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Stability or Chaos?

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Extreme financial instability . . . is a public bad. Avoiding it is a public good . . . The big surprise of the past few years is just how difficult it is to provide economic stability.
Martin Wolf, *The world's hunger for public goods* in *Financial Times* (London), January 14 2012.

Stability undervalued

It should not have been even a little surprise, let alone a big one. For several decades, we have done everything possible to make our economies and markets less and less stable. What is really surprising, therefore, is that economists are surprised by the resulting instability. This simply proves that most economists[1] have been so blinded by their own theory (the theory that free markets are self-stabilizing) that they are astonished when they discover that, in practice, the theory does not work.

We have deregulated the creation of bank credit; and, as if that were not enough, we have set up a regime of fierce competition between banks and other credit providers. All that has encouraged the provision of excessive credit, and thus the formation of those gigantic property booms that, on bursting, have brought so much agony in America, in Spain, in Ireland . . .

We have allowed the big banks to acquire Stock Exchange firms, thus greatly enlarging these firms' capacity for own-account trading in shares and bonds. Thus we have promoted the growth of unbridled speculation.

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[1] But not Martin Wolf himself, who knows better, as he explains in the article cited.

We have swept away most restrictions on international trade, thus declaring open season on our home preserves for the ravenous hunters of the low-cost developing countries, which have been allowed to wipe out much of American and European manufacturing. All, we are told, for the benefit of us consumers.

For libertarian theory cares very little for the interests of the workers; they exist only to grovel at our, us consumers', feet. Do I hear you retort that we consumers are ourselves we workers? Shut up, that is not part of the classical theory. *The interest of the producer ought to be attended to only in so far as it may be necessary for promoting that of the consumers:* Adam Smith himself said it.[2] In those pre-industrial days, the word *producer* meant worker, not corporation.

We have gone out of our way to reduce the stability and the benefits of employment by replacing permanent with temporary work, by weakening trade unions, by trimming employment-linked benefits, by relentlessly imposing ever-rising labour productivity, in order to face up to unlimited global competition - which is itself a basic principle of libertarianism.

And after all that, we find it a *big surprise* when we see our economies becoming intolerably unstable. Really? We must be joking! But this is not funny. We are concerned here with a real and very serious sickness. Orthodox economics is blind to its own errors and paralysed by its own failure.

Stability disapproved

There are undoubtedly many people who actively disapprove of stability. They are obsessed by a supposed need for unceasing and omnipresent rapid change. They think that nothing should stay the same - or even can stay the same - for any significant length of time. This attitude is especially prominent today in the worlds of economics, business, and technology. Thus, the famous American business consultant Tom Peters, who for thirty years and more has been cracking the whip for faster change, wrote recently: *Relentless experimentation was probably important in the 1970s - now it's do or die.*[3] According to Richard Lesser, chairman of Boston Consulting Group, *there is no longer any stable economic system. All the world is condemned to the discomfort of permanent change.*[4]

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[2] Adam Smith, *The Wealth of Nations* (1776), book 4, chap. 8.

[3] Tom Peters, interview with *McKinsey Quarterly*, September 2014.

[4] Richard Lesser, interview with Philippe Escande, *Le Monde* (Paris), October 9 2014.

Such sentiments are by no means new. In 1848, Karl Marx and Friedrich Engels wrote that *the bourgeoisie cannot exist without constantly revolutionizing the instruments of production, and thereby the relations of production, and with them the whole relations of society . . . Constant revolutionizing of production, uninterrupted disturbance of all social conditions, everlasting uncertainty and agitation distinguish the bourgeois epoch from all earlier ones.*[5] That sounds very like our own times, save that today, the pace of change is doubtless even more frantic. Yet we may draw some reassurance from the fact that, between 1848 and today, there have been periods when economic conditions were rather more stable. Too stable, in fact, for the free-market economists, who yearned - and who yearn still - for a *more dynamic economy.*

But we are beginning to realize that a too frenetic pace of change, with its inevitable destruction of stability, is a grave threat to our societies, and perhaps even to human survival. Among the key dangers is the rapid development of *artificial intelligence*: that is, machines that can replicate not merely the mechanistic work of employees in factories, offices or supermarkets, but the intelligent, judgemental work of lawyers, planners, doctors, educators, policymakers, or military commanders. Such machines could potentially not just put most of us out of work, but also make - and implement - most of our decisions for us, possibly with catastrophic results.

Machines cleverer than us?

Anthony Aguirre, professor of physics at University of California Santa Cruz, a research university in the Silicon Valley region, has warned of an alarming paradox: the human brain *cannot imagine* what might be done by an autonomous machine that is cleverer than the human brain! Certain scientists, knowledgeable on these matters, fear that superintelligent systems could escape human control. Yet 'progress' towards devices with such frightening potentialities is being driven at a hectic pace by the competitive behavior of researchers, and of those who buy their inventions. As the professor observes, *businessmen are investing in artificial intelligence, which changes the ambiance. There is pressure on the researchers to make them go ever faster, without asking too many questions.* So he calls for *a supervisory organization, on a national or international scale, to ensure that we are not working towards some enormous stupidity.*[6]

In the context of Silicon Valley, that is a pretty outrageous suggestion. For the prevalent ethos of the Valley is that competitive business-driven research must not be trammelled by external supervision or control; it must be left on the loose rein of the libertarians' amoral freedom, which *has nothing to say about what one does with*

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[5] Marx and Engels, *The Communist Manifesto* (1848), sect. 1.

[6] Anthony Aguirre, interview with Yves Eudes in *Le Monde* (Paris), April 15 2015.

one's freedom.[7] But if we persist in tolerating that kind of anarchic development, we risk intolerable destabilization of our economies and societies, leading ultimately, perhaps, to total disaster.

Today's free-market ethos is averse to constraint and inertia; it wants everything to be as untrammelled, as free-wheeling, as fluid as possible. But our economy is like that electric motor that I have described elsewhere,[8] the motor that traditionally drove electric trains and trams. That kind of motor accelerates to self-destruction, if one lets it run unconnected to the heavy vehicle that provides necessary inertia. Our economy was like that in 1848, an earlier age of *laisser-faire*; and it is even more like that today, when our technology enables everything to happen faster than ever before. There are limits to the pace of change and level of instability that we can live with.

Averting technological chaos

Happily, certain scientists are attempting to bring some order into the jungle of technological development. Anthony Aguirre is one of the founders of the *Future of Life Institute*, founded in 2014 and based near Boston. Elon Musk, manufacturer of the *Tesla* electric car and other futuristic machines, is a major supporter and advisor. The Institute's advisory board includes the cosmologist Stephen Hawking; the British astrophysicist and Astronomer Royal, Martin Rees; and Oxford professor of philosophy Nick Boström, a noted researcher on the risks of *superintelligence*, that is, artificial intelligence that far exceeds that of the human brain. The Institute's main activity is research into ways of ensuring that artificial intelligence is not used in harmful or dangerous ways.

But the fact remains that artificial intelligence (advanced robotics etc.) is among other things a cost-saving technology, largely because it offers substitutes for human labour. Since it is a cost-saver, competition encourages, indeed compels its use. As Elon Musk explains, *you have competitors that are racing - they kind of have to race - to build artificial intelligence or they're going to be made uncompetitive. If your competitor is racing toward artificial intelligence and you don't, they will crush you.*[9]

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[7] Paraphrased from Milton Friedman, *Capitalism and Freedom* (Chicago: University Press, 1962), 12.

[8] See my essay *The Pace of Change* in this series (March 2006).

[9] Elon Musk, cited by Ariel Conn in *Can AI remain safe as companies race to develop it?* on http://futureoflife.org, August 3 2017.

Therefore, so long as competition remains unrestrained, it will scarcely be possible to restrain the development of this kind of technology. We have to face the fact that *competition is intrinsically destabilizing, and too much competition can be intolerably destabilizing.* It is largely frustration caused by excessive instability that has recently led too many people to vote for unsuitable candidates. The conventional economists' view, that the more competitive we are the better, is quite simply wrong. *Too much of a good thing is wonderful* said Mae West; but, so far as I am aware, she was not discussing economic competition.

Stability means slow change

Do you get the impression that I am adopting the stance of the reactionary who wants to stop change in its tracks, even though we all know that that is impossible? No, I am not against change, even though I am for stability. The two are not incompatible; in practice, *stability normally means slow change*. Almost everything in this world changes perceptibly over time; the only exceptions are a few rare materials like gold and diamonds; the fact that these things are highly prized and expensive demonstrates that we human beings value unchangingness. But in general, what we call stability is change that is slow, or fairly slow, in relation to the human lifespan.

In the decades following the nineteen-thirties Depression - the age of the New Deal in America - the pace of change was indeed less frenetic than it is today, and economies were more stable. People had long-lasting, even lifelong, careers rather than brief, precarious assignments. Unemployment was generally low. Technologies developed, but at a less feverish pace than is now usual. How was this possible? It was possible because economic conditions were less competitive than they are today. And that was not because the stars were differently configured, or some other natural forces beyond human control were acting differently. It was because we human beings had chosen to arrange matters differently.

We had more cooperation and less competition. Banks' interest rates, insurers' premium rates, airline and railway tariffs, brokers' commission rates, certain commodity prices, were in many cases set by agreements between competing suppliers or regulated by state authorities. There were many more restrictions than we have today on international trade. In many countries, retail prices of goods were often set by manufacturers, and shops were not permitted to discount them.[10]

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[10] In Britain, *resale price maintenance* was outlawed, except for books and medicaments, by the Resale Prices Act of 1964, promoted by Edward Heath. According to economic historian Helen Mercer, *the 1964 Act was a major catalyst in producing serious change in the balance of power between manufacturers and retailers.* For it enabled the bigger retailers to undercut the small shops' prices, and thus to largely eliminate the small shops. This left the big retailers dominating the market, and powerful enough to

To many people today, all that sounds obsolete, even absurd. But from the standpoint of the 1950s and 1960s, the nineteenth-century economic jungle looked primitive and absurd. We have been persuaded by the free-marketeers to discard all those restrictions, which seemed frustrating and silly to people who wanted to be free-booting traders, but which gave us a degree of stability which is now beginning to seem enviable.

More cooperation, less competition

Writers on the Future of Life website[11] have proposed a *Research Culture Principle*: they argue that those who research and develop artificial intelligence should evolve a culture that privileges safe rather than potentially damaging developments. And they suggest that this culture should include *Race Avoidance*, which means that researchers should avoid racing to develop new techniques without consideration for their possibly harmful effects. They should aim for *cooperative competition* to avoid competing so fiercely that they *cut corners on safety*.

One worrying fact is that Chinese researchers seem to be pushing rapid development of artificial intelligence with a view to catching up with or overtaking the West, thus contributing to the climate of 'racing'. Of course, if the West were in less of a hurry, the Chinese would not feel the same need to force the pace of their own research. So cooperation needs to be international, if we are to avoid the risks of over-hasty and ill-considered worldwide development in this field.

It seems that the only real hope of reining in such development, to a pace that we shall be able to live with, lies in installing a less competitive climate in the international business world generally. To achieve this will be difficult, so widely and deeply implanted is the conviction that maximum unrestrained competition is always the best way. But concern over the dangers of artificial intelligence technology could be the catalyst for a worldwide change of mind on this issue. We have had restraints on competition before. Who is to say we cannot have them again?

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drive manufacturers' prices down. Mercer continues: *In this light, 1964 appears quite cataclysmic - removing an element of stability in an increasingly volatile and harsh competitive environment.* See Helen Mercer, *The Abolition of Resale Price Maintenance in Britain in 1964 - a Turning Point for British Manufacturers?* (London School of Economics, 1998), 23 and 31.

[11] See http::/futureoflife.org