

# Grasping Reality with Both Hands

The weblog  
of Brad DeLong. Since 1999.  
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## The Great Depression in Context: The World Economy in the 20th Century: Module 5 Intro Video

Link to Interactive Recording: <https://share.mmhmm.app/674d81473029474195eb45ef0445a2c3> 5:37

- Link to pptx with rough transcript: <https://github.com;braddelong/public-files/blob/master/econ-115-module-5-2.0-intro-video.pptx>
- Watch: Franklin Delano Roosevelt (1933): Inaugural Address <https://www.c-span.org/video/?5792-1/president-roosevelt-1933-inaugural-address>  
[https://avalon.law.yale.edu/20th\\_century/froos1.asp](https://avalon.law.yale.edu/20th_century/froos1.asp)

The 50 years before 1914 had indeed, as Keynes put it, been an economic El Dorado for the globe.

Yes, within countries inequality was high and rising—but you could argue that that inequality was not very damaging, because the upper class was small and its habits of sober Victorian thrift were essential to the accumulation and investment that were driving human progress forward.

Yes, between economies inequality was rapidly rising. But you could argue that that was a temporary phenomenon: one that would soon be reversed as industrialization spread.

Yes, there was colonialism and imperialism. But you could argue that those brought with them the opportunities of globalization; the enormous bounty of modern machine technologies; and the cultural patterns of thrift, enterprise, rationalism, and fundamental equality that could not be transmitted from their northwest European epicenter to the rest of the human race in any other practical way.

It might not have been crazy before World War I to think that “disturbance” was unnecessary, and in fact counterproductive: The peaceful evolution of economy, polity, and society was a current carrying humanity toward the shores of utopia. Interference with the market economy, with rule by tradition and wealth tempered by some democratic currents, and with Eurocentric domination was thought, in the consensus of the smug, likely to do more harm than good—lead to death, poverty, and tyranny. Look at the Paris commune of 1871. Or the Jacobin reign-of-terror dictatorship of 1793. Or the military-nationalistic dictatorship of Napoleon I.

But the war came.

And, afterwards, stable prosperity and growth that rewarded the sacrifices and produced a Land Fit for Heroes did not. Even as of 1929 the system seemed bankrupt. And then came the Great Depression of 1929-1933. Unemployment in Germany rose to  $\frac{1}{3}$  of the labor force. Unemployment in America rose to  $\frac{1}{4}$ . Rulers in the global north desperately clawed back to what they thought was a stable, peaceful, rapidly-growing order. But it did not work. The rulers in their attempt to restore the Old Order had not delivered—instead, they delivered mass poverty, uncertainty, and fear. They had no vision.

Newly-inaugurated Franklin Delano Roosevelt dismissed the Old Order and its supporters on March 4, 1933, at the nadir of the Great Depression:

We are stricken by no plague of locusts.... Plenty is at our doorstep, but a generous use of it languishes in the very sight of the supply.... The rulers of the exchange of mankind's goods have failed, through their own stubbornness and their own incompetence, have admitted their failure, and abdicated. Practices of the unscrupulous money changers stand indicted in the court of public opinion, rejected by the hearts and minds of men. True they have tried, but their efforts have been cast in the pattern of an outworn tradition. Faced by failure of credit they have proposed only the lending of more money. Stripped of the lure of profit by which to induce our people to follow their false leadership, they have resorted to exhortations, pleading tearfully for restored confidence. They know only the rules of a generation of self-seekers. They have no vision, and when there is no vision the people perish. The money changers have fled from their high seats in the temple of our civilization. We may now restore that temple to the ancient truths. The measure of the restoration lies in the extent to which we apply social values more noble than mere monetary profit...

And behind this and amplifying the effects of the shock that was the Great Depression, there was the big problem identified by Karl Polanyi. The only rights that the market economy vindicates are property rights, and that vindication is only worth anything to you if the market also decides that your property is valuable. But people believe they have other rights: To the local community they expect and deserve; to a level of income commensurate with their effort and, again, what they deserve; to stability in their lives; plus not to have to watch the undeserving get good things. But the market economy will vindicate these Polanyian rights only if and only as long as it is profitable to do so.

If the Polanyian rights are not vindicated by a society, a polity, an economy, then people will react—demand new governor, and new modes and orders. And this can go in unexpected and unpredicted ways.

In the global north, World War I had cracked confidence in the pre-WWI order. The failure to reestablish peaceful progress and keep war-time promises broke it. And then the great depression smashed it. People everywhere were looking for new answers. And they found them. Or, at least, they thought they had found them.

#economichistory #highlighted #slouchingtowardsutopia #tceh 2020-10-04

Posted on October 04, 2020 at 11:29 in #economichistory, #highlighted, #slouchingtowardsutopia | [🔗 Permalink](#) | [Comments \(1\)](#)

## Comments

MisterMr said...

Maybe Keynes believed that up to 1914 upper class thrift was a good thing, but for example Hobson in 1902 wrote that colonialism and imperialism were caused by an excess of savings and the consequent underconsumption, and that this in turn depended on income distribution. So I think that 1914 only made the problem evident to everyone, but mostly before people just pretended not to see something that they didn't want to see. IMHO.

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October 04, 2020 at 16:19

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