CHAPTER 17

SUMMARY AND CONCLUSIONS: LEAPING ACROSS THE ABYSS

"We shall not cease from exploration
And the end of all our exploring
Will be to arrive where we started
And know the place for the first time."
—T.S. Eliot, 1943
"Little Gidding." The Four Quartets

17.1. Is Economic Discontinuity a Good Thing?

By and large our discussion up to this point has tended to the "positive" rather than the "normative." When, where, and how such economic discontinuities might occur, as well as their varieties, has been our main topic, despite occasional editorial asides. Let us now indulge ourselves in a more value-laden and policy-oriented contemplation of this apparently powerful tendency to discontinuities in economic events.

Of course the answer to the question, "Is economic discontinuity a good thing?" is that it depends. Some discontinuities are a good thing and others are not. Furthermore, sometimes policy efforts to avoid or eliminate discontinuity will be a good thing and sometimes they will not. Just to complicate things, in some cases efforts to avoid discontinuity may simply make the resulting discontinuity more dramatic, as in Romania recently. And as in Romania, it may depend on whose ox is getting gored as to the judgment regarding whether or not it is a Good Thing.

We need to distinguish between large scale catastrophic discontinuities and the much smaller scale chaotic discontinuities, in short our two main rooms in the House of Discontinuity. But this distinction will prove insufficient.

Thus catastrophes stand out most starkly as dramatic changes. Some would seem to be truly "catastrophic" in the normal English usage of this word. Few applauded the stock market crash of 1929 or its dramatic predecessors in 1720. Of course what draws nearly universal opprobrium on the events of 1929 is not so much the crash itself, but what followed. Indeed many find the loss of for-
tunes and the collapse of egos that occurs with a great speculative crash to be just desserts, on the order of a "bonfire of the vanities" (although not for any hapless "widows and orphans" who may have been dragged down in the wake). There was much chortling throughout the land at the discomfiture of wet-behind-the-ears yuppie financiers losing their shirts in October, 1987, especially as so few beyond the confines of Wall Street did so also. That particular event may even in retrospect be regarded by many as a Good Thing, a salutary, but essentially harmless, shot across the bow, warning us away from questionable financial practices and more serious economic doom.

What followed 1929 cannot be applauded so easily. Besides the sheer misery and suffering of the Great Depression itself, there was the even greater (real) catastrophe of World War II and the Holocaust. It is unlikely that Adolf Hitler would have been elected Chancellor of Germany without the Great Depression.

Of course it can be argued that the Great Depression would have happened anyway, that the crash was merely an incidental event on the way to this truer catastrophe. This is a continuing controversy which we shall not attempt to answer here. One can even apply a "silver lining" theory, that despite all the suffering, at least in the US beneficial reforms and policies were ushered in with the New Deal which might not otherwise have been effected, although not all would agree that this was a Good Thing either.

But this effort to prettify or otherwise dissemble the results of the Great Crash of 1929 is almost certainly a vain exercise. History is strewn with large-scale discontinuous events that would be described as "catastrophic" by those persons affected by them, irrespective of the precise mathematical nature of the events themselves.

But then the question of large-scale economic discontinuities may ultimately look like the question of large-scale political revolutions. Some look good and some look not so good. And in many cases sharp differences of opinion persist over long periods of time. Although few object now to the American Revolution (with the possible exception of some Native Americans), the bicentennial of the French Revolution brought out many long-seated doubts and opponents. The position in world history of the Bolshevik Revolution seems increasingly bleak, although it continues to have many devout fans.

Furthermore there may be somewhat of an asymmetry in this debate. That is, the "bad" catastrophes may be much more obviously discontinuous and dramatic than the good ones. It is much easier to have a sudden decline or collapse than it is to have a sudden improvement. The latter are generally less obvious or dramatic and tend to manifest themselves over a longer period of time. These would include the sorts of things that Joseph Schumpeter considered to be the essence of economic development, such as major new inventions and innovations. Even an event as dramatic as the price and currency reform of 1948 in West Germany took longer to manifest its benefits than do most crashes to manifest their costs. In this respect it would seem that whereas negative discontinuities may actually be that, positive discontinuities may be more likely to take the form of upward kinks rather than upward leaps. Nevertheless the long-term