

Lecture: 1.3.3. What Has Gone Badly Wrong

Tyrannies, wealth gulfs, mismanagement:

- Hitler, Stalin, Mao—and their little brothers. Enough said...
- Well, maybe not enough said: the peculiar thing was that (most of?) these tyrannies were powered by ideas about *economic organization*
- Wealth gulfs of a magnitude previously unbelievable
 - Pre-1870 societies simply were not rich enough for modern second gilded age degrees of wealth inequality to be possible
- Failures of management
 - Mass unemployment
- Karl Polanyi's insights:
 - The market economy recognizes only property rights
 - But people think they have rights to land, labor, and finance
 - Land: a stable community, and an absence of negative externalities
 - Labor: a right to a stable income commensurate with what one deserves (and to appropriate income and status differentials: unequal should be treated unequally)
 - Finance: that the stability of one's job and one's business not depend on incomprehensible decisions of financiers thousands of miles away

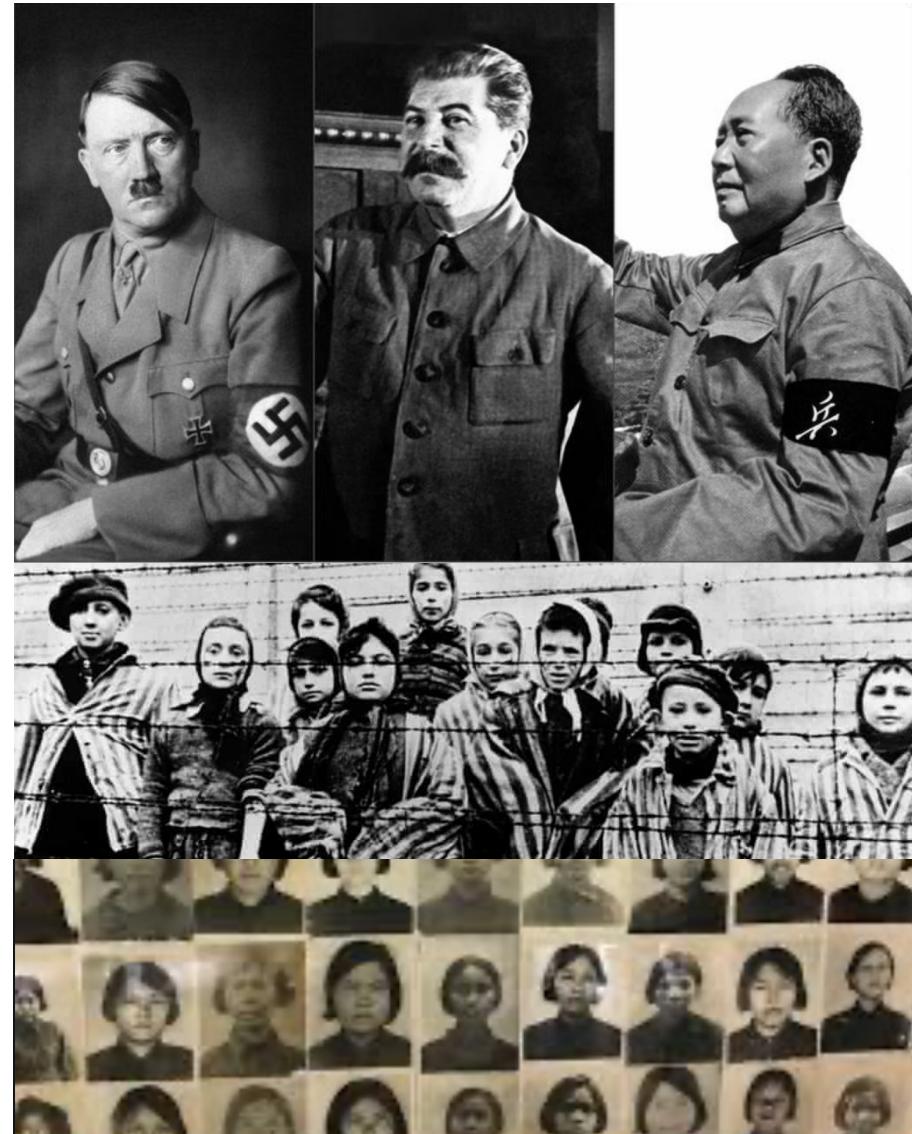


The Friedmans bought a seven-and-a-half-acre lot in Bethesda, Maryland. They tore down the existing house, built an eleven-thousand-square-foot replacement, and planted two hundred trees. (In a note at the end of "Hot, Flat, and Crowded," where Friedman explains his own ecological circumstances—geothermal heating, solar panels—he invites readers, perhaps unwisely, to regard his real-estate move as an act of rescue: he writes that he and his wife bought the land "to prevent it from being redeveloped into a subdivision of a dozen or more houses," which could sound like someone buying a lot of champagne to protect society from corkscrews.)... "Honestly, I still can't wait to get my pants on in the morning," Friedman said.... On weekdays, he'll head into D.C. for a seven-thirty breakfast meeting...

Tyrannies

Hitler, Stalin, Mao—and their little brothers:

- Enough said...
- Well, maybe not enough said: the peculiar thing was that (most of?) these tyrannies were powered by ideas about economic organization



Wealth Gulfs

Wealth gulfs of a magnitude previously unbelievable:

- Pre-1870 societies simply were not rich enough for modern second gilded age degrees of wealth inequality to be possible
- N generations ago each of us has 2^N ancestors: we are all related
- What would our ancestors have wished for in terms of our wealth distribution?
- Within-nation inequality dwarfed by across-nation inequality
- The bottom billion, still at less than \$2.50/day

Mismanagement

Desired: equitable growth

- Failures of management
- Mass unemployment
- Karl Polanyi's insights:
 - The market economy recognizes only property rights
 - But people think they have rights to land, labor, and finance
 - Land: a stable community, and an absence of negative externalities
 - Labor: a right to a stable income commensurate with what one deserves (and to appropriate income and status differentials: unequals should be treated unequally)
 - Finance: that the stability of one's job and one's business not depend on incomprehensible decisions of financiers thousands of miles away

Catch Our Breath...

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

