

## **EconoFact Chats - The Long 20th Century: Material Progress, Rising Inequality, and the Elusive Utopia**

**J. Bradford DeLong, University of California at Berkeley**

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Michael Klein:

I am Michael Klein, Executive Editor of EconoFact, a non-partisan web-based publication of the Fletcher School at Tufts University. At EconoFact, we bring key facts and incisive analysis to the national debate on economic and social policies, publishing work from leading economists across the country. You can learn more about us and see our work at [www.econofact.org](http://www.econofact.org).

Michael Klein:

How long was the 20th century? A straightforward answer is 100 years, but what if you meant by the 20th century, a set of events that had a certain coherence leading to a beginning and an end, and this may not align with the calendar? The Marxist historian Eric Hobsbawm argued for a short 20th century that began in 1914 with World War I, and ended with the collapse of the Soviet Union in 1991. In his new book, *Slouching Towards Utopia*, J. Bradford DeLong, an economics professor at the University of California Berkeley, says we should consider a long 20th century, that begins in 1870 and ends 140 years later in 2010. This long 20th century begins with a period of increased economic growth and ends with the global financial crisis.

In his book, Brad explains his choice of dates and chronicles the tensions that mark this era, between those advocating for a free market and those wanting to see a greater role for government to soften the effects of unbridled markets. *Slouching Towards Utopia* was named one of the best business books of 2022 by *The Financial Times*. I'm very pleased to welcome Brad to EconoFact Chats to discuss his book and his arguments for what shaped this long 20th century. Good to have you on the podcast, Brad. Welcome to a EconoFact Chats.

J. Bradford DeLong:

Thank you very much for inviting me, and let me just say that I'm over the moon, right? That so far we seem to have sold 35,000 books and I've had nothing but sustained, well-informed, and helpful engagement from pretty much everyone who's read and commented on it, except for a couple of people who work for the *Daily Telegraph* in Britain.

Michael Klein:

Well, I hope that by going on this podcast, you sell another 35,000. I enjoyed *Slouching Towards Utopia*. It's an impressive and engaging book, and you illustrate your argument for thinking about a long 20th century with a comparison of the material conditions at the outset of this period to those of the present day or even those in the midst of this long century. What do you find most striking about the material aspect of lives lived in 1870 and those in 1950, 1990, or today?

J. Bradford DeLong:

Well, simply that in 1870, the overwhelming majority of the world's population was still desperately poor, having days when they can think for hours at a time about little more than how hungry they are, or firmly expecting that a pregnancy will lead to a loss of one, if not two teeth, as calcium deprived mothers and babies bodies fight over who was going to get the available calcium for forming and maintaining bones.

By 1950, that had clearly changed for everyone in what nearly everyone now call the Global North. And by today, today we are down to say only our bottom 5%, only our poorest 400,000,000 people on the Earth have living standards as low as pretty much the overwhelming bulk of our pre-industrial ancestors did only a short 150 years ago.

Michael Klein:

In your book, Brad, you cite three important factors for the relatively rapid growth of the long 20th century as compared to the millennia before, globalization, the rise of large scale research laboratories, and the rise of the modern corporation. Can you explain why these developments played such an important role in fostering economic growth?

J. Bradford DeLong:

Well, most of such important role, think of them as the key, the last three keys to the last three locks, keeping humanity desperately poor. And there were lots and lots of other locks that had been unlocked earlier, and all of them unlocking all the other locks had done wonderful things. If you think that back in the long agrarian age from -6000 to 1500 or so, that the average rate of technological progress for humanity was something like 5% a century. Well, it tripled after 1500 and then it tripled again after 1770. But even the half a percent per year rate of global productivity growth before 1870, that wasn't enough to offset the effects of larger population and greater resource scarcity, that technology gave with one hand, but resource scarcity, smaller farms primarily, took away with the other, and humanity stayed desperately poor.

Michael Klein:

So while the material progress in the last 150 years greatly exceeded that of the previous thousands of years, this has not led to the utopia that people in earlier, more materially dire periods believed would come about. You cite the term 'hedonic treadmill.' What does that mean? And are we doomed to never feel that we're fully satisfied and our needs and wants won't be met?

J. Bradford DeLong:

No, this is a phrase I stole from USC's Dick Easterlin. In his pessimistic moods he would write that all of the extraordinary expansion of human productive capabilities in the 20th century had not been the victory of humanity over material need, but rather the victory of perceived material needs over humanity. That we were working more and more and doing better and better at making more and more things, but that it was not materially making us happier.

I think that [inaudible] is greatly overdone. I think humanity now is much, much happier than it was back in 1870 when we had to watch half of our babies die before the age of five. But still in a profound sense, we have much more wealth than any previous century would've seen as necessary to build a utopia. And yet we do not have a utopia. We have not managed to distribute and utilize our wealth to slice and taste the very large economic pie in such a way as to make people feel safe and secure, and be healthy and happy. And it's kind of a big question, why not? Because previous centuries would've thought the baking a sufficiently large economic pie was the hard problem, not so much the slicing and tasting of it.

Michael Klein:

Brad, a through line in your book is the debate between two influential mid-20th century thinkers, Frederick Von Hayek and Karl Polanyi. Hayek won the Nobel Prize in Economics in 1974, and he's perhaps best known as the author of the book, the 'Road to Serfdom.' That book published in 1944 argues against government interference in the market.

As you put it in your book, "the market giveth, the market taketh away. Blessed be the name of the market." What did Hayek get right and what did he get wrong in your opinion?

J. Bradford DeLong:

Oh, well, what he got right is that the market economy is absolutely essential to using the potential benefits of science and technology to create material abundance. That when the Iron Curtain fell in 1990, we got to look at the economies on both sides, one of which had a very theological aversion to using market exchange as a social allocation tool. And it turned out that if you make aversion to using the market one of your principle societal objectives, you throw away 80% of your potential wealth.

Now that places outside the Iron Curtain where the Soviet armies had not marched in 1945, things lucky enough to escape really existing socialism, we're on average five times as rich as things inside the Iron Curtain and that is truly remarkable, right? The ability of the social institution of the market to crowdsource the solutions to problems of production and distribution in such a way as to give us a fivefold amplification over what some centrally planned bureaucratic system would give us some, that is truly a marvelous and wonderful thing for which we should be eternally grateful.

Michael Klein:

I guess two good examples are what was East Germany and West Germany, and also what is South Korea and North Korea and the vast differences between those two countries that before the divisions weren't necessarily that different at all.

J. Bradford DeLong:

Oh, definitely not. If anything, North Korea was a little bit richer.

Michael Klein:

So the other thinker that you cite a lot is Karl Polanyi. He's less well-known than Hayek, and his best-known book is called 'The Great Transformation,' that was also published in 1944. In that book, he raises doubts about the unfettered market, and as you put it, "the market was made for man, not man for the market." How would you further characterize Polanyi's thoughts, and how do they compare to Hayek's?

J. Bradford DeLong:

Well, Hayek knew and wrestled with... or Polanyi knew and wrestled with Hayek to a great degree, and saw the market indeed as Karl Marx and Friedrich Engels did. Polanyi was a lapsed socialist of some kind or other, saw it as an extraordinarily productive way of organizing humans, but one that dissolved all other forms of social power, all other ties of relationship. That it created a stark utopia in which the only rights that mattered were property rights, and the only property rights that mattered were those that helped you produce things for which the rich had a serious Jones. And Polanyi said, no society is going to stand for that. People very strongly believe that they have rights other than property rights, that the system ought to vindicate them. And anyone who tries to tell them no property rights are all that is, is going to face a revolution, a social explosion, a large social movement that will attempt to overthrow the market order and replace it with something else.

And the something else could be good, could be bad, could be human, could be anti-human. But the one thing that was sure was that Von Hayek's utopia was not something a way that human beings could or would live. So you needed to find better answers in a different system.

Michael Klein:

So Von Hayek and Polanyi represent two somewhat polar views, and you have a line in your book that I really like, "utopian or dystopian thinking does poorly with sometimes this, sometimes that." How does this statement reflect the problems with taking Von Hayek or Polanyi to their logical conclusions?

J. Bradford DeLong:

Well, I'm not sure what taking Polanyi to his logical conclusion would be because his is in the end of very liberal view, one of doubt and pluralism. And while he himself would like to see a very equal income distribution and a substantial public sector, and a rebinding of the economic into the social so that people do not simply view one another as means to the end of greater wealth and greater comfort for themselves. That people are in social relationships with each other. I don't think he would say we know enough to have a very strong view other than that about how society should be organized. And indeed, he regarded the totalitarianisms of the mid-20th century those who did think. They knew what the option was with great and substantial horror.

Hayek though, Hayek was very, very firm that you try to mess with the market at all and you're going to wind up in a huge amount of trouble. And that in some way, the market as a spontaneous order has to have a logic in it that ultimately makes it the best humans can do.

Michael Klein:

Well, if not Polanyi, you do have the phrase in your book, "really existing socialism," and you just referred to that, I guess as total totalitarian socialism. That's another utopian thought that didn't work so well with facing sometimes this, sometimes that, correct?

J. Bradford DeLong:

Yes. Although it realized it didn't work too well, right? That the very fact that people behind the Iron Curtain called their system 'really existing socialism' was a disavowal of the utopian dreams, right? Of saying we're doing something in this complicated world, in this fallen sublunary sphere, and it's rough and cobbled together, but at least it's here. You can touch it and hopefully we'll be able to improve it.

Michael Klein:

We pretend to work and they pretend to pay us, that kind of thing?

J. Bradford DeLong:

Yes.

Michael Klein:

So modern industrial economies typically position themselves somewhere between Polanyi or at least really existing socialism, and Von Hayek, and you identify this middle path with the great economist, John Maynard Keynes. How did Keynes see the role of the state?

J. Bradford DeLong:

Well, Keynes was mostly a Hayekian, very strong believer in individual liberty, and a very strong believer in a society in which individuals were allowed to march to the beat of their different drummers. But he saw two major failures in social and economic organization, but he thought those could be repaired very easily if only you had technocrats who had been his students managing things, right? The two things wrong with the way that the world that Keynes saw worked were A, depressions that produced mass unemployment, and B, the extraordinary inequality of wealth.

Keynes thought that if you had monetary and fiscal policies that were properly managed to produce full employment, you would get rid of big depressions, of high depression level, persistent long-scale unemployment, and you also, in order to get full employment, you'd have to be running a low interest rate policy. Well, then if interest rates are very low, then the only way plutocrats can exercise their social power is by spending down their principle, right? Because their interest is too small, and if they spend down their principle, they cease to be plutocrats.

And so problems of income and wealth distribution would take care of themselves, Keynes thought, provided you had Keynesian macroeconomic policies focused on maintaining full employment. So it was very much that we were almost there, that the Manchester system, as it was sometimes called that Von Hayek loved so much, could be attained if only you were willing to allow a little bit of light-handed central planning by the right technocrats who understood the system.

Michael Klein:

As most of our listeners know, the general theory was written during the Great Depression, a time when market-based economies seem not to be delivering on their promise. And Keynesian policies, as you mentioned, Brad, help bring the economy out of that and help save capitalism in a way. Another point that you make has been discussed more recently by Thomas Piketty in his book *Capital in the Twenty-First Century*. You talk about low interest rates. Piketty talks about how interest rates in excess of economic growth lead to ever-increasing inequality. So I guess that's a challenge now as well, right?

J. Bradford DeLong:

Yeah. If you want to put Thomas Piketty's argument in a nutshell, it's that the ruling class will do whatever the ruling class needs to do in politics to keep the rate of interest and profit at 5% per year, which means that you'll have strong forces pushing for higher wealth and then income inequality. If ever the sum of the economic growth rate plus the rate at which the super rich are taxed on their wealth, and the amount of their wealth the super rich giveaway in philanthropy because they simply cannot consume any material portion of it, if those are less than 5%, then we are going to have an increasingly plutocratic, and Piketty thinks, an increasingly undemocratic, and a society that increasingly fails to fulfill its promise.

And thus the principle thing that needs to be done, Thomas's view, is to make people aware of exactly how unequal wealth is. And so get that rate of economic growth, of philanthropy and of taxation of the rich up above the 5% that is the typical rate of profit, in order that there is downward pressure on plutocratic accumulations, and there is an opportunity for new people to emerge, and for a certain equality of conditions and of life to emerge as well. And I think it's a very strong and very good argument.

Michael Klein:

So what you're describing does not sound like utopia. And I'd like to then turn to the title of your book. Clearly, to me anyway, you're referencing the famous poem by William Butler Yeats, *The Second Coming*, and it's concluding lines, "and what rough beast, its hour come round at last, slouches towards Bethlehem to be born." This is a pretty apocalyptic poem. Has a long 20th century concluded with us currently living in apocalyptic times?

J. Bradford DeLong:

Well, A, if you're going to steal, which I am, you steal from the best. And William Butler Yeats is the best. Yeats was writing just after World War I, right? And you had had the two magnificent Belle Epoque generations of economic growth at a pace the world never before seen before 1870, which raised in 1870 to 1914, raised all kinds of utopian hopes of human progress. And then things seemed to go badly wrong from Yeats' position. The British Tory party decides to partner with Protestant domestic terrorists in Ulster in order to disrupt moves toward Irish self-rule.

World War I appears and is a huge, huge social catastrophe, and I think he wrote it after the war. After the war, things do not appear to be going in a good direction either, and it's written very much against the grain that the things are falling apart. The center cannot hold. Mere anarchy is loosed upon the world, that we hoped what we hoped would be a second coming, a new Jerusalem descending from the clouds, adorned like a bride that we could live in, is instead something is being born but it is not the Messiah, the redeemer, the redemption that we expected.

And I think that is very true of today, that something is being born, but it is not the utopia of a peaceful, rich, and equal society of associated producers that people before 1870 would've been likely to expect, had you told them back then exactly how much of a technological material cornucopia the century and a half after 1870 was going to produce.

Michael Klein:

Well, citing the current rough beast, and what was expected, perhaps had people in that era in 1870 known how far material progress had advanced is a good way to bring it round to where we started this conversation. So Brad, my congratulations on *Slouching Towards Utopia* and the great reception it's had. And thank you also for joining me on EconoFact Chats.

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