

“CREATIVE DESTRUCTION” AS CATCHALL

Matt Yglesias has responded to my post on the destruction wrought by some capitalism with a fairly narrow complaint about my sarcastic comment about what I still maintain his original post entailed: an apology for the kind of destruction that Bain Capital engages in because (he argued) all successful capitalism creates such destruction.

I don't really want to get into the weeds of things with Marcy Wheeler on **private equity**, so let me just say that this view she sarcastically attributes to me is the reverse of the view I hold:

Capitalism is all about creative destruction, you see, so we must celebrate that creative destruction.

What I think is that in a market economy creative destruction happens, and that has terrible consequences for the lives of people who are adversely effected by circumstances beyond their control.

[snip]

The message of creative destruction, when you understand it, is that the idea that “a rising tide lifts all boats” is a cruel lie. Growth is broadly beneficial *over the long-term* but individual human beings live out their lives on finite time scales and many individual people suffer from even generally positive economic trends.

He goes on to describe several things as creative destruction:

- The rise of desktop publishing software and the damage it does to established graphic artists*
- The hypothetical legalization of gambling in CA and the damage it would do to Las Vegas' casino industry
- The decline of Kodak (which in his earlier post he attributed to the rise of digital cameras) and the decline it brought to Rochester, NY, generally

I won't get too deep in this, but I think it useful to, first of all, point out that these are not all like things. Indeed, the legalization of gambling is only partly about market forces at all, it's about legislative forces (and usually, in this day and age, is brought about by the purchasing of influence, precisely the opposite of real capitalism), and it often doesn't lead to real growth at all. And both desktop publishing and digital cameras combine two things: the introduction of new technologies and their successful marketing. The example of Kodak also involves globalization. All of which are distinct from the financialization of capitalism represented by Bain, which is where this all started.

I'd like to suggest that we do ourselves a big disservice by lumping them all in together under the term "creative destruction." The very term is one rolled out to excuse the ravages of capitalism. And used as Yglesias does, it doesn't make fairly clear distinctions we can make between different practices of capitalism or even forces-like technology-that interact powerfully with capitalism but are distinct from it. Nor does it permit analysis of whether any

useful “creation” is going on at all. That is, the term closes off precisely the kind of discussion we ought to be having—and Mitt’s Bain critics were engaging in, before Yglesias accused them of simplifying the issue—about the choices we make in our society and economy.

Yglesias and I absolutely agree we need to help those who suffer as a result of change brought about by capitalism, technology or (in the case of casinos) money-driven policy decisions. But there is, at the same time, plenty of space for distinguishing between capitalist practices that are considered noble or useful, and those which should be treated with shame and moral outrage, if not regulatory prohibition.

And I believe that those practices that serve no useful purpose for the society as a whole, like Bain’s vulture capitalism, falls into the latter category.

* In the interest of full disclosure, I should note that my father was one of those people at the intersection of technology and career success. As such, he had a significant hand in changes—particularly the roll out of the PC—that brought about the introduction of software that changed the value attributed to skills of graphic designers and secretaries. Which of course means all the advantages I’ve had in my life derive in part from the pain that computers have caused people. Not that it changes that fact, but I will say that many of my adolescent drag-down fights with my father consisted of me calling him a stupid asshole for rolling out technology before society was ready and the software was appropriate.