

Lecture 19a:

5.1.1 Eastern Europe: Rise of Really Existing Socialism

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last revised: Th 2020-04-03

for presentation: Tu 2020-04-07

Original course by Melissa Dell (Harvard Econ 1342), revised by Brad DeLong

<<https://github.com;braddelong/public-files/blob/master/econ-135-lecture-19.pptx>>

<<https://www.icloud.com/keynote/0b5D9ZO7yoYi1Sg5MNWAQbhEw>>

Coronavirus!

Members of the public were told to avoid gatherings of 10 or more



ABC News



Trump warns coronavirus crisis could stretch into summer

Watch

Members of the public were told to avoid gatherings of 10 or more and older people and those with underlying condition were asked to stay home.

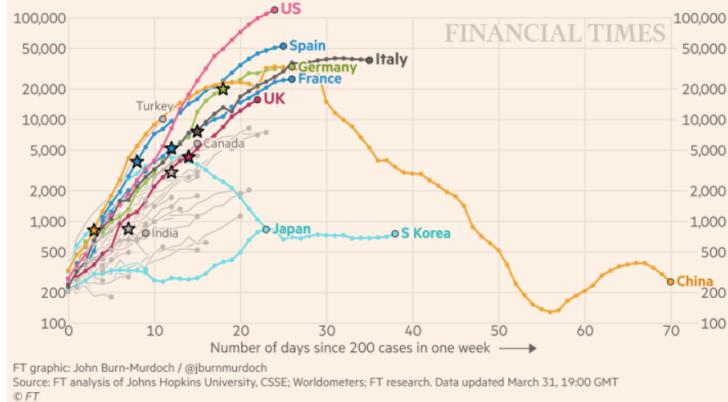
Coronavirus

Where we think we are as of Wed Apr 1:

- We really do not know
- No random samples...
- Best thing I have read comes from Jim Stock <<https://drive.google.com/file/d/12MV466ZZy5xHir4xdPhoTrL1oO8CbZU-/view>>:
 - The basic SIR epidemiological model of contagion
 - The effect of social distancing and business shutdowns on epidemic dynamics enters the model through a single parameter: the case transmission rate β
 - Re-express the model in terms of β and the asymptomatic (or not very symptomatic) hence non-tested rate—the fraction of the infected who are not tested
 - The COVID-19 non-testing rate is unidentified in our model
 - Estimates in the epidemiological literature range from 0.18 to 0.86.
 - The asymptomatic rate could be estimated accurately and quickly by testing a random sample
- The optimal policy response and its economic consequences hinge critically on the asymptomatic rate

Italy has turned the corner, with numbers of new cases now in decline, following in China's footsteps

New confirmed cases of coronavirus in the past week, by number of days since 200 new cases in one week



Italy's daily death toll is plateauing, but in Spain, the UK and US every day brings more new deaths than the last

New deaths with coronavirus in the past week, by number of days since 20 deaths in one week

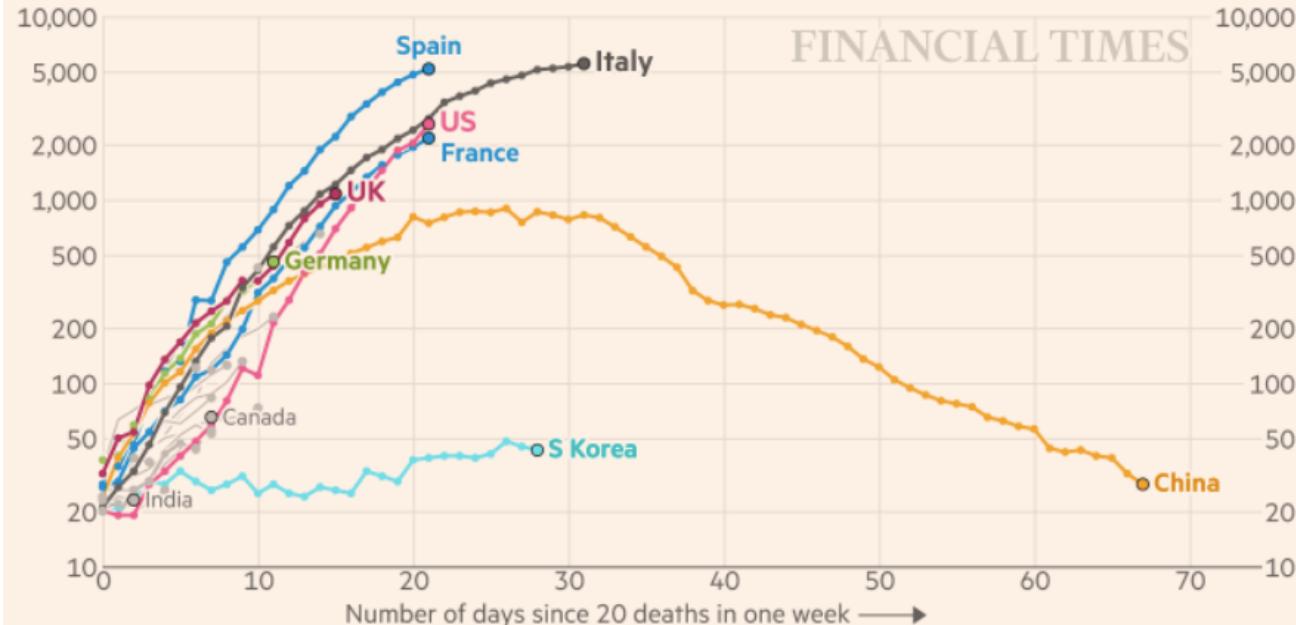


Financial Times Graphs Blown Up...

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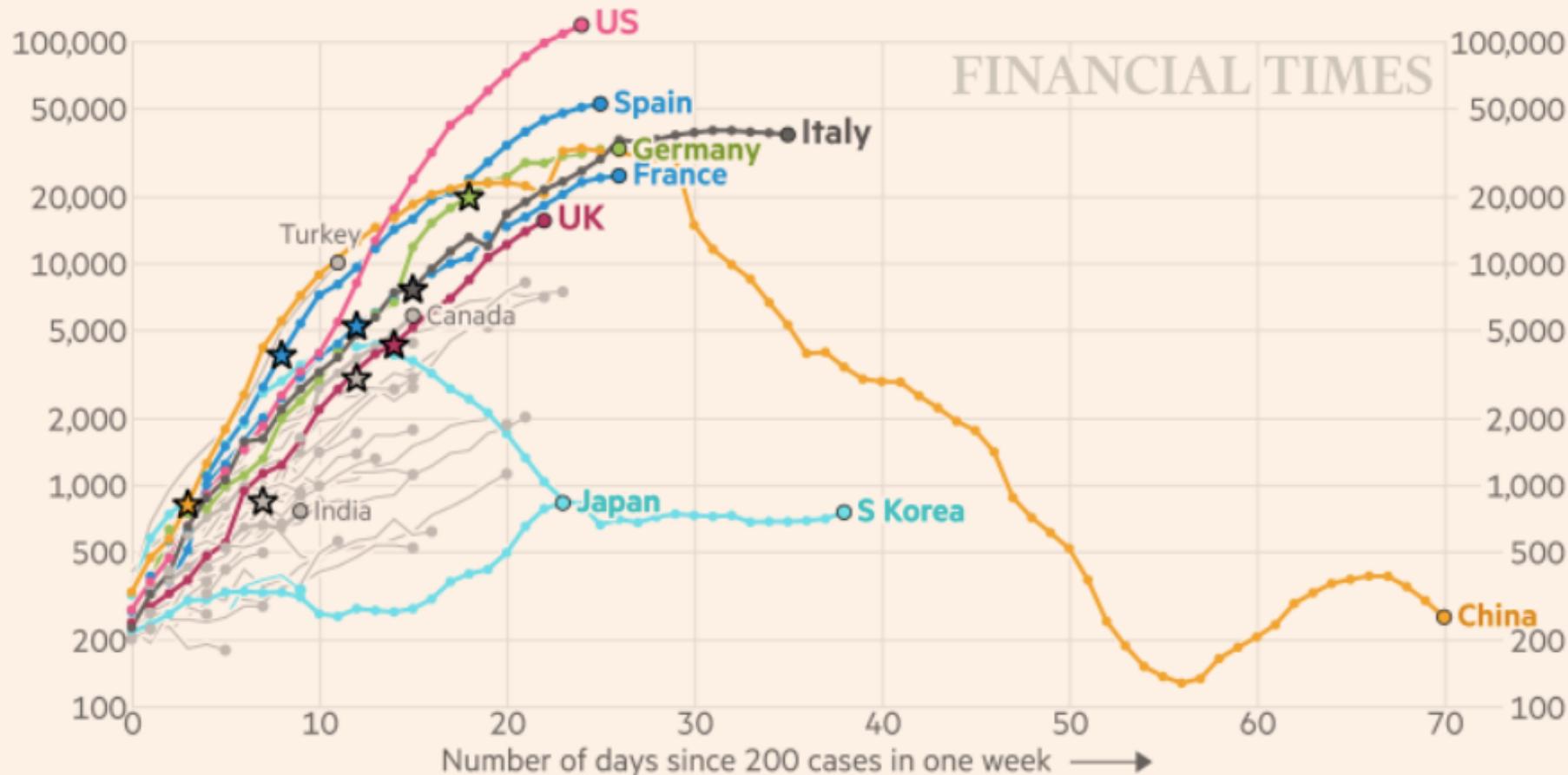
FT graphic: John Burn-Murdoch / @jburnmurdoch

Source: FT analysis of Johns Hopkins University, CSSE; Worldometers; FT research. Data updated March 31, 19:00 GMT

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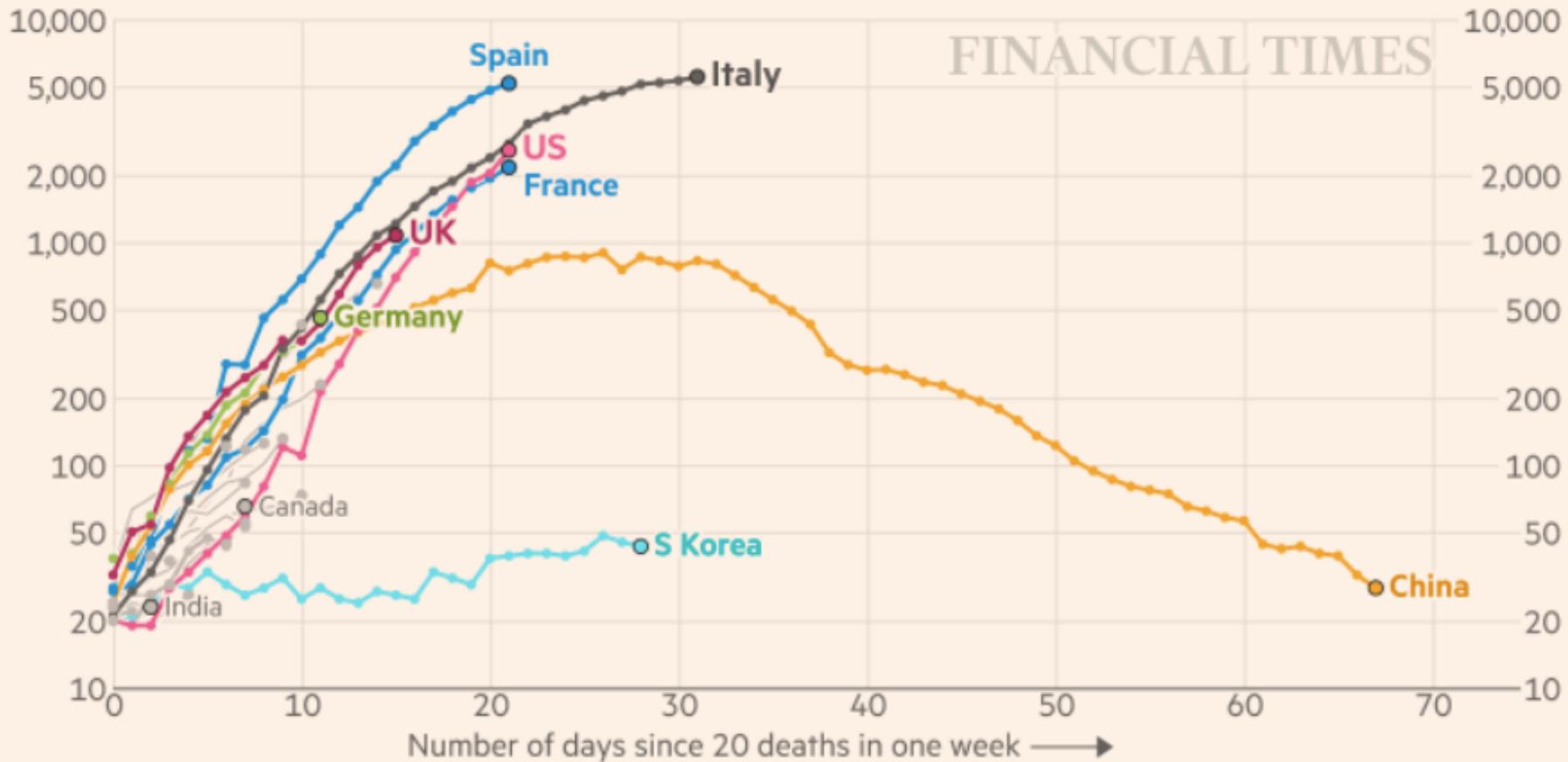
FT graphic: John Burn-Murdoch / @jburnmurdoch

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© FT

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FT graphic: John Burn-Murdoch / @jburnmurdoch

Source: FT analysis of Johns Hopkins University, CSSE; Worldometers; FT research. Data updated March 31, 19:00 GMT

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James Stock (2020)

Standard SIR model: <<https://drive.google.com/file/d/12MV466ZZy5xHir4xdPhoTrL1oO8CbZU-/view>>:

- Susceptible, Infected, Recovered (& immune), transmission rate β , recovery rate γ , reproduction number R_0 , asymptomatic hence non-tested rate π_0
- Calibration: half-life of infection one week: $\gamma = 0.5$, $s_0 = 0.02$, 50 cases on Jan 24
- For March 21, 2020, the positive test rate in the United States is approximately 10%...

$$\Delta S_t = -\beta I_{t-1} \frac{S_{t-1}}{N}$$

$$\Delta R_t = \gamma I_{t-1},$$

$$\Delta I_t = \beta I_{t-1} \frac{S_{t-1}}{N} - \gamma I_{t-1}$$

<<https://drive.google.com/file/d/12MV466ZZy5xHir4xdPhoTrL1oO8CbZU-/view>>

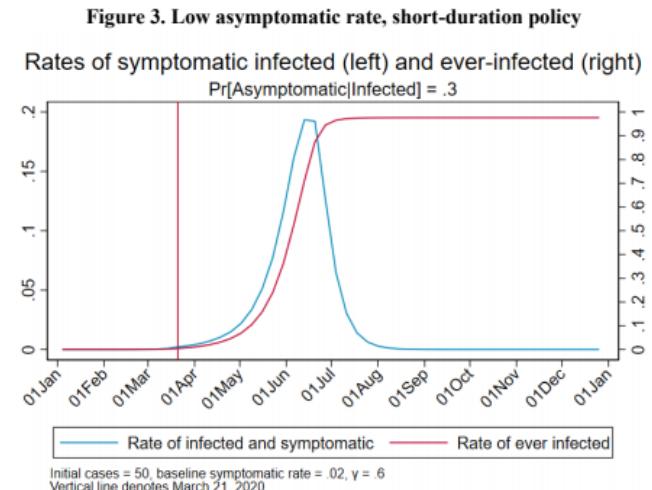


Figure 2. High asymptomatic rate, short-duration policy

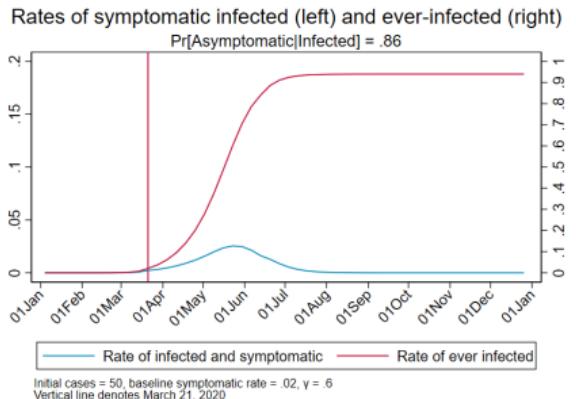


Figure 4. Low asymptomatic rate, severe long-duration policy

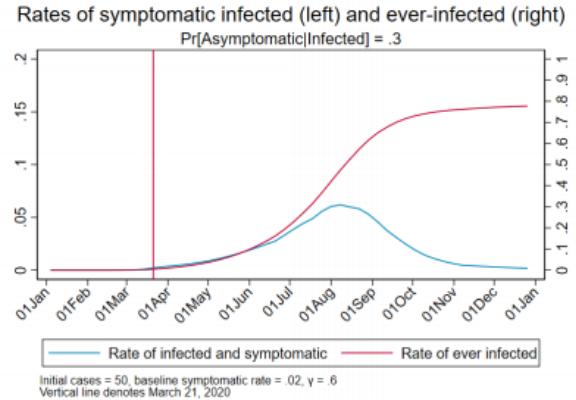
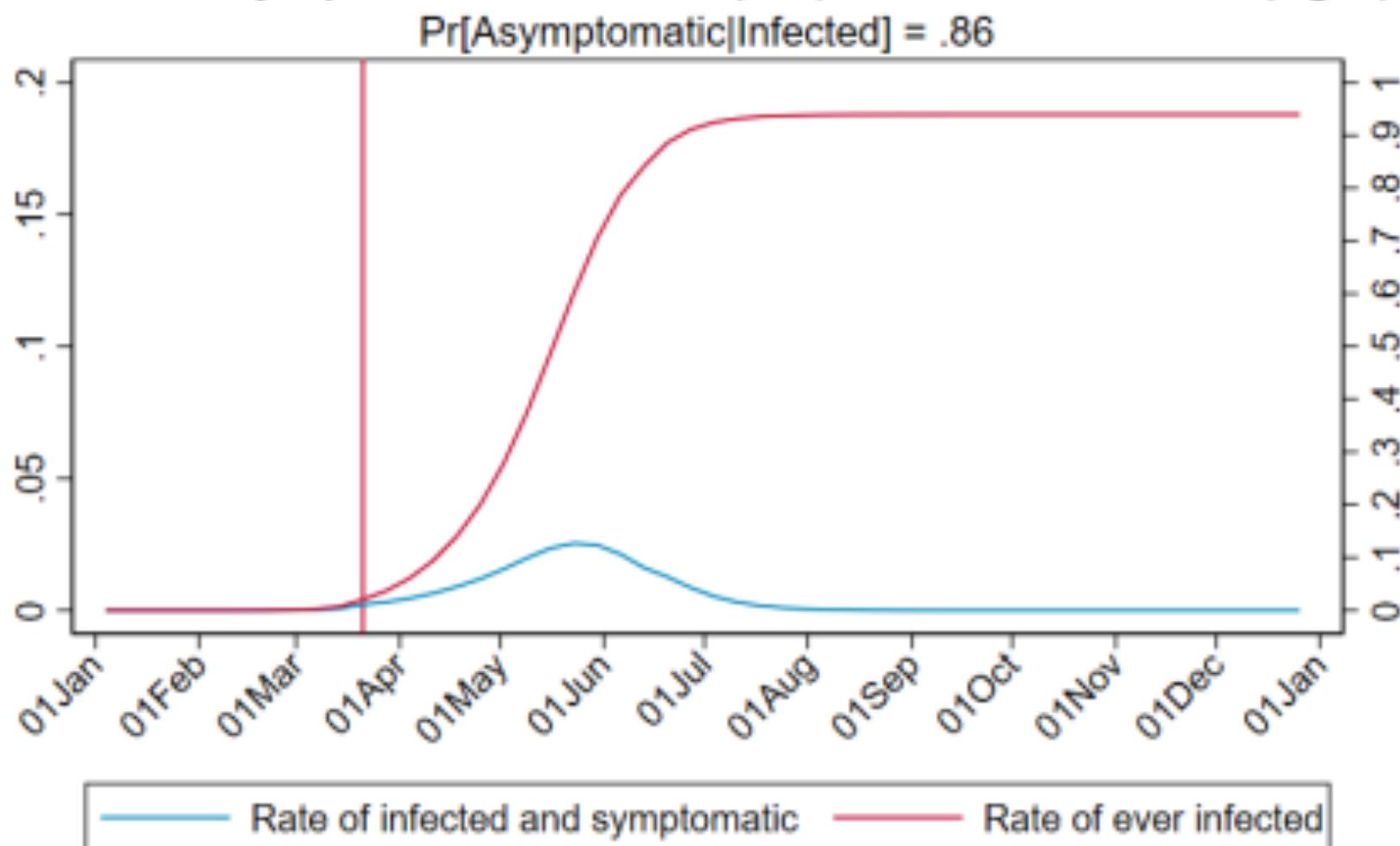


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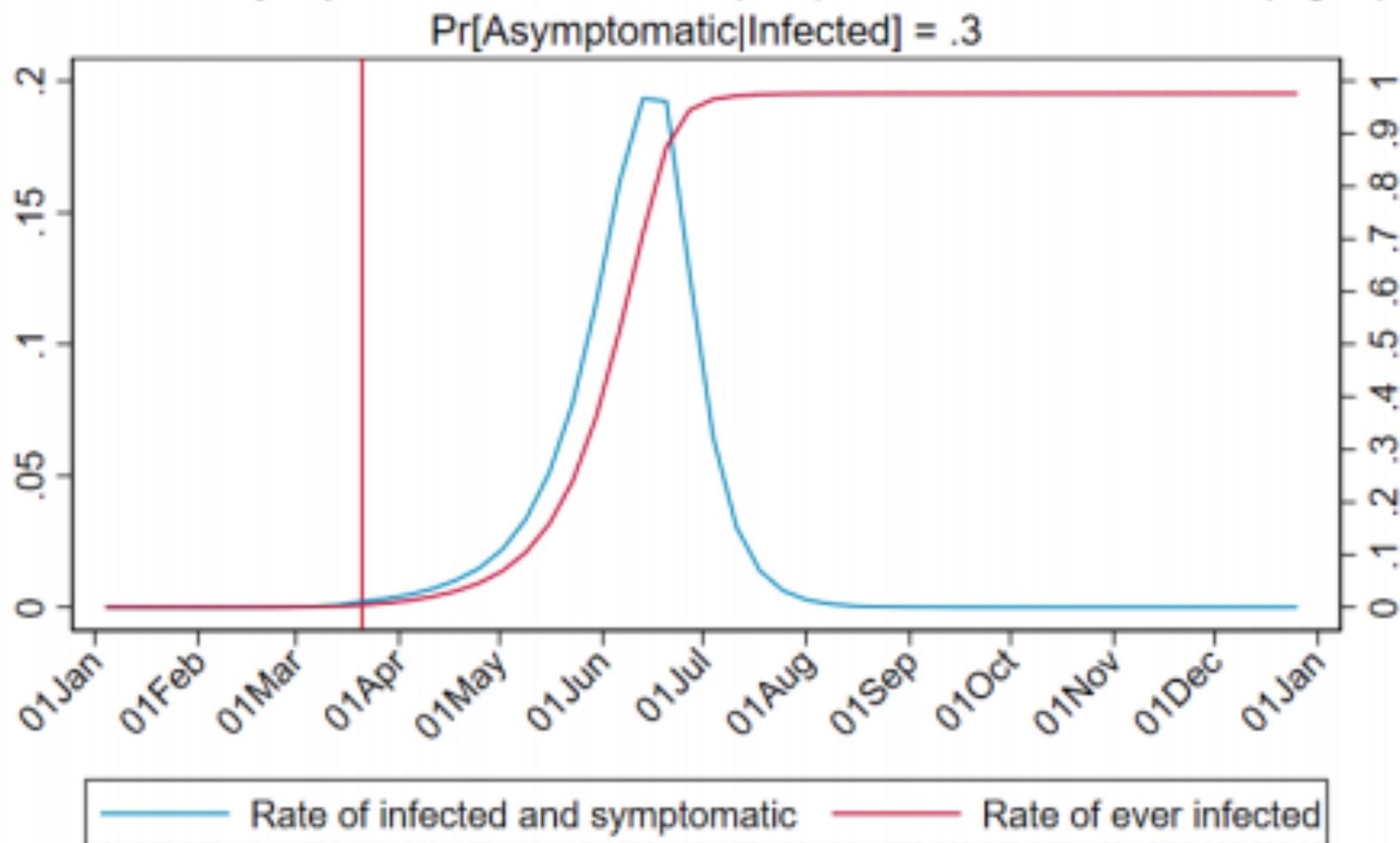
Rates of symptomatic infected (left) and ever-infected (right)



Initial cases = 50, baseline symptomatic rate = .02, $\gamma = .6$
Vertical line denotes March 21, 2020

Figure 3. Low asymptomatic rate, short-duration policy

Rates of symptomatic infected (left) and ever-infected (right)

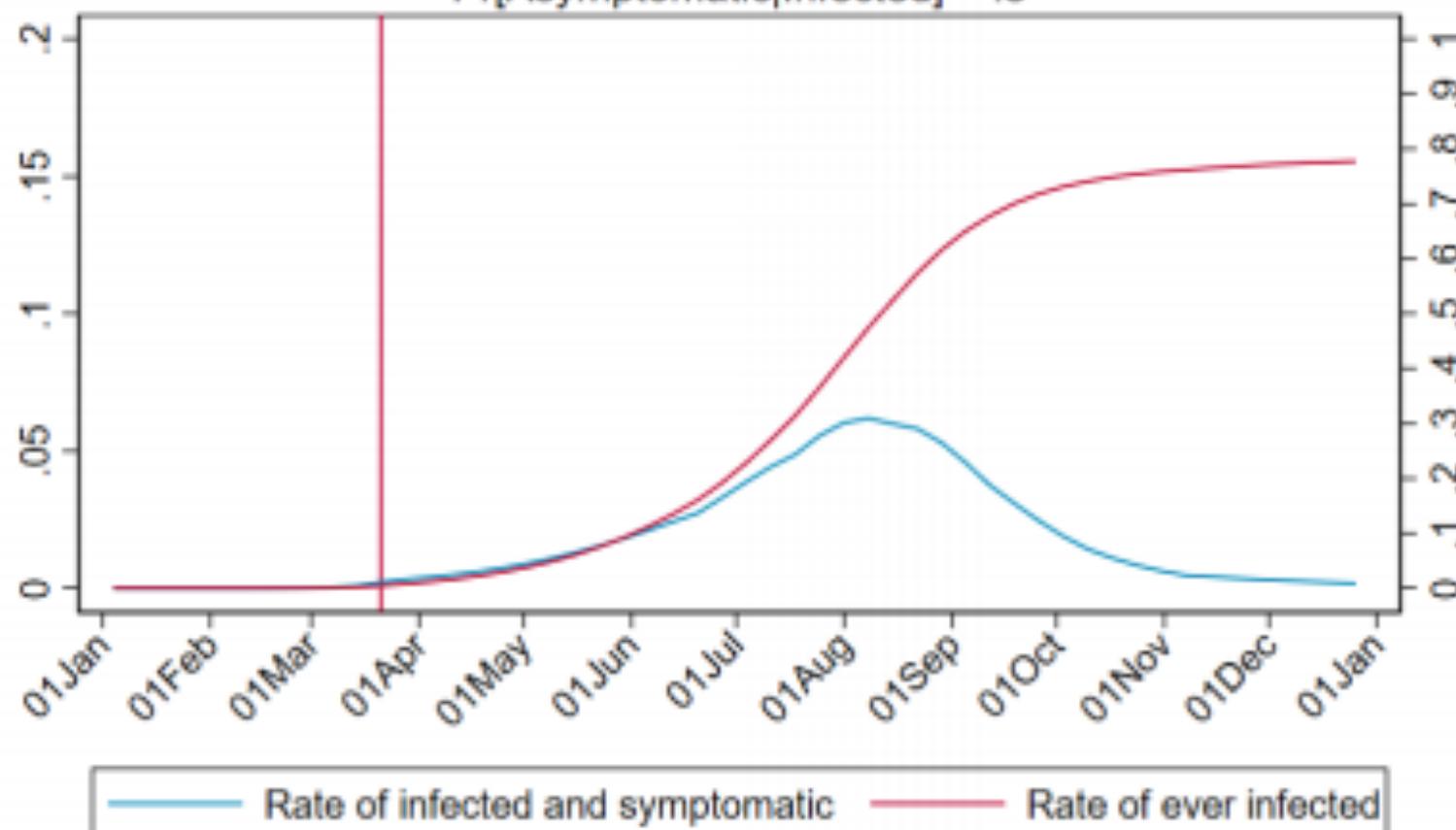


Initial cases = 50, baseline symptomatic rate = .02, $\gamma = .6$
Vertical line denotes March 21, 2020

Figure 4. Low asymptomatic rate, severe long-duration policy

Rates of symptomatic infected (left) and ever-infected (right)

$$\Pr[\text{Asymptomatic} | \text{Infected}] = .3$$



Initial cases = 50, baseline symptomatic rate = .02, $\gamma = .6$
Vertical line denotes March 21, 2020

$$\Delta S_t = -\beta I_{t-1} \frac{S_{t-1}}{N}$$

$$\Delta R_t = \gamma I_{t-1},$$

$$\Delta I_t = \beta I_{t-1} \frac{S_{t-1}}{N} - \gamma I_{t-1}$$

Bringing the Economy Back Up from Anæsthesia

Major issues:

- Certificates of immunity:
 - Which requires test, test, test:
 - And not just disease virus tests
 - Presence-of-antibodies tests
- How quickly can we match the immune with public-contact jobs?
- What jobs can be done with minimal infection risk?
- What minimal-infection substitutes can we find for previous jobs?
- How quickly can restrictions be relaxed without the virus coming roaring back?
- How do we avoid having the market give a “shutdown” signal to enterprises we in fact want restarted?
 - Which is pretty much all of them
- How much of the potential caseload do we want to push out beyond the vaccine-arrival date?

ALL THESE QUESTIONS ARE ANSWERABLE IF WE LEARN THE ASYMPTOMATIC HENCE NON-TESTED RATE!!

Keeping the Economy from Crashing During the Lockdown

Nick Rowe: We have a 50% output cut in 100% of the sectors:

- A temporary 100% output cut in 50% of the sectors (what the Coronavirus does) is very different from a 50% output cut in 100% of the sectors
- Nick's thought experiment:
 - In three months we are going to invent unobtanium:
 - Substantial intertemporal substitutability
 - Plus lower cross-good contemporaneous substitutability
 - Hence high desired savings rate now
 - Flex-price market thus produces a nominal rate at the zero lower bound and a high inflation rate over the next three to six months
 - Plus liquidity-constrained workers in affected sectors see their demand go to zero immediately
 - Can we get there? Should we get there? What should we do instead?
 - We need a good RBC economist: are there any?...

Keeping the Economy from Crashing During the Lockdown II

Nick Rowe <https://worthwhile.typepad.com/worthwhile_canadian_initi/2020/03/relative-supply-shocks-unobtainium-walras-law-and-the-coronavirus.html>:

- Plus: to extend the thought experiment:
 - We just lost the ability to make “unobtainium”
 - So we *should* be substituting leisure for work, and moving workers into relatively unproductive labor, making the commodities we can still produce right now
 - How should relative prices move as a result? How should we make them move?

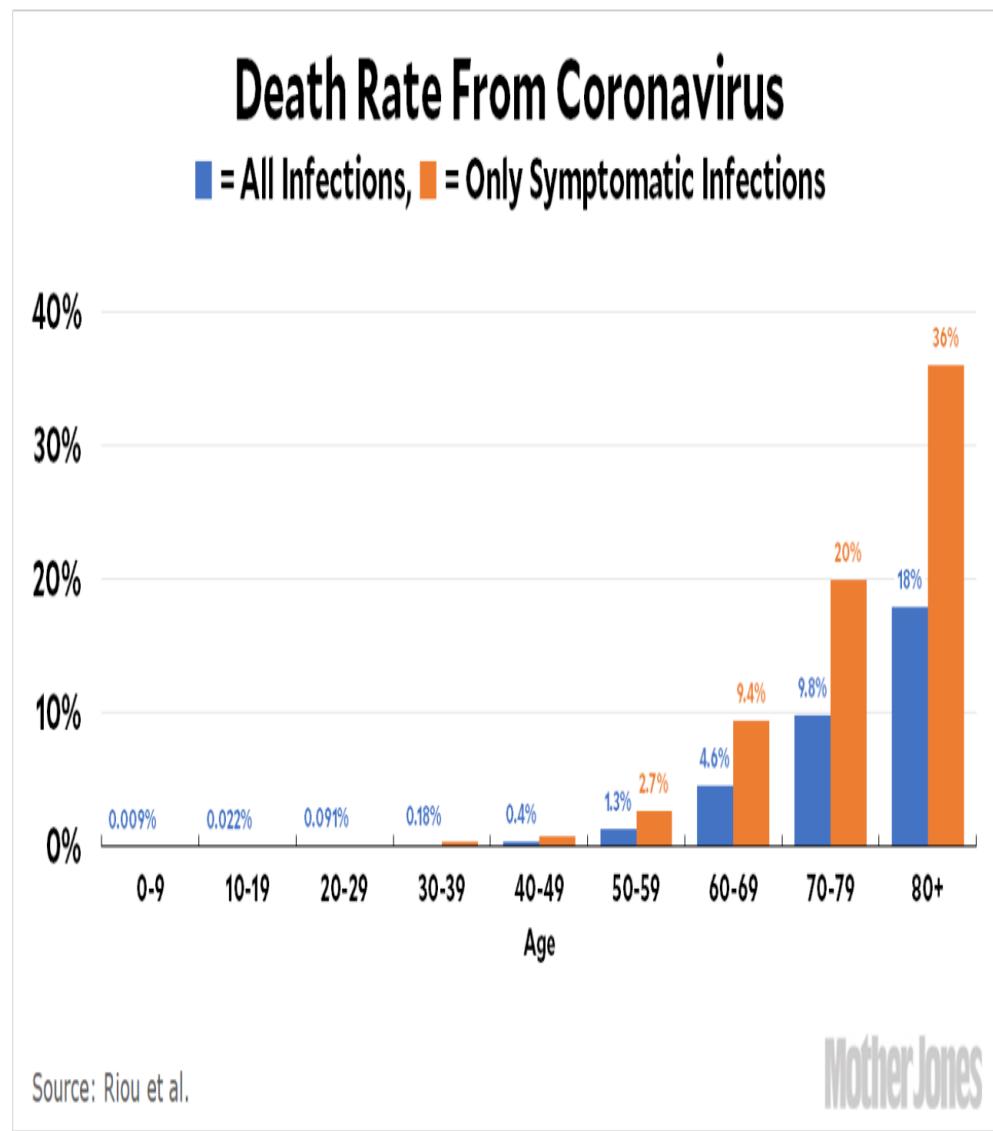
Plus: distributional issues

Plus: bankruptcy and credit chain issues

MOAR Coronavirus!

Death for Geezers!

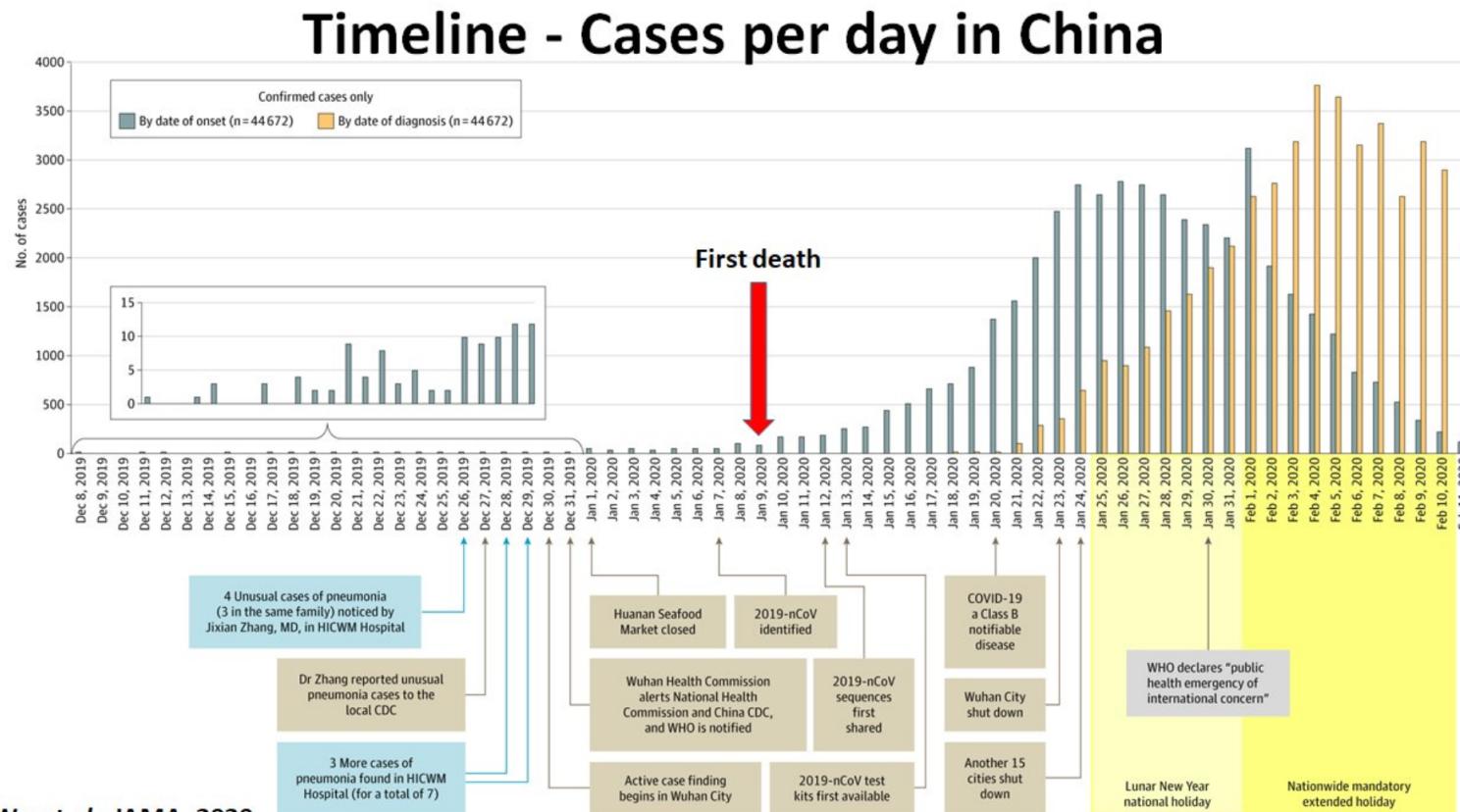
- Mortality for the Youngs very low...
- It's the flu for them—for you...
- And an extra doubling—or is it 5%?—mortality for the asthmatic
- And an extra doubling—or is it 5%?—mortality for the overweight



What We Think Happened in Wuhan

China beat it quickly & relatively easily!

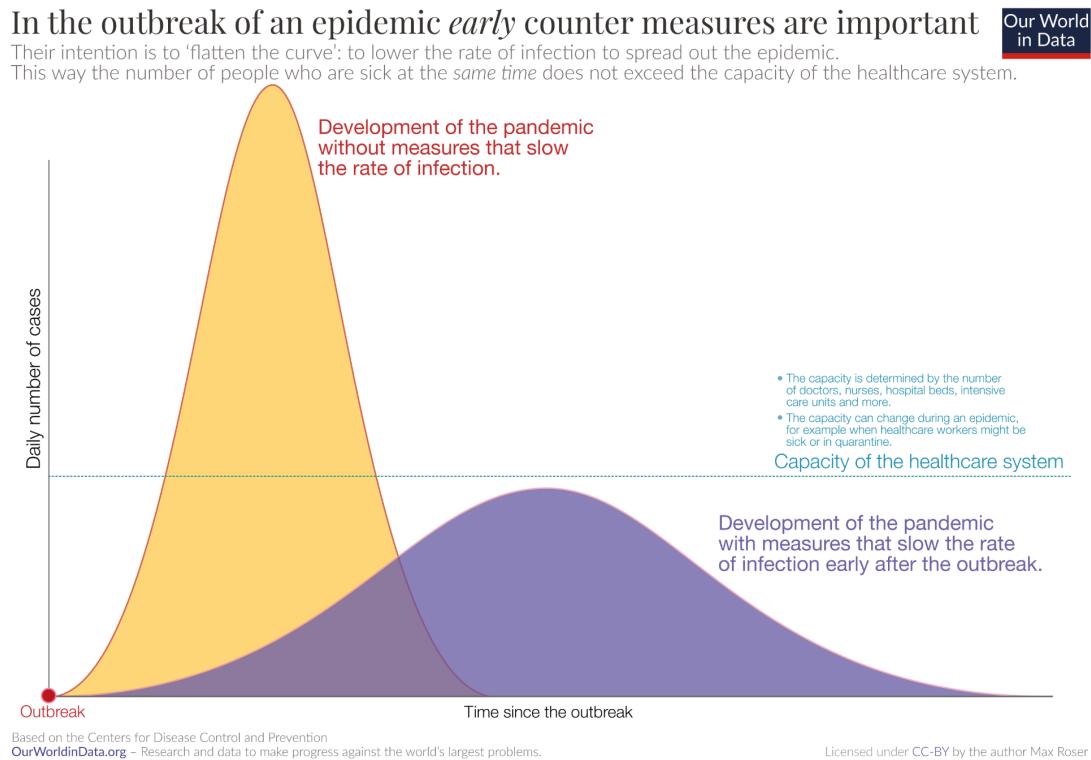
- We think
- Shut down Wuhan when 200 cases per day
- That seems to have been a good decision



The Goal

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, so do it early...
 - I have no good intuition on why you want to move early
 - Plus your moving early will be wasted if you get reinfected
 - Plus the sparks you throw off making others' lives more difficult



References

- **Financial Times** (2020): Coronavirus Tracked: The Latest Figures as the Pandemic Spreads <<https://www.ft.com/coronavirus-latest>>
- **Nick Rowe** (2020): *Relative Supply Shocks, Unobtainium, Walras' Law, and the Coronavirus* <https://worthwhile.typepad.com/worthwhile_canadian_initi/2020/03/relative-supply-shocks-unobtainium-walras-law-and-the-coronavirus.html>
- **Jim Stock** (2020): *Coronavirus Data Gaps and the Policy Response* <<https://drive.google.com/file/d/12MV466ZZy5xHir4xdPhoTrL1oO8CbZU-/view>>

MOAR Coronavirus!

What I am watching:

- **Max Roser & Hannah Ritchie:** *Coronavirus Disease (COVID-19)* <<https://ourworldindata.org/coronavirus>>...
- **Worldometer:** *Coronavirus Update (Live)* <<https://www.worldometers.info/coronavirus/>>: '125,599 Cases and 4,605 Deaths from COVID-19 Virus Outbreak...'
- *FT Coronavirus Tracker* <<https://www.ft.com/content/a26fbf7e-48f8-11ea-aeb3-955839e06441>>
- Josh Marshall's COVID Twitter List <<https://twitter.com/i/lists/1233998285779632128>>
- NEJM Group: Updates on the Covid-19 Pandemic <http://m.n.nejm.org/nl/jsp/m.jsp?c=%40kxNtXckRDOq8oG0jJvAXsIzN4mPECIPhtxoTSdTU9k%3D&cid=DM89089NEJM_COVID-19_Newsletter&bid=173498255>: 'From the New England Journal of Medicine, NEJM Journal Watch, NEJM Catalyst, and other trusted sources...'

Catch Our Breath...

- Ask a couple of questions?
 - Make a couple of comments?
 - Any more readings to recommend?
-
- <<https://www.icloud.com/keynote/0YKEi7HeOrVGvKYtt9FEqH7nA>>



Roadmap for the Next Two Weeks...

5. Touring the Continents

19. Tu Apr 7: 5.2.1. Behind the Iron Curtain

- **Read Before:** Richard Ericson (1991): The Classical Soviet-Type Economy: Nature of the System and Implications for Reform <<https://delong.typepad.com/files/ericson-soviet.pdf>>
- **Slides:** <<https://github.com;braddelong/public-files/blob/master/econ-135-lecture-19.pptx>>

20. Th Apr 12: 5.2.2. East Asian Miracles

- **Read Before:** Peter Evans (1995): Embedded Autonomy: States and Industrial Transformation, chapter 1 <<https://delong.typepad.com/files/evans-embedded-i.pdf>>
- **Read Before:** Yingyi Qian (2001): How Reform Worked in China <<https://delong.typepad.com/files/qian-reform.pdf>>
- **Slides:** <<https://github.com;braddelong/public-files/blob/master/econ-135-lecture-20.pptx>>

21. Tu Apr 14: 5.3. Asia and Africa

- **Read Before:** Nathan Nunn (2008): The Long Term Effects of Africa's Slave Trades <https://dash.harvard.edu/bitstream/handle/1/3710252/Nunn_Long-TermEffects.pdf>
- **Read Before:** Sevkut Pamuk (2014): Institutional Change and Economic Development in the Middle East, 700-1800 <<https://delong.typepad.com/files/pamuk.pdf>>
- **Slides:** <<https://github.com;braddelong/public-files/blob/master/econ-135-lecture-21.pptx>>

6. Policy Issues

22. Th Apr 16: 6.1. "Deep Roots" vs. Path Dependence

- **Read Before:** Nathan Nunn (2012): Culture and the Historical Process <<https://delong.typepad.com/files/nunn-culture.pdf>>
- **Read Before:** Melissa Dell (2015): Path Dependence in Development: Evidence from the Mexican Revolution <<https://scholar.harvard.edu/files/dell/files/revolutiondraft.pdf>>
- **Slides:** <<https://github.com;braddelong/public-files/blob/master/econ-135-lecture-22.pptx>>

23. Tu Apr 21: 6.2. Growth and Fluctuations; Trade and Development, Foreign Aid

- **Read Before:** Barry Eichengreen (2015): Hall of Mirrors: The Great Depression, The Great Recession, and the Uses-and Misuses-of History, selections <<https://delong.typepad.com/files/eichengreen-mirrors.pdf>>
- **Read Before:** David Atkin (2014): Endogenous Skill Acquisition and Export Manufacturing in Mexico <<https://delong.typepad.com/files/atkin-skill.pdf>>
- **Slides:** <<https://github.com;braddelong/public-files/blob/master/econ-135-lecture-23.pptx>>

Roadmap Following: 6. Policy Issues...

Th Apr 23: 6.3. Populism, Plutocracy, Kleptocracy, & Neo-Fascism

- **Read Before:** Ernest Gellner (1973): *Nations & Nationalism*, selections <<https://delong.typepad.com/files/gellner-nations.pdf>>
- **Read Before:** Barry Eichengreen (2018): *The Populist Temptation Economic Grievance & Political Reaction in the Modern Era*, selections <<https://delong.typepad.com/files/eichengeen-populist.pdf>>

Tu Apr 28: 6.4. Global Warming

- **Read Before:** Melissa Dell *et al.* (2012): Temperature Shocks & Economic Growth: Evidence from the Last Half Century <https://scholar.harvard.edu/files/dell/files/aej_temperature.pdf>
- **Read Before:** Melissa Dell *et al.* (2014). What Do We Learn from the Weather? The New Climate-Economy Literature, selections <<https://economics.mit.edu/files/9138>>

Th Apr 30: 6.5. The Pace and Meaning of Economic Growth

- **Read Before:** William Nordhaus: Do Real-Output and Real-Wage Measures Capture Reality? <<https://www.nber.org/chapters/c6064.pdf>>
- **Read Before:** John Maynard Keynes: Economic Possibilities for Our Grandchildren <<https://delong.typepad.com/files/keynes-persuasion.pdf>>
- **Read Before:** Edward Bellamy (1887): *Looking Backward 2000-1887*, selections <<https://delong.typepad.com/files/bellamy-backward.pdf>>

7. Conclusion

Tu May 5: 7. Conclusion: The Future?

- **Read After:** Robert Allen (2011): *Global Economic History: A Very Short Introduction*, selections <<https://delong.typepad.com/files/allen-geh.pdf>>

W May 13 11:30-14:30: FINAL PAPER/PROJECT DUE

Discussion

Touring the Continents: Behind the Iron Curtain

- What strikes you as important here?

Behind the Iron Curtain

A separate, discrete system based on “central planning”:

- Marx’s hatred of the market:
 - Saw it as an unequal income distribution mechanism
 - And as a spur to technological progress and capital accumulation mechanism
 - Did not see it as an *allocative efficiency* mechanism
- How do you run a “centrally planned” economy?
 - Material balances and a few crude targets?
 - Otherwise? Managers buy, beg, barter, steal, trade favors for, and threaten in order to get the resources they need
 - Appeal to pride of workmanship for quality
- “Peaceful coexistence”
- The collapse

The Rise of Socialism, -350 to 1917

From -350 to 1917:

- We will focus on the birth of “really existing socialism”:
 - Ancient assumptions about inequality
 - The coming of enlightenment utilitarian values
 - The question of the proper political order: fears of *democracy*
 - Yet democracy and fundamental equality came
 - Popular government and the market economy: the tension
 - Technological cornucopia
 - Popular resistance to industrial socialist ideals
 - Political democracy insufficient for utopia
 - An example: governing Chicagoland
 - Left-wing European politics before World War I

40 minutes of audio



Ancient Assumptions About Inequality

Aristotle in the -300s:

- Many people “slaves by nature”
- This is fortunate, for slavery necessary if there is to be a good society
- So it is, and so it always would be
 - For it is not so only with the mythical technologies of the Golden Age, or of the gods

Even Abraham Lincoln in the mid-1800s:

- “I have no purpose to introduce political and social equality between the white and the black races.... I agree with Judge Douglas [that the Negro is not my equal in many respects—certainly not in color, perhaps not in moral or intellectual endowment...”
- (But Lincoln then has a “but”:
 - “There is no reason in the world why the negro is not entitled to all the natural rights enumerated in the Declaration of Independence.... In the right to eat the bread, without the leave of anybody else, which his own hand earns, he is my equal and the equal of Judge Douglas, and the equal of every living man...”



Enlightenment Utilitarian Values

Pre-1870: From “Divine Right” and “Natural Order” to Enlightenment values...

Who was the *first* person to draft these words:?

- A. John Locke
- B. Niccolo Machiavelli
- C. Thomas Hobbes
- D. Thomas Jefferson
- E. George Washington

- “We hold these truths to be sacred & undenialble:
 - that all men are created equal & independant,
 - that from that equal creation they derive rights inherent & inalienable,
 - among which are the preservation of life, & liberty, & the pursuit of happiness;
 - that to secure these ends, governments are instituted among men, **deriving their just powers from the consent of the governed...**”
- Why did he write them?



Houses of Parliament, from the River: temp. Hampden.

What Was the Proper Political Order?

Fears of “democracy” among American founders:

- **Madison**: “Democracies have ever been spectacles of turbulence and contention... incompatible with personal security or the rights of property... as short in their lives as... violent in their deaths...”
- **Jefferson**: “Gen'l Washington had not a firm confidence in the durability of our government... [& this] had some weight in his adoption of... ceremonies... calculated to prepare us gradually for a change which he believed possible...”
- **Hamilton**: “the British government... best” as the only one “unit[ing] public strength with individual security...”
- **Adams**: The American president should be announced as: “His Highness, the President of the United States, and Protector of the Rights of the Same...”
- Question of political order thought settled: first in the rubble of Berlin in 1945, and then in the streets of East Germany in 1991:
 - Settled in favor of representative democracy, private property, & social insurance—late-1900s liberal democracy
 - But now reopened? Min Zhu (朱民) to me in 2015: “What are you Americans going to do to fix your broken political system?”



Yet Democracy and Fundamental Equality Came...

Franchise Restricted to the Rich Could Not Maintain Itself:

- The dynamic of franchise extension
- Liberals in power would try extend on the principle that the new, poorer voters would be less conservative and would support them.
- Threatening revolution would lead even conservatives to seek to extend the franchise in order to peel off of the revolutionary coalition those of the disenfranchised who had the most social power:
 - Earl Grey (yes, the tea): “The Principal... is to prevent... revolution.... I am reforming to preserve, not to overthrow...”
- Charismatic leaders with popular followings would seek to give them votes, and then rule via plebiscites—going around the traditional elites
 - (Peculiar thing about Trump-Johnson: minority, and core is a minority of a minority...)
- Conservatives: “dish the Whigs”—opportunities to form winning coalitions by appealing to those who were no profiting from the market economy, or felt that they were losing relative status in some ways...



Popular Government and the Market Economy: The Tension

Karl Polanyi

- People believe they have rights—to stable, supportive, nurturing communities; to incomes commensurate with their skills and status; and to money flows that will provide economic stability...
- But a market society turns these things—land, labor, and finance—into commodities...
- But they are not *real* commodities, they are *fictitious* commodities
- And so you get your rights only if they satisfy a market profitability test
- The only rights a market society respects are property rights:
 - & the only property rights that are worth anything are those that help you produce things for which rich people have a serious jones
- Society will have its revenge: it will protect itself against the market logic, somehow, some way...



Popular Resistance to Industrial Socialist Ideals

The June Days of 1848 in Paris:

- Tocqueville:
 - “The insurrection of June [1848]... class against class... a blind and rude, but powerful, effort on the part of the [urban] workmen to escape from the necessities of their condition, which had been depicted to them as one of unlawful oppression.... The closing of the national workshops... occasioned the rising...”
 - “Thousands... hastening to our aid from every part of France.... Thanks to the railroads, some had already come from fifty leagues' distance... every class of society... peasants... shopkeepers... landlords and nobles all mingled together... they rushed into Paris with unequalled ardour: a spectacle as strange and unprecedented in our revolutionary annals.... The insurgents received no reinforcements, whereas we had all France for reserves...”

Political Democracy Insufficient for Utopia

America in 1900: “‘Land of opportunity’, you say. You know well my children will be where I am—that is, if I can keep them out of the gutter”:

- Who was to blame for inadequate opportunity?: the rich, the easterners, immigrants, and the bankers (Jews)... <[Matthew 21:33-46](#)>
- What was to be done?: Populists:
 - Free coinage of silver at a ratio of 16-to-1...
 - Boost the money supply...
 - Lower interest rates...
 - Raise farm prices...
 - Antitrust to bust monopolies and restore competition...
 - Railroad and other forms of rate regulation...
- Populist and Progressive movements broken on the anvils of racial animosity, & fear of left-wing socialism, & belief—hope—that the proper business of America was business, and that America contained no proletarians for we were all just temporarily embarrassed millionaires...

An Example: Governing Chicagoland

- Chicago 1840: 4000. Chicago 1900: 2,000,000—70% born outside the United States:
- 1886: AFL general strike for the 8-hour workday: Haymarket bombing May 3 (8/20)
- 1889: AFL President Samuel Gompers; May Day
- 1893: Altgeld pardons three surviving “Haymarket bombers”—blames Pinkertons
- 1894: TTB Grover Cleveland: Labor Day holiday in September instead
- 1894: Pullman Strike
 - Cleveland attached a mail car to every train
 - Cleveland ordered the U.S. army into Chicago
 - Art. IV §4: “on application of the [state] legislature, or the executive (when the legislature cannot be convened).”
 - Altgeld pointed out that neither he nor the legislature had applied
 - Cleveland responded that it was more important to protect property against rioters, anarchists, and socialists: “If it takes the entire army and navy of the United States to deliver a postcard in Chicago, that card will be delivered!”
 - On July 7, 1894 Debs and the other union leaders were arrested for violating the terms of the injunction, and the strike collapsed
- But the center of the electorate did not want Populism, or Progressivism...

Left-Wing European Politics Before World War I

Disjunction between policies and rhetoric: the reform planks:

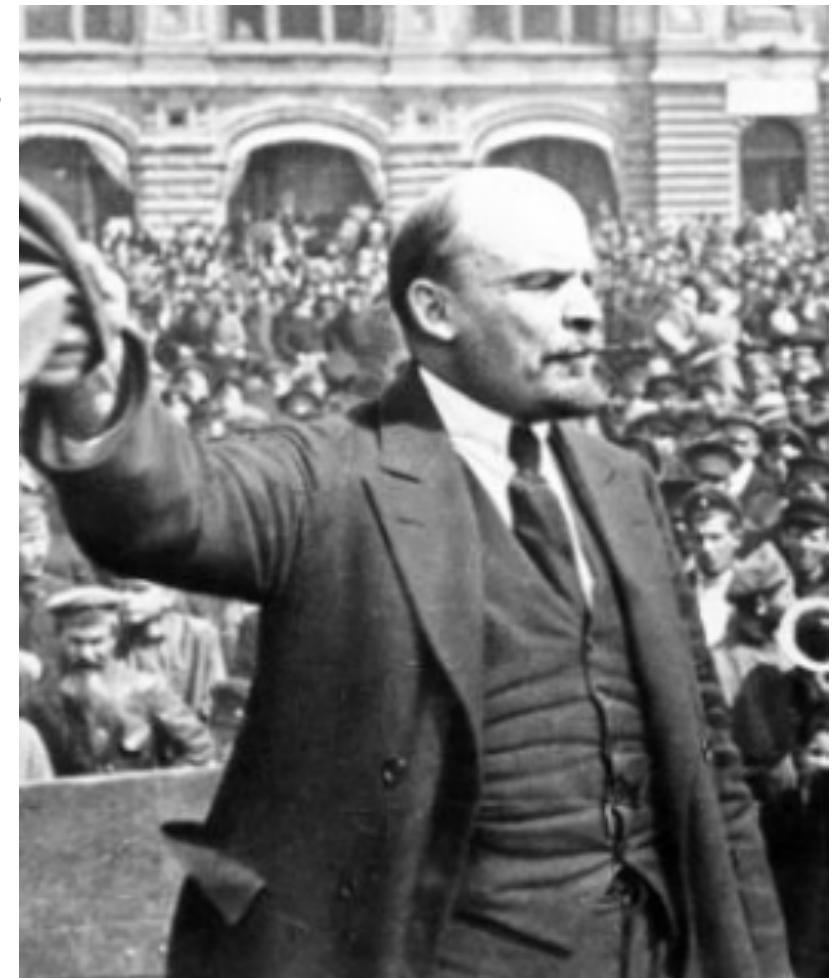
- The Socialist Party of Germany's Erfurt and Gotha programs seek things like: holidays for elections, two-year legislative terms, the right to bear arms, equal rights for women, the prohibition of spending public funds for religious purposes, free public schools and colleges, free medical care including midwifery, an eight-hour working day, no child labor under 14, a 36-hour minimum weekend, an occupational safety and health administration...

Disjunction between policies and rhetoric: the revolution planks:

- But also: “By every lawful means to bring about a free state and a socialistic society, to effect the destruction of the iron law of wages by doing away with the system of wage labor.” And they sought: “the transformation of the capitalist private ownership of the means of production—land and soil, pits and mines, raw materials, tools, machines, means of transportation—into social property and the transformation of the production of goods into socialist production carried on by and for society.” And they believed: “This... emancipation... of the entire human race.... But it can only be the work of the working class, because all other classes... have as their common goal the preservation of the foundations of contemporary society...”

Creating Socialism in Russia

- The twilight of the Czarist régime
- Coming of “western” democratic and socialist ideas
- A short unvictorious war
- Nicholas II Romanov’s government nevertheless grabbed with both hands for World War I
- Collapse of the Czar’s government
- Lenin’s quick power grab...
- Confidently expecting a German revolution, and then massive aid...
- Brutal civil war
 - Kerenskyites
 - Reds
 - Whites
 - Nationalists
- What was the revolutionary government to do?
 - Ludendorff’s German war economy...



22:15 minutes of audio

Winning the Civil War

- Lenin's quick power grab...
- Confidently expecting a German revolution, and then massive aid...
- Brutal civil war
 - Kerenskyites
 - Reds
 - Whites
 - Nationalists
- War
- Commissars
- Secret policemen
- Lenin's character:
 - "I know nothing that is greater than the Appassionata [by Beethoven]; I'd like to listen to it every day [Lenin said].... What marvelous things human beings can do! But... music... makes you want to say stupid nice things, and stroke the heads of people who could create such beauty while living in this vile hell. And now you must not stroke anyone's head: you might get your hand bitten off. You have to strike them on the head, without any mercy, although our ideal is not to use force against anyone. Hm, hm, our duty is infernally hard..."

What to Do Next

- What was the revolutionary government to do?
 - Ludendorff, Rathenau, & co.'s German war economy...
- Lenin in *State and Revolution*:
 - “After the overthrow of the capitalists and the bureaucrats...proceed immediately... to replace them in... control... the work of keeping account of labor and products, by the armed workers.... The accounting and control necessary for this have been simplified by capitalism to the utmost and reduced to the extraordinarily simple operations, which any literate person can perform, of supervising and recording, knowledge of the four rules of arithmetic, and issuing appropriate receipts...”



The “Dictatorship of the Proletariat”

- Dictatorship—the *temporary* concentration of authority and the *temporary* suspension of checks-and-balances and normal procedures
 - Lincoln’s Emancipation Proclamation as an act of *dictatorship*
- Proletariat—government is to be exercised by or by the representatives of or in the name of or to promote the well-being of the industrial working class
 - Why of the *proletariat*? Why not of the *people*?
 - Other classes are reactionary.
- But what happens when the *proletariat* gets unhappy with the party?
- Lenin: true legitimacy comes from being the tool and instrument of historical necessity
 - True legitimacy springs from understanding the Marxist-Engelsian sciences of dialectical and historical materialism
 - And being willing to be History’s tools and forces in this world

No Revolution in Germany

- “Petty Officer Lemmgen... arrived at the Ministry [of War]... found... Lieutenant Hamburger.... Lemmgen produced a typed document with the following text: ‘Comrades and Workers! The Ebert-Scheidemann government have made themselves impossible.... The undersigned Revolutionary Council has provisionally assumed power.’
- “Lieutenant Hamburger inspected the document and became properly indignant. ‘But where are the signatures? Before I can comply with this order, you’ll have to go back and get it properly signed. Otherwise any little shorthand typist could declare the government deposed.’ Petty Officer Lemmgen... saw the logic.... So he and his men saluted... and made their way back to the Revolutionary Council to obtain the necessary signatures....
- “But by the time he had obtained the signatures, Lemmgen had learned that the People’s Naval Division had declared itself neutral. So he did not return to the Ministry of War...”

Marxist Economics

- The *bourgeoisie* is making a revolution
- An economic revolution that will produce:
 - extraordinary advances in technology
 - extraordinary investment
 - extraordinary prosperity
- But there is a danger: the *bourgeoisie*
 - The bourgeoisie cannot distribute wealth
 - “The more productive capital grows, the more the division of labor and the application of machinery expands. The more the division of labor and the application of machinery expands, the more competition among the workers expands and the more their wages contract. The forest of uplifted arms demanding work becomes thicker and thicker, while the arms themselves become thinner and thinner...”
- Fortunately, this danger can and will be avoided: the business class “produces... above all... its own grave-diggers...” who will make a socialist revolution
- Marx thought he had succeeded in making his argument simple, comprehensible, and water-tight
- Lenin and company took Marx as their prophet

On Political Theology

- Lenin's and Trotsky's speeches and writings make "no sense whatever unless one substitutes for the words 'history' and 'dialectic of history' the words 'Providence' and 'God'..."
- Red Rosa Luxemburg:
 - "Without general elections, without unrestricted freedom of press and assembly, without a free struggle of opinion, life dies out in every public institution.... Only the bureaucracy remains.... A few dozen party leaders of inexhaustible energy and boundless experience direct and rule.... An elite of the working class is invited from time to time to meetings where they are to applaud the speeches of the leaders, and to approve proposed resolutions unanimously—at bottom, then, a clique affair.... Such conditions must inevitably cause a brutalization of public life: attempted assassinations, shooting of hostages, etc..."
 - "Freedom only for the supporters of the government, only for the members of one party—however numerous they may be—is no freedom at all. Freedom is always and exclusively freedom for the one who thinks differently. Not because of any fanatical concept of "justice" but because all that is instructive, wholesome and purifying in political freedom depends on this essential characteristic, and its effectiveness vanishes when "freedom" becomes a special privilege..."

Failed Utopia: The Costs of the “Experiment”

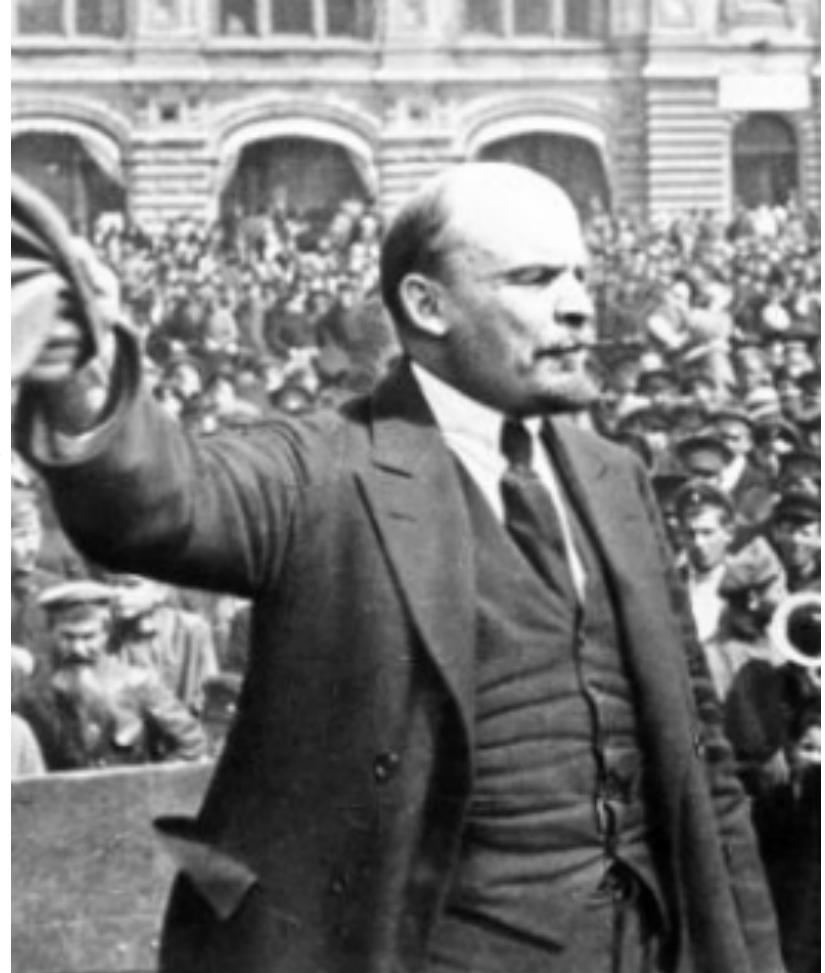
- Guenther Roth:

- “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...”



Was RES the Alternative We Were Looking For?

- The Great Depression came
- Elected-representative parliamentary assemblies doing the governing and markets doing the economizing manifestly did not do the job
- RES was one alternative
- Why was RES necessary?
 - The rich would buy large megaphones and degrade the public sphere.
 - The rich would hire guards and mercenaries
 - The rich would resort to what Karl Marx and Friedrich Engels called a “pro-slavery rebellion”
- Hence you had to make the omelette—and you cannot make an omelette without breaking eggs
 - It was socialism
 - It was existing
 - It was real
- What would Marx have thought of it? Well, what would St. Paul have thought of modern-day evangelicals?



26:15 minutes of audio

RES Not, in the End, Irresistible or Even Popular

Ernst Gellner:

- “Just as the most extreme Shi’ite Muslims held that Archangel Gabriel made a mistake, delivering the Message to Muhammed when it was intended for Ali...
- “so Marxists... think... [the] message was intended for classes, but was delivered to nations.
- “It is now necessary for revolutionary activists to persuade the wrongful recipient to hand over the message and the zeal...”



The Soviet Trajectory

- Imperatives
 - Survive
 - Eliminate large-scale private property and market
 - Industrialize
 - No aid coming from Germany
- War Communism
- War Terror
- NEP
- “Scissors Crisis”
- *Capital as a business model*



Failed Utopia: Politics

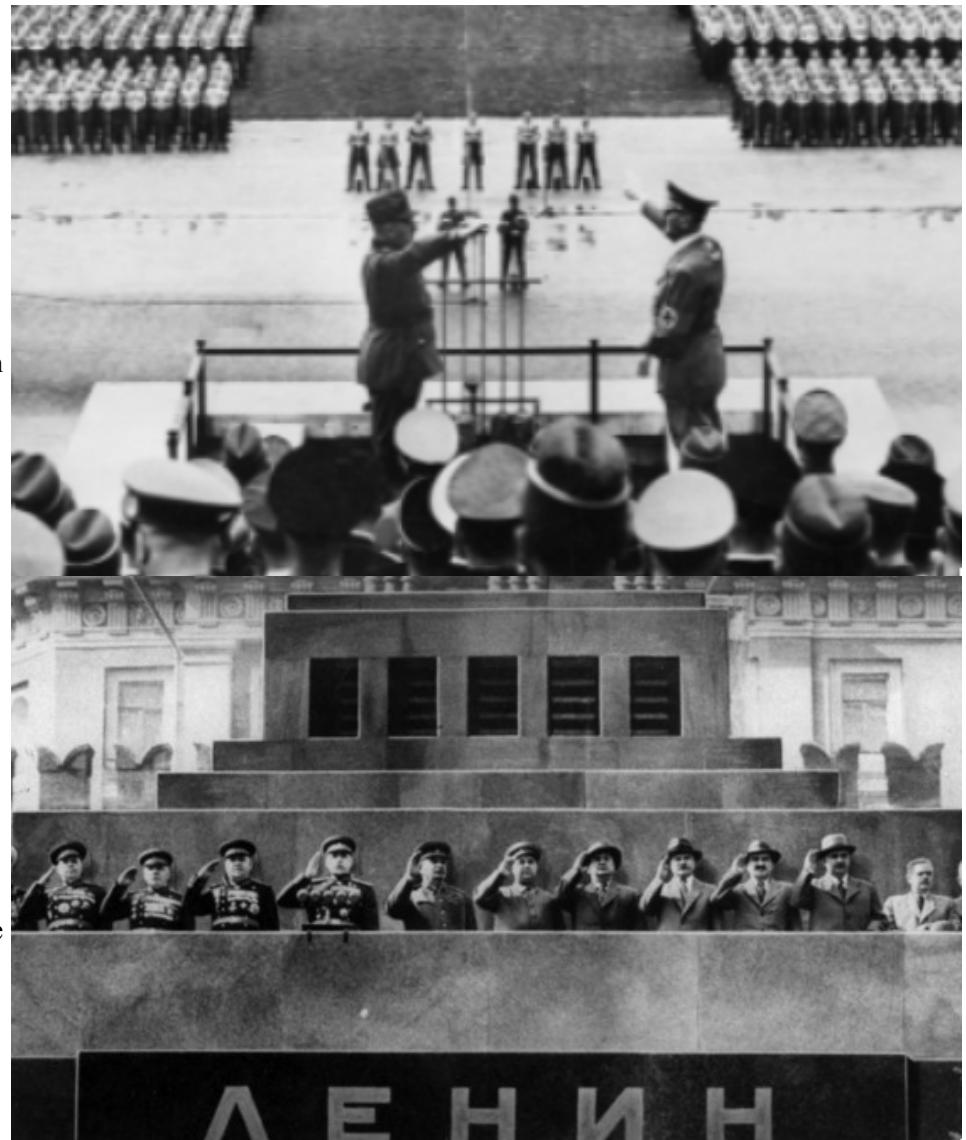
- Rosa Luxemburg:
 - “The tacit assumption underlying the Lenin-Trotsky theory of dictatorship is this: that the socialist transformation is something for which a ready-made formula lies completed in the pocket of the revolutionary party.... We [do] know more or less what we must eliminate...
 - “But 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...”
- That makes sense
- So why did what Lenin did work—after a fashion?
- Following a previous path—simply look west, and duplicate...
 - Material balance control of key commodities, exchange, command, barter, blat, tolkachi, & social network favor exchanges could accomplish that...



Would a Non-Authoritarian Communism Have Been So Bad?

John Maynard Keynes:

- “Russian Communism... tries to construct a framework... in which pecuniary motives... shall have a changed relative importance.... Money-making...will simply not occur to a respectable young man as a possible opening, any more than the career of a gentleman burglar or acquiring skill in forgery and embezzlement....
 - “This system does not mean a complete leveling down of incomes.... The private trader is a sort of permitted outlaw, without privileges or protection.... The effect of these social changes has been, I think, to make a real change in the predominant attitude towards money.... Money-making and money-accumulating cannot enter into the life-calculations of a rational man who accepts the Soviet rule in the way in which they enter into ours....
 - “All this may prove Utopian, or destructive of true welfare, though, perhaps, not so Utopian, pursued in an intense religious spirit, as it would be if it were pursued in a matter-of-fact way.
 - “But is it appropriate to assume, as most of us have assumed hitherto, that it is insincere or wicked?...”
-
- Keynes an upper-class twit...
 - & did not like the business class much...
 - & RES was pretty wicked...
 - & massively inefficient
 - But its major sins in its first generation were political and anti-human rather than economic
 - & from Keynes's standpoint, the economic problem was not the permanent problem of the human race—economists should aspire to be like dentists, keeping things in functioning order, and otherwise staying in the background



The Soviet Union: Late Development

What is the benchmark?

- 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”
- When do we want “hard incentives”, anyway?
 - The secret of the corporation
 - Disciplined by market at its edges—and that matters
- RES and wartime mobilization

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%
Hungary	\$3,350	Austria	\$23,510	86%
Czech Republic	\$2,710	Germany	\$23,560	88%
Poland	\$2,260	Sweden	\$24,740	91%
Cuba	\$460	Mexico	\$3,610	88%
Geometric Mean:	\$930		\$8,030	88%

The Soviet Union: Tyranny

- Should we dismiss the Soviet Union as simply a tyranny?
- One in which the standard ways of bullying and oppressing people are reinforced by technologies of bureaucracy and indoctrination?
 - “Fake News” goes back to the Norman Conquest, after all...
 - We are just better at it...



Rendezvous by David Low

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: ????

Eric Hobsbawm: “In a period in which, as you might imagine, mass murder and mass suffering are absolutely universal, the chance of a new world being born in great suffering would still have been worth backing. Now the point is, looking back as an historian, I would say that the sacrifices made by the Russian people were probably only marginally worthwhile. The sacrifices were enormous; they were excessive by almost any standard and excessively great. But I'm looking back at it now and I'm saying that because it turns out that the Soviet Union was not the beginning of the world revolution.

“Had it been, I'm not sure. After all, do people say we should not have fought World War II? More people died in World War II than died in Stalin's terror.... Had the radiant tomorrow actually been created the loss of 15-20 million people might have been justified...”

The George Orwell Tradition

- Hannah Arendt's *Totalitarianism*, George Orwell's *1984* and *Animal Farm*, even Leon Trotsky:
 - Estate-based authoritarianism as the natural Agrarian Age form of government
 - Totalitarianism as the natural Industrial Age form of government: “a boot stamping on a human face, forever...”
- What is “totalitarianism”?
 - Is it possible?
 - Is it stable?
 - Is it a model?
 - Religious or quasi-religious fervor?
 - Cf.: Hobsbawm



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...”

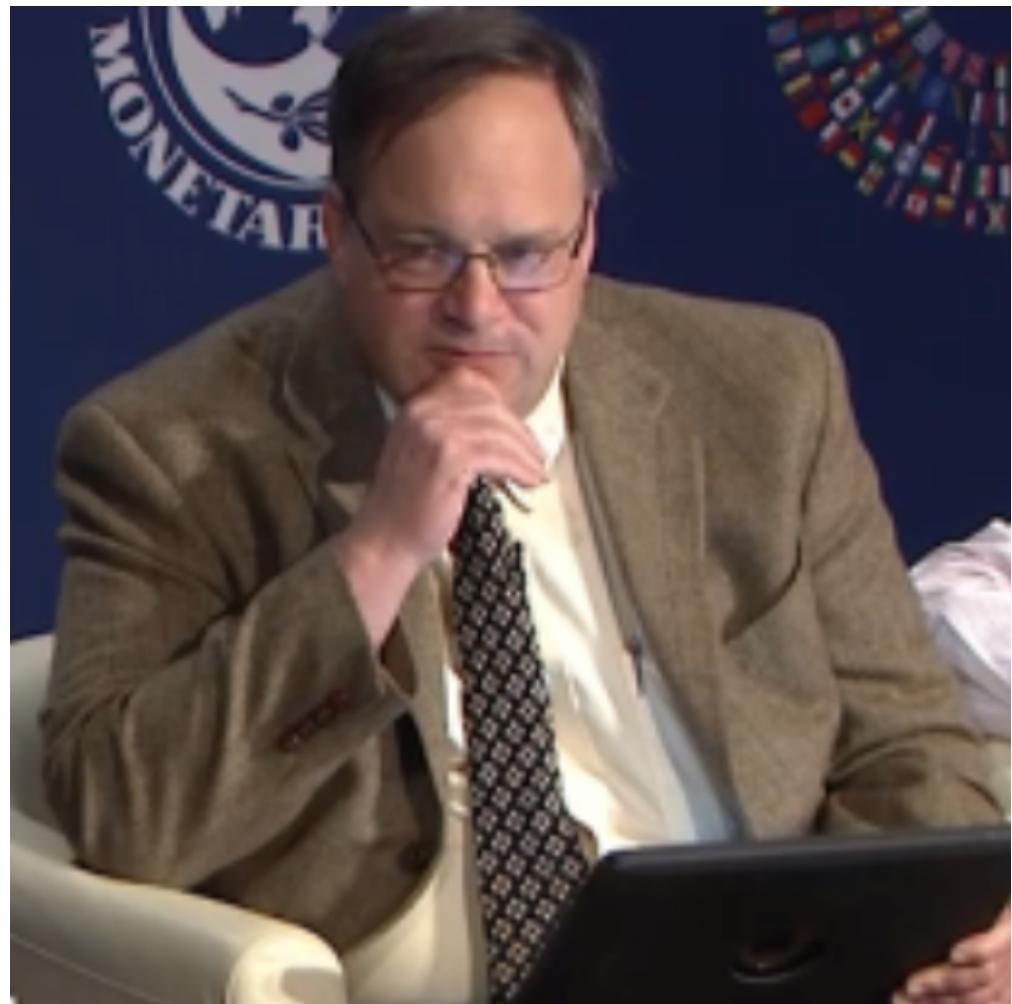


Big Ideas: Lecture 19: Behind the Iron Curtain

Takeaways from this class:

Catch Our Breath...

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



Notes, etc....

