

Slouching Towards Utopia?: An Economic History of the Long Twentieth Century, 1870-2016

XXVI. Conclusion: Slouching Towards What?

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26.1: Democratic Default

The long twentieth century came to an end in November, 2016, when the U.S. polity and government turned its back on the globalized world it had done so much to create, and became, instead, a chaos monkey. It was not even that the U.S. shifted its view of what its national interest required, and how the world should be managed. It gave up the idea of being a leader in global management, or keeping its word, or, indeed have having a coherent sense of what its national and the global interest might require.

To the extent that the Donald Trump administration had a worldview, it would be one of suspicion: that internal and external enemies, people of non-white race and non English-speaking language, were somehow taking advantage. These enemies needed to be kept off balance, somehow. And keeping them off-balance required that America put itself off-balance to. To the extent that there were policies, they consisted of another round of tax-cuts-for-the-rich to further widen income inequality, another round of delay before tackling global warming, random regulatory rollbacks uninformed by technocratic calculation of benefits and costs—and cruelty: usually through the demonization of immigrants and foreigners, but cruelty as a strategy for the assertion of some kind of dominance.

The hope of Trump’s domestic opponents was that this would prove to be a “Pete Wilson moment”. Pete Wilson was the Governor of California who had sought to

win reelection in the 1990s by demonizing California's Hispanic immigrants as cheaters grabbing resources to which they were not fairly entitled and draining the state. Wilson won. But in the aftermath a large majority of California's electorate decided that that was not who they wanted to be. And governance in California returned to normal, and then took two steps to the left: betting the future of the state on diversity, technology, and reinvigorated social democracy.

Whether the Trump administration, plus the American Republican Party's decision to double-down in support for the Trump administration, will mark a similar watershed is in the hands of the American electorate, and of the judges who can either work to keep elections free and fair or put their thumbs on the scale. But what is certain is that all around the world, everybody knows that U.S. governance is broken, and that allowing the U.S. to take the lead on any global issue is to put a great deal at hazard.

And not only the U.S., but democracy has been placed in default.

26.2: Superpower Succession

Moreover, 2021 is likely to mark the year that the Chinese economy becomes larger than the American.

Whatever happens in the 2020s and beyond, it will be part of a century that is no longer an *American* century. The story in which the United States is the place where the future is being forged, and either the leader of the globe or the rising superpower, is over.

The twentieth century has seen the United States gain and lose its position as the standard-bearer of the new age. For most of this century, Europeans, Asians, South Americans, Africans, and Australians wanting to see what the future is like have travelled to the United States. They will not do so in the future. The features that gave America its industrial predominance relative to other advanced industrial economies—its extraordinary land, its well-educated and skilled labor force, the enormous extent of its market in a world hedged by trade barriers and tariffs, its concentration on the "American system" of mass production through interchangeable parts (which turned out to be the principal locus of technological advance in the twentieth century), and its high quantity of investment in the machines that embody modern industrial technologies—have passed or are passing. Europe today has as large a tariff and trade barrier-free market. Germany

has a superior educational system. Japan invests more—invests twice as much per capita—in machinery and equipment. The way it ended in 2016 made it overwhelmingly likely that the next century will not be another American century. Indeed, it will probably see no country play the role of pathfinder to the future that the U.S. played in the twentieth and that Britain played in the nineteenth century.

26.3: Prosperity, Liberty, and Humanity

Looking backward, there is a great deal to be proud of on behalf of the world for what was accomplished in the long 1870-2016 twentieth century. Recall that some 250 years ago, Georgian England was the richest society that had ever existed. Yet food shortages still afflicted large segments of the population. Adolescents sent to sea by the Marine Society to be officers' servants were half a foot (15 centimeters) shorter than the sons of the gentry. A century of economic growth later, in 1870, the working class in the United States was still hungry enough to spend 40 cents of every extra dollar earned on more calories.

And there is a great deal for Americans to be proud of when they reflect on their country's role in, for the most part, being a strong positive influence making the twentieth century better.

Back in 1870 there was great reason to doubt that social equality, individual liberty, political democracy, and general prosperity—let alone fabulous wealth by the standards of all previous human civilizations—were the wave of the future. The United States has just narrowly survived a bloody war that had killed 750,000 over whether government of the people, by the people, and for the people could avoid perishing from the earth. Human typical standards of living were gravely impoverished by the shadow of Malthus. The view that the human race was divided into subraces that differed substantially in genetic fitness and hence moral worth was gathering strength, and within economies the corollary that those who succeeded in grabbing more deserved to hold what they had by virtue of their superior claim to be the more fit who ought to survive was growing in strength as well. And there was little confidence that that an open society would be allowed to function if it worked to the detriment of what the rulers wanted to happen.

Flash-forward 146 years. That people's differences should not divide but enrich us, and that we are together one community is standard gospel. Only the most power-crazed and domination-loving of the princes and plutocrats of previous centuries would hesitate a moment if offered the chance to switch life situations with a

middle-class citizen of today's Global North. Free speech is a reality—and if there are worries about propaganda and post-truth discourse, well there have always been such grave worries. Mis- and disinformation are nothing new.

Yes, the world is still far from anything we would call a utopia. Yes, the world faces hard and difficult problems of: (1) keeping the engine of global growth running, (2) speeding up technology and organization transfer to economies still far behind what we know is possible, (3) vindicating human desire that their Polanyian rights to communities and livelihoods and stability that they firmly believe that they deserve—and that a market economy that recognizes only property rights will not—(4) avoiding massive nuclear war, (5) containing global warming, and (6) fighting fascism—fighting the ideas that politics should be run by leaders telling people what they want done for them, and that what people ought to be told that they want is to be protected from internal enemies who are somehow not full members of the ethno-nationalist community, and external enemies who are either poor but do not deserve to cheat their way forward, or who are rich but rootless cosmopolites who do not understand how real people ought to live.

Without a strong *hegemon* committed to a global order of peace, prosperity, and liberty, keeping a lid on these six global problems will be very difficult. Indeed, expect as much in the way of failure as of success over the next several generations. Humanity was lucky in the 1800-1870 short nineteenth century of the Industrial Revolution, and was—all in all—astonishingly lucky in the 1870-2016 long American twentieth century of Modern Economic Growth. We are unlikely to be so lucky again.

Still, at the end of 2016 humanity started whatever the twenty-first century is going to be from a very good position. John Maynard Keynes in the early 1930s had forecast it. He had then looked backward to 1870, and then projected forward to tremendous growth in wealth, and to sociological and moral transformation. The tremendous growth in wealth has taken place. The twentieth century has still seen marvels: it is no exaggeration to say that it has seen as much economic history take place as the previous three centuries, and more than took place in any millenium ending before 1600.

The twentieth century has seen the pace of accumulation and productivity growth in the industrial core ratchet up by so much as to see material wealth multiply more than tenfold—by so much that it is doubtful that the rate of total productivity growth over the century has a meaning. This multiplication of wealth has given many of the relatively poor in modern industrial economies standards of living

comparable to, and in some dimensions far exceeding, those that the rich of a century ago. Thus many of the challenges we face are now those of abundance. Indeed, when it comes to workers dedicated to our diets, we can add some of the 4% of the labor force who, working as nurses, pharmacists, and educators, help us solve problems resulting from having consumed too many calories or the wrong kinds of nutrients from the food grown by the 1.5% of our labor force still engaged in agriculture.

Of course, the rest of the world still faces problems of scarcity; roughly one-third of the world's population struggles to get enough food. And there is no guarantee that those problems will solve themselves. It is worth recalling that a little over 150 years ago, both Karl Marx and John Stuart Mill believed that India and Britain would converge economically in no more than three generations: the diffusion across the globe of prosperity is taking far longer than it in some sense should.

The twentieth century has seen the substantial reduction of racism as an official ideology and has seen an enormous transformation of the gender division of labor. The extreme reduction in fertility, the expectation that women will spend considerable portions of their adult life in the paid labor force, and the opening of educational and employment opportunities to women have worked at least half of a profound transformation of the economic roles of the sexes.

The twentieth century has seen a rising tide lift most boats, at least within the industrial core.

The twentieth century has seen the decline of agriculture. Agriculture used to absorb half or more of a nation's household. In advanced industrial economies, agriculture is the activity of only a tiny minority. For most of the twentieth century the decline of agriculture was matched by the rise of industry. Manufacturing became the largest single sector measured either in terms of production or in terms of employment. Now manufacturing employment, especially assembly-line and craftwork manufacturing employment, is declining, while the various sub-components of the service sector grow larger and larger.

The twentieth century has seen, in some countries, some of the best governments known to world history. The social democratic mixed economies and welfare states of the industrial core have laid the foundations for human happiness to a greater degree than any previous régimes. The mixed economies are far from being utopias. It is sobering and yet gratifying to know that they are as close as any segment of humanity has yet come.

Will the pace of economic growth continue? In all likelihood yes. The underlying engines of development that have forced the pace of twentieth century economic growth in the industrial west are still there. Innovation is still a key road to market dominance and profits. Research and development are still being carried out. Governments are still willing to provide the public goods of infrastructure and organization without which market economies cannot function.

26.4: Discontent

But the history of the twentieth century teaches us that material wealth, wealth understood as command over nature, is of limited use in building utopia. It is an essential prerequisite. But it is far from sufficient. Of the four freedoms that Franklin Roosevelt thought ought to be every human's birthright—freedom of speech, freedom of worship, freedom from want, and freedom from fear—only freedom from want is secured by material wealth. The others remain to be secured by other means.

John Maynard Keynes believed that increasing wealth would trigger a moral and psychological transformation: people would begin to concentrate not on producing more material wealth but on using their material wealth to attain psychological and social ends. After all: "the economic problem is not the permanent problem of the human race." Keynes thought that this would be obvious by the time society attained the levels of wealth that we have attained. Humanity would then turn to accomplishing the sociological and moral transformation needed to build a truly human world on top of relative material abundance. But there are no signs that sociological and moral transformation is even on the agenda.

Great wealth by the standard of past centuries has not brought at great deal of content. Rather, if anything, the reverse. Rapid growth can allay discontent, as worries are submerged by visibly rising prosperity. But absolute wealth does not make people happy if they feel that their society is not fair, either by failing to treat them as equals or by treating those who do not deserve it as their equals.

As economist Karl Polanyi pointed out in the 1930s and 1940s, an economic system that promises to create shared prosperity but only seems to serve the top 5% of earners will create grave disappointment. Alongside the elation of greater prosperity will come great distress. And there will be great efforts to distract the distressed, and get them to focus on free-trade agreements or immigrants or

rootless cosmopolites. disappointed the vast majority of economic participants' expectations. Former World Trade Organization head Pascal Lamy likes to paraphrase China's Sixth Buddhist Patriarch Huineng: "When the philosopher points at the moon, the fool looks at the finger," adding: "market capitalism is the moon, and globalization is the finger." Karl Polanyi would readily assent that there are many seeking to distract by persuading people to look at the finger. But that moving towards utopia requires learning how to tame and successfully taming market capitalism.

By focusing on individual free-trade agreements, whether proposed or already existing, or on closing national borders to immigrants, we are looking at the finger and missing the moon. If we are to get a grip on the global economy's trajectory, is time to look up.

26.5: Tragedy

But the twentieth century has also seen governments that rank among the worst in human history. It has seen wars that have killed soldiers and civilians in numbers that previous centuries could not have imagined. Democracy and representative governments did not flourish for most of the twentieth century. The interwar period saw more than twenty nations try and then abandon parliamentary institutions. The post-World War II period has seen many more do the same. Today democracies are at a high point, with the fall of most Latin American dictatorships and juntas in the past half decade. But democracy is not secure.

The most destructive government of the twentieth century was the aggressive, highly nationalistic régime that ruled Germany from 1933-1945. Hitler's National Socialism inflicted extraordinary slaughter on its own and its neighbors' populations. Perhaps fifty million were killed by the Nazis and in the European portion of World War II. Barely behind—within an order of magnitude of the slaughter brought about by Hitler were the governments of Stalin and Mao. Other Communist governments—from the bureaucratic despotisms of eastern Europe to the famine-inducing régimes of Ethiopia and Cambodia to the unholy cross between Leninism and absolute hereditary monarchy found in North Korea have been tolerable only by comparison with Stalin and Mao. In all cases, Communist governments have brought political unfreedom and material impoverishment in their wake.

26.6: The Future

Does the twenty-first century inevitably hold a continuation of the trends of the twentieth? No. At least three things could stop the wave of increasing wealth: wars, governments, and environmental catastrophes. War today could annihilate human civilizations and severely reduce human populations in a week or less. It is unlikely that anyone will start a war certain to end in the mutual destruction of the contending parties. It is much more likely that someone who believes they have a sound grasp of situations and psychologies will find out, too late, that it is not so. And global warming may turn out to be unmanageable for human civilization—either on its own, or as the catastrophes it generates interact with other global problems.

But barring those—or other—civilization-breaking challenges we fail to met, we will continue slouching towards utopia.