

Economics | Book Review

Trouble in paradise

Why is economic progress so little cause for celebration?

By Paul Seabright



September 23, 2022

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The Los Angeles Electrical Age Exposition, 1936 | © Bettmann/Getty Images

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SLOUCHING TOWARDS UTOPIA

An economic history of the twentieth century

624pp. Basic. £30 (US \$35).

J. Bradford DeLong

J Bradford (“Brad”) DeLong, a macro-economist and economic historian (and deputy assistant secretary at the US Treasury under President Bill Clinton), has written a history of the “long” twentieth century, which he situates between 1870 and 2010. It is explicitly and instructively contrasted with Eric Hobsbawm’s history of the “short” twentieth century, from the outbreak of the First World War to the fall of the Soviet Union. Hobsbawm the Marxist was interested in the big ideas that dominated the twentieth century, notably socialism, communism and fascism. Paradoxically, it takes DeLong, who is no Marxist, to counter that the story of the underlying economics of the twentieth century is even more interesting than that of the ideological superstructure.

DeLong claims that it is “around 1870 [that] we got ... full globalization, the industrial research laboratory, and the modern corporation. These were the keys. These unlocked the gate that had previously kept humanity in dire poverty”. What he estimates to be the annual growth in the global “stock of useful ideas about manipulating nature and organizing humans ... shot up from about 0.45 percent per year before 1870 to 2.1 percent per year afterward, truly a watershed boundary-crossing difference”. (The author’s measure of this “stock of ideas” is proportional to income per capita, but also increases with total population, though less than proportionately. This reflects the fact that more people bring more ideas, but that there is also population congestion of scarce resources. The measure is contestable, but under most reasonable alternative measures the conclusion would be similar.) The result was that almost nobody in 2010 was living in a world that would have been recognizable to the inhabitants of the world into which their grandparents were born.

The changes have been spectacular: “today, less than 9 percent of humanity lives at or below the roughly \$2-a-day living standard we think of as ‘extreme poverty’, down from approximately 70 percent in 1870”.

Furthermore,

there are more than enough calories produced in the world, so it is not necessary for anybody to be hungry. There is more than enough shelter on the globe, so it is not necessary for anyone to be wet. And there is more than enough clothing in our warehouses, so it is not necessary for anybody to be cold.

Yet the narrative DeLong develops is anything but triumphalist:

Suppose we could go back in time to 1870, and tell people then how rich, relative to them, humanity would have become by 2010. They would almost surely have thought that the world of 2010 would be a paradise, a utopia ... But not so. It has now been 150 years. We did not run to the trail’s end and reach utopia ... what went wrong?

DeLong’s choice of 2010 as the end date for his history is shaped by the financial crisis of 2008 and the ensuing recession, which produced, among other consequences, the election of Donald Trump and a

pervasive current sense that the economic and political systems of the world are in potentially terminal crisis.

DeLong sees two main reasons for this. First, “material prosperity is unevenly distributed around the globe to a gross, even criminal extent”. Second, “material wealth does not make people happy in a world where politicians and others prosper mightily from finding new ways to make and keep people unhappy”. He adds that we should seek justice rather than mere productivity and abundance, though he leaves his definition of “justice” tantalizingly unclear. He summarizes morosely: “The history of the long twentieth century cannot be told as a triumphal gallop, or a march, or even a walk of progress along the road that brings us closer to utopia. It is, rather, a slouch. At best”.

It is invigorating to read a diagnosis of the failings of modern capitalism that does justice to the innovation and productive energy that capitalist institutions have made possible. DeLong is surely right that our ancestors of five or six generations back would have been astonished to see the material abundance that surrounds us. He does not say, but would surely agree, that they would have been no less astonished by our inability to be satisfied with the world we have made. After all, we are not only materially better off, on average, to a spectacular degree, but we lead longer and healthier lives, and are at a much lower risk of violent death – despite the destructive potential of modern technology, which goes hand in hand with its more productive, ameliorating features. The real puzzle of the long twentieth century is not why it failed to achieve what its first inhabitants might have hoped for: it’s why the achievement of far more than its first inhabitants ever dared to hope for has seemed to us, looking backwards, to be so little cause for celebration. Not everyone would agree with this downbeat assessment – but the fact that so many people do is surely one of the most striking facts that any modern social commentator can seek to address. Even merely for framing the question in this way, DeLong’s book deserves a wide readership.

The author’s answer to the question is delivered through a set of seventeen narrative chapters, divided sometimes on thematic but mostly on chronological lines. A recurring theme is the tension between a vision of markets as the solution to all social problems, presented as the brainchild of Friedrich von Hayek, and a contrasting vision of the market as an inadequate response to human beings’ legitimate assertions of rights, presented as the brainchild of Karl Polanyi. DeLong is an engaging writer, full of unexpected information about subjects ranging from the struggle between Nikola Tesla and Thomas Edison over whether the electric grid would carry direct or alternating current to the experience of his own grandfather relocating his shoe factory to Maine after facing bankruptcy in Massachusetts and the chemistry of making semiconductors, as well as the details of a ten-week stay in New York City in early 1917 by Lev Davidovich Bronstein, shortly to become famous as Leon Trotsky. I learnt something on almost every page. As a set of thought-provoking essays on themes related to its overall topic, *Slouching Towards Utopia* is hard to fault.

Yet there is much the book doesn’t give us. The first disappointment is a painfully inadequate set of references, apparently inflicted by the publishers, who seem to think that readers who like this kind of

history will be put off by too many footnotes. The result is many unsourced assertions (often plausible, sometimes not), plus some summary generalizations that may puzzle non-specialist readers while making specialists wince. There is, for example, the airy assertion that “full globalization” - whatever that means - only got going around 1870. Or the summary of Hayek’s views in the repeated mantra “the market giveth, the market taketh away, blessed be the name of the market”, for which (despite the quotation marks) no source is given, and which is a strange dictum to attribute to someone who insisted there was nothing moral, let alone blessed, about what the market distributed. Hayek may have been a zealot at times, but his vision of the market was pragmatic, as something that delivered the goods.

It will likewise be hard, without bibliographic help, for readers to know how to situate this book in the growing literature on “How the World Became Rich”, to take the title of Mark Koyama and Jared Rubin’s comprehensive overview, published earlier this year. In fact, DeLong doesn’t really try to get under the skin of this phenomenon. After nodding to the threefold blessings of “full” globalization, the modern corporation and the industrial research laboratory, he tells us a little about globalization, but nothing, for example, about how many industrial laboratories there were, or how they functioned, or about how or when the “modern corporation” came into existence, or what difference it made. There is an entire chapter on military tactics in the Second World War, but next to nothing on the key institutions (such as research laboratories and corporations) that made the economic miracle possible. This is clearly an authorial choice, but it does seem strange in the context of a book that is supposedly dedicated to the economics of the long twentieth century.

We are even left in some doubt as to how much DeLong is convinced by his own answer to his penetrating question. He tells us repeatedly that economics mattered more than anything else during this century, but he then explains that the economic and social insanity of the First World War was caused by “nationalism” and “aristocracy” - the members of the latter seeking to prevent the erosion of their influence and status. He cites many reasons for concluding that “hyperglobalization has not impoverished the workers of the major industrialized economies”, but has only a few speculative sentences to add about why globalization came to be “such a powerful red cape to elicit rage at the end of the long twentieth century”. He alludes to ideas such as a link between economic gains for women and a diminished status for men, but leaves it unclear how important a part of the answer they are.

That is not a criticism as such - his question is tough, and few other commentators have better answers to give. But it tells us something about the experience of reading J. Bradford DeLong. He is a charming companion, full of entertaining stories, and he asks deep questions in newly engaging ways. We don’t want the experience to end. But that’s partly because we sense we’re not getting the answers we thought he was offering.

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economic life, 2010

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