Social Democratic state is corrupt and destructive
 - And enables insolence
 - Markets will take care of monopoly
 - And of discrimination
- Milton Friedman: the Great Depression was really the government's fault
 - The Federal Reserve needed to keep a stable money supply
 - That is the “neutral” “laissez faire” monetary policy
 - The Federal Reserve failed to do so
 - And so caused the Great Depression
- Charles Murray here
 - Damage done by the culture of dependency...
 - “New class”



Failures of Social Democracy

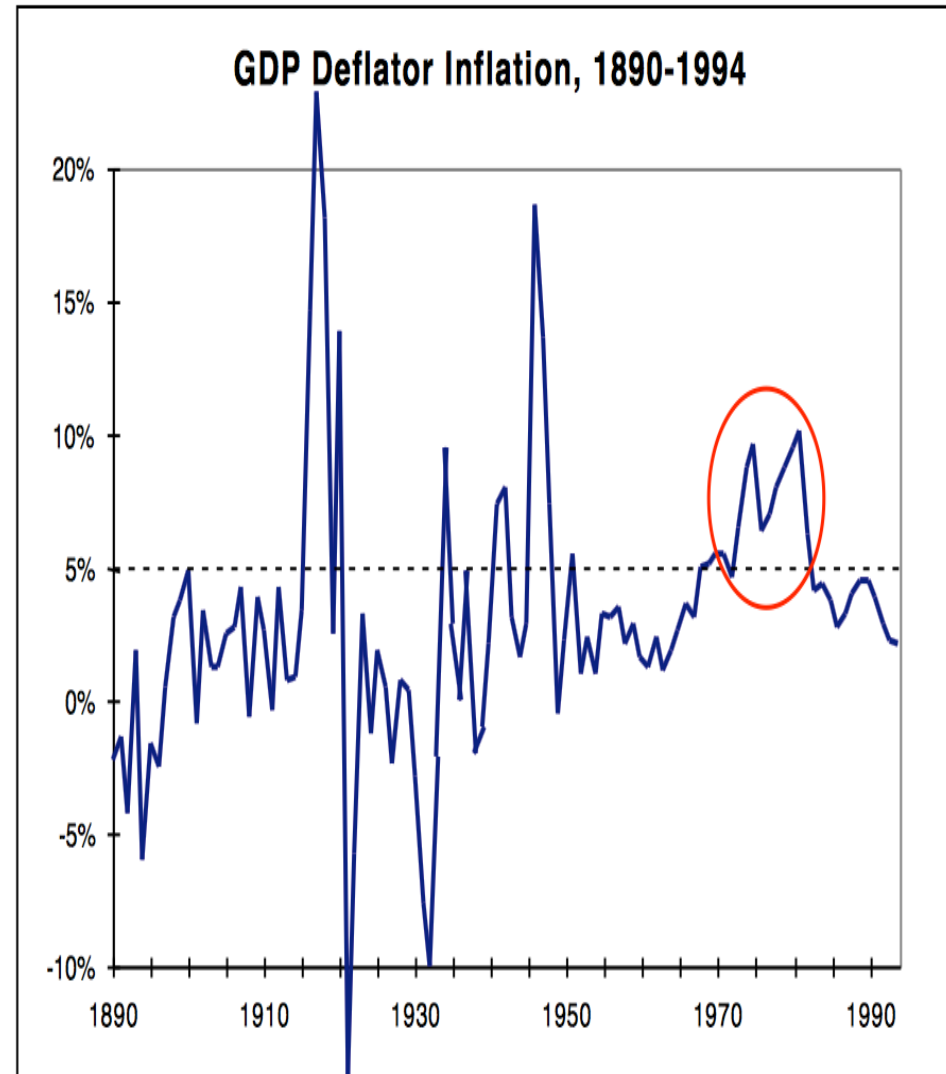
The “commanding heights”:

- Britain’s Attlee government of the 1940s...
- Nationalize!
 - Not just infrastructure and health
- Nationalize market economy corporations
 - A bet on economies of scale?
 - Why the belief in government production?
- Three factors:
 - Fear of monopoly
 - Fear that monopolists would own the government
 - Echoes of classical Marxism

Sparking the Inflation of the 1970s

The strange salience of 1970s inflation:

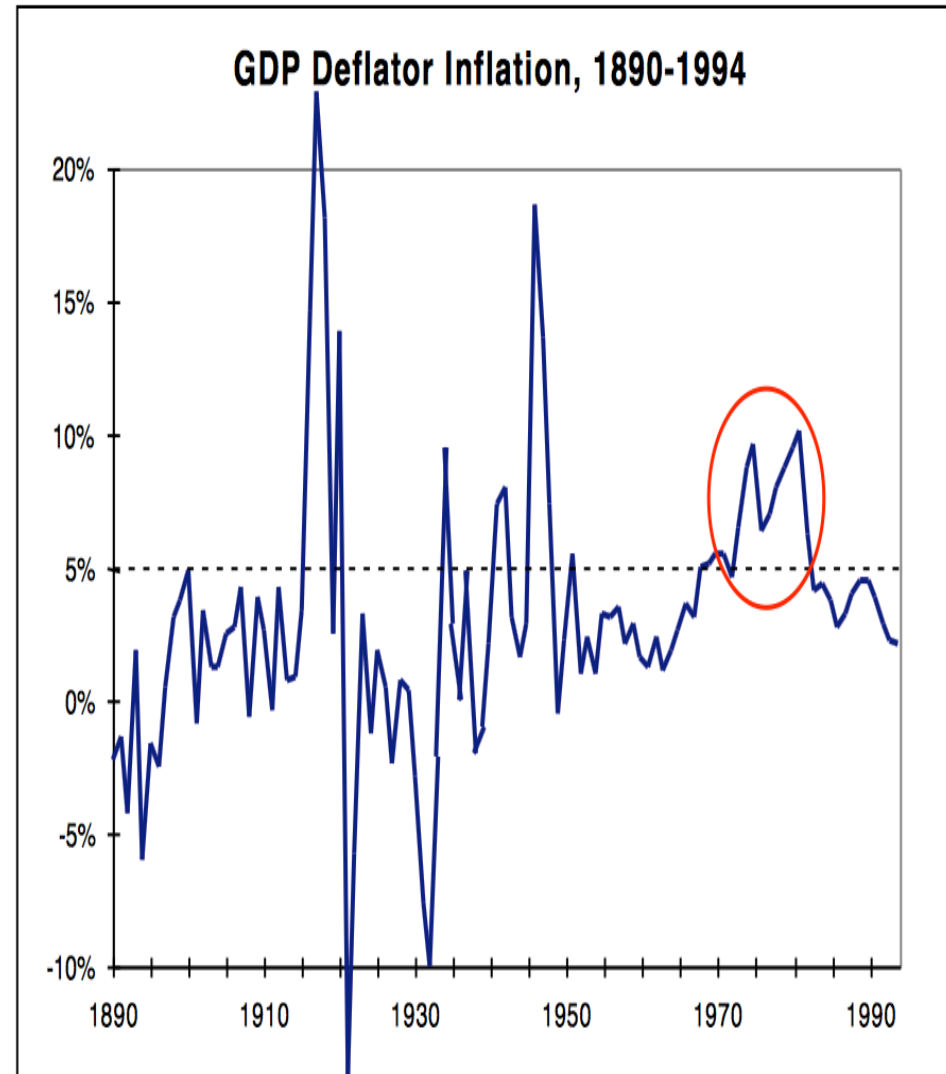
- A stable Phillips curve?
- Richard Nixon's dilemma
 - The “Nixon shocks”
- Jacob Viner's snark
 - “In a world organized in accordance with Keynes' specifications, there would be a constant race between the printing press and the business agents of the trade unions, with the problem of unemployment largely solved if the printing press could maintain a constant lead...”
- And he gloomily called the General Theory a “book which is likely to have more influence than it deserves...”



Sparking the Inflation of the 1970s

The strange salience of 1970s inflation:

- A stable Phillips curve?
- Richard Nixon's dilemma
 - The “Nixon shocks”
- Jacob Viner's snark
 - “In a world organized in accordance with Keynes' specifications, there would be a constant race between the printing press and the business agents of the trade unions, with the problem of unemployment largely solved if the printing press could maintain a constant lead...”
- And he gloomily called the General Theory a “book which is likely to have more influence than it deserves...”



Lenin Has Said...

The strange salience of 1970s inflation II:

- Largely zero-sum
- An increase in risk, but little more
- Yet the economists were wrong.
- Keynes in the early 1920s:
 - “Lenin is said to have declared that the best way to destroy the capitalist system was to debauch the currency. By a continuing process of inflation, governments can confiscate, secretly and unobserved, an important part of the wealth of their citizens. By this method they not only confiscate, but they confiscate arbitrarily; and, while the process impoverishes many, it actually enriches some. The sight of this arbitrary rearrangement of riches strikes not only at security but [also] at confidence in the equity of the existing distribution of wealth. Those to whom the system brings windfalls, beyond their deserts and even beyond their expectations or desires, become "profiteers," who are the object of the hatred of the bourgeoisie, whom the inflationism has impoverished, not less than of the proletariat. As the inflation proceeds and the real value of the currency fluctuates wildly from month to month, all permanent relations between debtors and creditors, which form the ultimate foundation of capitalism, become so utterly disordered as to be almost meaningless; and the process of wealth-getting degenerates into a gamble and a lottery.
 - “Lenin was certainly right. There is no subtler, no surer means of overturning the existing basis of society than to debauch the currency. The process engages all the hidden forces of economic law on the side of destruction, and does it in a manner which not one man in a million is able to diagnose...”
- A government that generates such inflation—even the moderate inflation of the 1970s—is obviously not competent
- It needs to be replaced—and a new policy course needs to be charted

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

Takeaways from This Time

Social Democracy: High Tide and Ebb

1. Give me five takeaways...

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?

