

MENCIUS MOLDBUG



SAM ALTMAN IS NOT
A BLITHERING IDIOT

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2013

TL;DR Sam Altman is not a blithering idiot. That's what's so scary. When the most elitest minds of a society are full of [blithering idiocy](#), that society is probably doomed.

It's normal for geniuses to be [crazed](#). But Sam Altman (whom I don't know, but SF is a small town and I probably know someone who knows him) isn't a genius and he definitely isn't crazed. He didn't analyze any ten-dimensional gauge theory or predict any chiral axiglouns. He's just an entrepreneur, i.e., a natural leader, a commodity which especially in our present dire straits is or at least ought to be worth a whole Bolivian prison full of [cocaine-tooting particle physicists](#).

What I find exceptionally terrifying is that Altman's blithering idiocy looks and sounds *exactly like sober good sense*. [Read it](#). You'll agree.

The basic problem with our society is a disconnect between consensus reality and actual reality. We actually have no shortage of natural leaders. But they cannot actually lead us anywhere. They are operating in consensus reality rather than actual reality. Their joysticks are not plugged in. When the consensus is nonsense, sober good sense is nonsense. Nonsense is no use to anyone.

Really? Can blithering idiocy sound like sober good sense? Let's try some:

All of that said, in absolute sense I'd much rather live in the world of today than 1950—it's tough for me to imagine living in a world without the Internet. However, in the same way that one can feel acceleration but not velocity, people seem more sensitive to the annual rate of improvement than the absolute quality of life. So even though people should be happier in an absolutely better world, no one wants to stand still on the [hedonic treadmill](#).

Most of us want our lives to get better every year—the hedonic treadmill is a pain that way.

The world of 1950! Oh, honey.

Okay, let's apply a *gross* reality check. You're an alien. You're observing Earth with an infinitely powerful telescope from Alpha Centauri. You have a simple question. Since 1950, has human civilization—or American civilization, which amounts to pretty much the same these days—advanced or declined?

Apparently the easiest way for Sam Altman to answer the question is to trade it for a different one. He is not alone in this. He asks: since 1950, has human *technology* advanced or declined? Clearly, the alien, you, I, and Sam Altman all have the same answer to this question.

Any question with an obvious answer is a stupid question. “Is an iPad more advanced than a Smith-Corona?” is a stupid question. Who asks stupid questions? Obviously, blithering idiots.

But we can compose an interesting question by *factoring out* the stupid question. Which world would Sam Altman rather live in? 2013, with iPads and teh Internet? Or 1950—with iPads and teh Internet?

In a sense, this 1950 is just as real as the “real” 1950. Neither exists. Sam Altman cannot pack his bags and move to either the real 1950 or my imaginary super-1950. Both exist only as thought experiments. It is not hard to construct or define the super-1950, though—one run of a time machine, with a printout of Wikipedia, would be pretty much all the real 1950 needed. Send the technology back to 1945, and you’ll have iPads by ’55 at the latest. Those guys got things done.

The interesting (and scary) question this thought-experiment asks is whether, *aside from technical progress*, human civilization has advanced or declined since 1950. In actual reality, this too is a stupid question. The answer is no less obvious—I assert. But consensus reality thinks I’m crazy. So with stupid we must begin.

Aside from technical progress, has human civilization advanced or declined since 1950? By what criterion? If Moore’s Law is not our benchmark of a successful civilization—what is?

Sam Altman has his answer. The hedonic treadmill! Never having sold a startup for [\\$43 mil](#), there are many subtle, refined and delicious forms of hedonism of which I am as innocent as a cat of tennis. But allowing (for a moment) this implicit assumption that the purpose of civilization is the *satisfaction of human desires*, we can refer only to [Maslow’s pyramid of needs](#).

At the base of the pyramid are air, water and food. How does 2013 do at supplying oxygen, hydration and nutrition? How did 1950 do? Just fine. Gentlemen, a draw. (The food of 2013 is certainly *tastier* than that of 1950, at least in America. But this is not the base of the pyramid.)

Next up: safety and security. All right, gentlemen. Let's have another thought-experiment.

Picture the Earth—our beautiful, blue, spinning globe. Take all the habitable land area and color it white—as a neutral background for our thought experiment.

Now, select the subset of this beautiful planet on which a sober, sensible, civilized person, such as Sam Altman, would consider it prudent and safe to wander, “[on foot and alone](#),” carrying his iPad, at night. Leave that part white. Color the other part brown. Then, from the brown subset, select the further subset in which Sam Altman, carrying his iPad, would not consider it prudent and safe to wander *in the daytime*. Color that part *black*. (Why can't Google Maps do this?)

Then do the same for Sam Altman's grandfather, in 1950, with his portable Smith-Corona. Then, repeat the exercise for 1900. (Part of the reason this is such a useful mental exercise, and unfortunately such a difficult one, is that it requires you to actually *know* what the world was like in 1950 or 1900. If your way of getting this information starts with statistical tables, ur doin it rong. There are these things called “books” which will help you out.)

If you perform this exercise accurately, or at least if you get the same results as me, you'll see a 20C quite indistinguishable from Stage III melanoma. And this progress continues, to rousing applause and general self-congratulation, right up into our own dear official NYT-approved 2013. Hey, been to Egypt lately? What's that [Google guy](#) up to these days? Is he still tweeting?

Speaking of Twitter, I experience this reality check in person every day. My daughter's preschool is at 10th and Howard, two blocks from Twitter HQ. It's actually not too hard to park at 10th and Howard. So the average number of what my daughter calls “dangerous persons,” and what to an ordinary grownup are basically indistinguishable from zombies, that I and my bubbly daughter have to navigate around between the car door and the security guard is... I don't know... 1.3? 1.7? It can't be much more than 2.

They're just zombies and really they're not that dangerous. (I think even zombies can sense that when I'm with a child, I am more dangerous to them than the converse.) On the other hand, a couple months ago a techie (not a Twitter employee) was hit on the head and killed, presumably by zombie or zombies

unknown, [at 11th and Mission](#). Right around the corner from Tweet Central. Besides a couple of perfunctory boilerplate stories, and of course the victim's wife, no one noticed. No one cared. Why would they? Their iPads have *4.7 million pixels*.

Suffice it to say that if you don't know how 1950 would have reacted to exactly the same event, in exactly the same place, you don't know anything about 1950.

Actually, my daughter's preschool is *literally in a ruin*—that is, a (nicely renovated) space which used to be part of a Catholic church. (The preschool is the former convent. The rest of the church remains a [ruin](#) proper.) Where are the people who used to pray in this church? They *fled*. Why? Because they were *afraid for their physical safety*.

I know, I know. It's [gauche](#) to even bring this kind of stuff up. It's not part of our consensus reality. It's not part of our consensus *history*. When it comes to *actual* history, however, the global decline of security in the second half of the 20th century is (I assert) the salient phenomenon of our era. Much as the fall of the Roman Empire is the salient phenomenon of 4th-century AD Europe. (Note that while our historians would desperately love to find one, just one, member of the exquisitely literate 4th-century AD European culture who would even *mention* that the Roman Empire was falling apart, no such luck. It's all wall-to-wall [Prudentius](#) and [Sidonius](#).)

Consider our alien in Alpha Centauri. His telescope is just a telescope. He no speaka the English. He is absolutely invulnerable to our most respected propaganda authorities and in particular has no way to read the great Harvard scholar [Steven Pinker](#)—truly a Prudentius for our age—who has [discovered](#) through elaborate statistical models that the 20C was not, in fact, the golden age of [titanic mass murder](#) and [brazen petty crime](#), but the dawning of a new age of Aquarius in which all will have peace and prosperity. (Even Pinker is a piker next to the Times, which has published at least 547 stories about NYC's miraculous conquest of its [blatantly managed](#) crime statistics, and precisely 2 about the [hospital statistics](#) which show a parallel doubling in actual assault victims. It's always so easy to lie to those who want to be lied to—you hardly even *need* statistics.)

But his is an excellent telescope. So our alien can *see* the fact that many

parts of all, and all parts of some, American cities that were thriving in 1950, have now fallen into chaos and ruin. On the other hand, he can gaze admiringly at the thriving cafes of University Avenue in Palo Alto, Ausonius' [Moselle](#) born anew, full of beautiful young people adoring the perfectly antialiased individual subpixels of their new Retina iPads. Which of these phenomena will he find more relevant? Which is the narrative, which the distraction?

Continuing the comparison to the fall of Rome, one of the interesting features we see is that while technological competence is certainly an indicator of a successful civilization, it is also a *lagging* indicator. Civilization produces technology, not the other way around. When civilization falls, technology is not the first but the last thing to fall. Yes, technology does decline in the fall of Rome. No, it has not declined in our era—though its advance has certainly slowed a great deal. But the centuries of European technology decline are 400–700 AD, a point at which surely any historian would admit that the Roman polity has already been going to the dogs for two centuries minimum.

Am I too hard on Sam Altman? After all, he admits there's a problem. He doesn't admit *this* problem—but isn't his point basically the same? That something isn't working? My America is going to the dogs and lies in ruins all around me. His America has just turned the friction up too high on its hedonic treadmill. But it's the same, isn't it? Sort of?

Realizing that something in the 20th-century model of governance, as taught by the best and brightest of Harvard, Stanford, the NYT and other fine institutions of papally infallible veracity, isn't working out *quite right*, is indeed a step in the right direction. Everybody's going to have their own particular beef. Mine, as we've seen, is that 75 years of this rigorously scientific system of government has reduced what was once America's [fourth-largest city](#) to a [demon-haunted slum](#)—and while extreme, this outcome is anything but an exception.

But so far as I can tell, from the Sam Altman perspective, this is just a nitpick. Or maybe it's really sad, but would have happened to any regime. Napoleon, Cato the Elder, Pericles, Peter the Great—[morons](#)! None of them could have done a damned thing to save Detroit, Oakland, Baltimore, etc. Not where Harvard failed! It's always easy to attribute bad outcomes to irresistible forces of nature, acts of God, etc. Even if you can't identify the force of nature

and you don't believe in God.

No—Sam Altman is concerned with something entirely different. He is concerned with a *number*. This number is about 2, he asserts, when it should be more like 5. He calls this number “growth.” Or to be more exact, an even more interesting number, “real growth.” Growth is of course a good thing, especially if you're a startup but unless you're a [tumor](#).

Once again, this remarkable number—[GDP growth](#)—is an essential part of the 20C tradition of economic governance. Where would we be without [Abba Lerner](#)? Well, I don't know. Where would Detroit be without Abba Lerner? Where was Detroit... before Abba Lerner? Perhaps the problem with Sam Altman is just that everything he knows about economics he learned at Stanford, whereas everything I know about economics I learned by watching [Hardcore Pawn](#).

What does this number actually mean? It clearly means *something*. We know it goes up when people are happy, generally, and down when they are sad. Perhaps the great historical puzzle of the 20C is the need to explain this strange phenomenon, broadly defined, of Keynesian economics—which on the one hand seems to [make no sense at all](#), but on the other hand seems to, kind of, work. At least on a local level.

Well, okay, I lied. Yes—*Hardcore Pawn* is very important to me. But really I'm a [mercantilist](#), and everything I know about economics I learned by reading [Friedrich List](#). Well, him and [Mises](#). Odd bedfellows I know. But I really believe there is nothing in (to use its old name) political economy which is outside the philosophy of these two fine Teutonic gentlemen,¹ opposites though they were. Please allow me to explain “growth” in this unusual Austro-mercantilist idiom.

Growth is the change in a number called “GDP.” To an Austro-mercantilist there are two kinds of GDP, which we call AGDP (actual GDP, i.e., an actually measured number) and FGDP (fudged GDP, which is AGDP multiplied by a [mysterious fudge factor](#)). With its usual fine subtle sense of irony, 20C economics calls AGDP “[nominal GDP](#)” and FGDP “[real GDP](#).”

¹Although [Ludwig von Mises](#) was Jewish, and thus wasn't Teutonic in the [usual sense](#) of the term, he was both a German-speaker and operated within the framework of the [Austrian School](#) of economics founded by [Carl Menger](#).

20C economics is especially adept at accounting identities. The late great [Murray Rothbard](#) once parodied one of its finest absurdities, the [equation of exchange](#), as: “the amount of water that runs off the ground is the same as the amount of rain that falls from the sky.” Which is true. But not particularly useful to the weather forecaster.

So let’s apply one of these identities to understand AGDP. Forget foreign trade, which we’ll add back in in a sec, and consider an isolated unit like a planet. How do we measure the economic production of the planet? We arbitrarily divide economic actors, with some difficulty but not too much, into “consumers” and “producers”—i.e., peasants and businesses. AGDP is simply the total sales of all businesses to all peasants.

I.e., if all businesses were One Giant Business—you can see the attraction of this approach to the mid-20C central planner, snorting boa-thick lines of pure administrative Bolivian as he plays SimCity with real peasants—AGDP is simply the gross revenues of this monster. And because the amount of water that runs off the ground is the same as the amount of rain that falls from the sky, AGDP is also the number of dollars that consumers spent this year at OGB.

I like this approach because it reduces the veiled mystery of “growth” to a crass urban reality that everyone can understand. What does “growth” mean? It means: “spend more, comrades!” If growth is good by definition, spending is good by definition. Because the amount of water that runs off the ground is the same as the amount of rain that falls from the sky. Aggregate demand is your friend. Spend more, comrades! It’s good for the economy.

How do you increase AGDP? There are two and only two ways. One, give the peasants more dollars (and/or reduce their debt). Two, make them less thrifty and more prodigal. Why is AGDP not increasing fast enough for the likes of Sam Altman? Or for that matter, Paul Krugman? Because both these levers are already pushed down to the floor. Or at least the second one is. The first one... we’ll get there.

But wait—why increase AGDP? Why is more spending inherently better than less spending?

There are two answers to this question, corresponding to your understanding of the purpose of an economy. The first is the false position held by Austrians, and by Keynesians when they want to confuse you: the belief that the purpose

of economic activity is the satisfaction of human desires. More spending means more production, and more production means more satisfaction. This perspective, of course, originates with 18th- and 19th-century liberals and utilitarians. You can see it all over Sam Altman's hedonic treadmill.

This false position leads us down the path of FGDP. Let's explore.

Why the fudge factor? Because our goal is not to merely assess the *price* of all goods produced, a mere number which can be measured by mundane if fallible techniques, and still worse can actually be *defined*—but their *value*, that is, *hedonic utility*. This is an almost spiritual and essentially qualitative and personal assessment. In usual 20C style, we damn the torpedoes and jam this subjective quality into an objective quantity by any means necessary. Otherwise, how would we model it?

For example: how much more fun of a computer is an iPad than an Apple II? Is it 37.6 times more fun? Or 198.2 times more fun? Or even 547.9? It would seem clear, to anyone not a blithering idiot, that any process which claims to be able to derive any such number is retarded at best and may well constitute felony math abuse.

Not at all! The Bureau of Labor Statistics is, in fact, in possession of exactly this figure. Here's how they do it. Since Apple was selling computers continuously from Apple II to iPad, we can look at the period when both the Apple II and Apple III were on sale, divide the list price of the Apple III by the Apple II; later, the Mac 512K by the Apple III, and so on until we reach the iPad. This process is called [hedonic regression](#). It is thoroughly official—approved of by both Harvard and the US Government. So who's the blithering idiot now?

What's especially awesome is to imagine a world with a sane financial system in which the quantity of money (perhaps Bitcoin) is fixed, and so are the time preferences of consumers. As a result, AGDP does not change. AGDP growth is *zero by definition* in this model.

But in such a world, nothing prevents the hedonic quality of technology from increasing. Computers can get better. Indeed they should. And FGDP can increase—though all FGDP increases are due to the GDP deflator, i.e., hedonic fudge.

Now, consider the logical situation of the Altman position (also held, I think, by [Peter Thiel](#)—and certainly not uncommon among otherwise sensible

thinkers) in this constant-money, constant AGDP model. The argument is that we want “real” (FGDP) rather than “inflationary” (AGDP) economic growth, and the only path to this “real” growth is technology advancement.

True enough! In fact, it’s so true that it’s... a tautology. With constant AGDP, we’ve removed all the variables from the equation. Oops.

When AGDP inflation, which none of these technology prophets wants to talk about, falls out of the equation, the argument that “we need technical progress to spur growth” turns into... simply the hedonic treadmill. It expands to “2013 isn’t fun enough, so let’s get more and better technology to make 2014 more fun than 2013, because otherwise our fun sensors are all burned out and 2014 will be boo-oring.”

Well, sure! I, for instance, am seriously confused about why everyone in 2013 is still wearing headphones with wires. What’s with [Bluetooth A2DP](#)? Doesn’t it work? And definitely, they should speed it up with that [Google Glass](#) thing. If that ain’t hedonic I don’t know what is. Especially when it comes to [pr0n](#). Certainly the BLS is falling down on the job if pr0n isn’t part of their GDP deflator. OMG, pr0n—what could be more hedonic than pr0n? Google Glass + pr0n—that’s what. As [Glenn Reynolds](#) puts it: faster, please!

But, you know, this “2013 isn’t fun enough” argument really doesn’t tell us anything at all about why Detroit is a ruin. It doesn’t tell us why Baltimore is a ruin. It doesn’t tell us why Oakland is a ruin. It doesn’t tell us why Stockton is sinking into the Sacramento River, or why Newark could [absorb](#) all of Mark Zuckerberg’s personal net worth without becoming anything at all like [Cherry Hill](#).

What’s happened here is that, starting with an absurdity, we have reasoned ourselves into nonsense. Or at least, into pr0n. Our premise was that the purpose of economic activity is hedonism, i.e., the satisfaction of human desires. Certainly, technology can satisfy human desires. Pr0n can too, and so can heroin. (In fact, it would be interesting if the BLS could determine which is more hedonic: the original iPad, plus heroin, or the Retina with 4.7 million pixels and maybe just a little codeine to take the edge off. This could be computed easily, and with impeccable quantitative rigor, by combining Apple price series

with the latest data from [Silk Road](#).)²

This absurdity happens to be the consensus reality. Yet it is no less absurd. Let's put on our [John Carpenter sunglasses](#) and look at the *real* reality, terrifying though it is. Surely if you can read all the way down in an essay this long, you can handle the real reality.³

In actual reality, we are trying to answer the question: how should America be governed? We are therefore reasoning from the perspective of the State. Since sovereignty is conserved, the State is always and everywhere absolute and omnipotent. Therefore, the hedonic satisfaction of its citizens, who are in fact its slaves, is not and cannot be a goal. It may be a means to an end, of course. As when we administer heroin through the barracks water supply to reward Camp #127 for exceeding its uranium production targets three months in a row.

Well, see. I told you reality was scary. I don't actually believe absolute government, which is always and everywhere the reality, implies totalitarian government. USG is an absolute government as well. I am not a big USG fan. But I don't seem to find myself in the uranium mines.

In general, the classic 20C phenomena of totalitarianism appears not in absolute governments that are secure and invulnerable, but in extremely weak ones that in consequence have to take extraordinary measures to repress their enemies. This (among other things) is the difference between Louis XIV and Stalin. USG's great virtue is that its monopoly of power is far more secure than Louis XIV's, so it doesn't have to give a damn what I post on my stupid blog.

But if we are analyzing real governments in the real world, our financial analysis has to be rooted in political reality. The political reality is that "citizens" are not owners of their government, but rather assets—in other words, slaves. Our only hope is for a regime that's more Thomas Jefferson and less [Simon Legree](#). Fortunately, as we'll see, this analysis aligns the financial interests of the State with our own interests as human beings.

What are the financial interests of the absolute State? To maximize the value of its productive assets. The State's assets are (a) land and buildings, (b)

²Silk Road was [shut down](#) shortly after this essay was published, yet the principle remains.

³In what follows, the reader should keep in mind Moldbug's own [admonition](#) not to take everything he writes literally: "[Defoe](#) was a tricky fellow after my own heart. He too expects you to add your own [salt](#)."

equipment, and (c) human chattel. We understand how to value and manage (a) and (b) just fine. But most of its equity consists of (c)—an asset not really taught in most business schools. (Fortunately you still have those yellow old stacks of [DeBow's Review](#).)

There is another way to ask whether, excluding advances in technology (which do fall under (c), since technology is a human ability—but hard to monopolize), America is a more valuable nation in 2013 than it was in 1950. We can ask: is the average American a better human being than his or her ancestors of 1950? I.e.: has the USG cultivated its human capital, or wasted it?

For example: is this person—this asset, this slave—a harder worker? We'll assume the State cannot change his IQ, because I have seen no evidence that it can—but is he more knowledgeable? Is he more moral, more physically healthy, wiser and more prudent? A better father, a better mother?

Again, I believe the answer is obvious. There are certainly some ways in which the average American of 2013 is a better person than his grandfather. He is probably a better feminist, for instance. He is much less likely to be an anti-Semite, homophobe, etc. These factors don't really affect his economic value, but perhaps they're worth mentioning anyway.

On the other hand, the American of 2013 is *much* more likely to be a meth-head, a thug or ho, a worthless trustafarian slacker, etc., etc., etc. Especially when we look at non-elite ethnic subpopulations—“[cracker](#)” Scots-Irish, African Americans, etc. (though if we listen to [Ron Unz](#), even the Jews are going to the dogs)—I don't think any serious person could really claim that the average American is superior as a human being to his grandparents. You might as well assert that the original iPad was teh greatness but this Retina crap they're making these days is just lame.

What's notable about this interpretation is that, again, your interests and your government's are just about perfectly aligned. You don't want to be a heroin addict. Washington doesn't want its slaves to be heroin addicts. You want to be a better person—more informed, more reliable, more capable. As a better person, you are a better and more valuable capital asset. You augment your government's market cap. Back to Sam Altman:

Most of us want our lives to get better every year—the hedonic

treadmill is a pain that way.

As “hedonic” implies, “better” means “more fun.” Obviously this is the attitude you’d expect from someone born in the Bush administration. Could it be any other way?

Us old Nixon fogeys have pretty much exhausted the hedonic treadmill. There’s not much left of your hedonic treadmill after the 17th time cleaning up baby hork in the middle of the night. At that point (yes, new parents, it *does* get better) a nice glass of wine and a dinner out with your wife is more or less the hedonic equivalent of a meth-fueled threeway with strippers.

Most of *us* want to become better people every year. We’re pretty confident, perhaps falsely, that this will lead to more hedonic rewards in the long run or at least has the best chance of doing so. But this isn’t the goal. The goal, believe it or not, is to become better people. And ideally our children will be even better than us. So again—the market cap goes up.

Everything I’m saying here (including the economics) was said by [Carlyle](#) more than 150 years ago, notably in [Chartism](#). The apotheosis of the hedonic principle is the immortal [Pig-Philosophy](#). Briefly, Carlyle tells us, the difference between man and beast is that maximization of hedonic utility is always and everywhere the method of a beast. Not coincidentally, it is also the method of a toddler. And it is also the method of the Austrian economist, although he at least realizes that the “utility function” is qualitative and subjective rather than quantitative and objective, and adds [time preference](#).

To Mises and Rothbard, the human being as economic actor is a very smart pig, often willing to exchange less slop today for more slop tomorrow. This is not at all the view of Carlyle—nor is it the view of List. Of course, from the economic perspective of the State, slop production is all that matters. But the human being is not only an economic actor—nor is the State only an agency of production. What we’d really like to see is a model in which there is no tension between Pig-Philosophy (which must be acknowledged as true) and actual human civilization.

We are now in a position to attack the mystery of “growth.” Why, if economic hedonism is such a shallow and easily debunked philosophy, do so many people take “growth” so seriously?

All subterfuges and evasions to the contrary, the basic economic problem faced by 20th-century governments (somewhat less in the 19C; far more in the 21C) is unemployment. The cause of unemployment is simple: in an industrial economy, most human beings are economically useless. They are not productive assets at all. They are liabilities. For a brief transitional period, they could still be used as industrial robots. This period is close to its end.

For instance, suppose a Sam Altman were given plenary power over the US economy, reorganized into One Giant Business. His mission: cut costs, while maintaining production. His methods: eliminate white-collar busywork (real estate agents, lawyers, medical billing clerks, etc.); replace human industrial robots with actual industrial robots; and when all else fails, replace high-cost American labor with low-cost Indians housed in barracks and fed only on lentils, Dubai-style.

Does anyone doubt that aggressive and autocratic application of these methods could reduce US employment by 5 to 10 percent a year for at least a decade? Indeed, as the [Singularity](#) nears, the future of work becomes clear—there is an IQ threshold below which any human, no matter how cheap to feed, is a liability. Classic unskilled manual labor remains productive in some domains—gardening, housecleaning, and so on. Perhaps this will be true for another decade or two. It will not be true indefinitely. As the machines get smarter—assuming they get smarter—the threshold will rise. Eventually, the only human beings worth employing will be Sam Altman and his friends. Then, at last, even they will be laid off. Universal unemployment is the definition of the Singularity.

Now, it's important to note that from a strictly *economic* perspective, there is no problem here at all. The absolute State as Pig-Philosopher has a simple answer. As Stalin put it—no person, no problem. These surplus human robots can simply be sacrificed, like worn-out lab mice. At this point they stop being liabilities and become assets again, since they can be sold as organs or at least organ meats. Certainly, when the State itself becomes a computer, this logic will be irresistible. Let's call this approach to human liabilities Solution A.

From a *political* perspective, Solution A is a nonstarter. Hopefully it will always remain a nonstarter. If we are entirely wedded to Pig-Philosophy, we can explain this by saying that sacrificing human liabilities (especially within

earshot) actually damages the capital value of the non-sacrificed pigs, because it terrifies and demoralizes them. But is this true? Might it not motivate them, instead? Whatever. There are more things in my philosophy than pigs, and yours too as well, and while I am quite willing to take a King I draw the line at a Computer-King—especially if the Computer-King is programmed entirely with Pig-Philosophy. Since I am more tolerant in this regard than most, I just don't see Solution A happening.

We move on to Solution B, which I think is the solution most people believe in. Work? Who the hell wants to work? Work is anti-hedonic by definition. If it didn't have negative utility, it wouldn't be work. So, it's supposed to be a problem that in the future, work will be obsolete, and we'll be able to produce goods and services without any human labor at all? That doesn't sound like a problem to me. It sounds like a victory.

The problem with Solution B is that we've already tried it, quite extensively. You see Solution B every time you go to the grocery store. Next to the button marked "Debit/Credit" is one marked "EBT." Ever pressed that one? Even just by mistake? It's the Solution B button. America has entire cities that have moved beyond anti-hedonic labor disutility and entered the gleaming future of Solution B. One of them is called "Detroit."

Solution B is not the culmination of human civilization, it turns out, but its destruction. Even in terms of mere Pig-Philosophy, it is destructive, because it ruins a human asset. If we appraise humans as robots, we see that this is a special kind of robot: it rusts up if not continually operating. As beasts, we are beasts who evolved to work. Our species achieved world domination as a result of our capacity for work. To feed and entertain a human being, without requiring productive effort or at least some simulation of it, is in the end just a way to destroy him—not too different from Solution A.

There are some human beings, Sam Altman presumably among them, who are natural aristocrats. They can acquire the resources they would need to never work again, and *still continue to work*. While this is lovely, we need to face the reality that the human species is what it is. The population does not consist largely or even significantly of natural aristocrats. Not, for instance, in Detroit. "Dead corpses, the rotting body of a brother man, whom fate or unjust men have killed, this is not a pleasant spectacle; but what say you to the dead soul

of a man,—in a body which still pretends to be vigorously alive, and *can drink rum?*”⁴ Carlyle knew all about *Hardcore Pawn*.

Beyond the creepy A and B, all solutions to the problem involve a State which compels, through economic or other means (it hardly matters), humans who are not economically productive to submit to work or some simulation thereof. For instance, especially with the [Oculus Rift](#), technology is beginning to present us with a Solution C, which combines physical imprisonment with virtual enrichment. It’s not clear what a life-scale virtual environment would consist of, but it would surely involve work or something like it. I don’t find Solution C particularly creepy, but I may be alone in this. It is certainly less creepy than A or B. I suspect that if it was done right, the customers would vastly prefer it to their present vile circumstances. But I also suspect it will never happen.

Beyond A, B, and C, we enter the domain of solutions which involve distorting labor markets to integrate these human liabilities into some semblance of a normal institution of production. Solution D is the obvious approach and has been practiced by regimes around the world since [Cheops](#) was a little boy: to keep the peasants fit, healthy and happy, pay them to do otherwise unnecessary work. Like, you know, [building pyramids](#).

There is an apocryphal anecdote which illustrates Solution D perfectly. It probably never happened. A famous American economist—[Milton Friedman](#), perhaps—is visiting China, perhaps in the ’80s, and sees a construction project where workers are digging a canal, with picks and shovels. “Why not use bulldozers?” the economist suggests.

“But Professor Friedman,” his host points out, “this is a jobs project.”

“Oh!” says the apocryphal professor. “Well, in that case, why are they using picks? Why not give them spoons?”

While this is meant to illustrate the supposed idiocy of Solution D, it actually illustrates the design space. The purpose of Solution D is to lose as little money as possible, while maintaining the human quality of your assets and preventing them from degenerating into *Hardcore Pawn* customers, 10th St. zombies or other revolting parodies of the human condition.

⁴Thomas Carlyle, “[Occasional Discourse on the Nigger Question](#),” p. 7. Emphasis added.

Digging ditches with appropriate hand tools is a simple and almost ennobling, in its own small way, form of manual labor which is ideally suited to the condition of most humans, delicate aristocrats perhaps excepted. (It is possible to construct makework for [delicate aristocrats](#), but it takes more imagination.) Digging ditches with spoons is a degrading punishment appropriate only for refractory pedophiles. Since there is never any shortage of ditches you'd rather have than not, there is no need to issue spoons—unless the purpose of the project is exemplary degradation.

So what's the problem? Why isn't USG sending its millions of gangstaz, its hundreds of thousands of zombies, and its uncountable hordes of ordinary young people who just can't find a damn job, to self-improvement-through-labor facilities where they create [gleaming new national parks](#), which no one ever visits, on the North Slope of Alaska? It might seem illiberal, but it can't be—[FDR did it](#).

In general, makework programs are restricted to strong governments. Ours is a large government, but by no means a strong one. FDR's was a strong one. When a strong government wants to "create jobs," it just hires people. If the product is useless and the work is just makework, it says so. The strong are confident and can tell the truth. A weak government has to shroud the truth in a cloak of lies—it has to convincingly pretend that our great nation may be doomed without substantial and immediate improvements to "[Gates of the Arctic National Park](#)."

Oddly, makework, a superior solution by any standard, is a softer political target than good old Solution B welfare. Makework has to be defended by lies, whereas welfare is indefensible. The defenders of welfare are therefore forced into the brazen fortress of property—they and their clients must assert that they are *entitled* to these emoluments, which is of course the one thing they ain't. But, having established [adverse possession](#), they make a pretty good go of retaining it.

Politically, the ideal way to apply Solution D is to make the actual work as separate as possible from the source of funding. This brings us back to AGDP and "growth." (You didn't think we were *digressing*, did you?)

Politically, the best way to fund and operate makework is to make it indistinguishable from the rest of the economy. If you tax productive citizens \$1T

a year to employ 10 million Americans to build, with hand tools, a 1:1 copy of Rome at the base of [Mount Igikpak](#), you create a giant political target for stupid unruly peasants who persist in not understanding the genius of [Lord Keynes](#). If instead, you manage to inflate aggregate consumer spending by \$1T, you create ordinary jobs for ordinary Americans all across America—because where does that \$1T go?

Some of it winds up as profit, of course—but most of it goes into the costs of production, i.e., labor costs. I.e., creating jobs. The love is spread all over the country as a delicious buttery layer of prosperity. No one votes against prosperity. Ever.

Of course, you're still annoying the people you tax. Nor is it possible to pump tax money directly into consumer spending. It has to go through government spending instead. This makes two targets: the taxation and the spending. It can be managed. But it also can be improved.

Suppose you borrow instead of taxing? This is better because no one feels the bite. However, government borrowing—which, as we've discovered, is identical in every way to mere “money printing,” i.e., equity issuance, since fiat currency is government equity and there is no real accounting distinction between Fed and Treasury, or between Fed notes and Treasury obligations—still has a downside. The downside is that it's reported and has to appear in the newspapers—alarming the stupid peasants who persist in not understanding the genius of Lord Keynes, instead believing that Washington has to pay back its debts as though it were some stupid peasant.

Moreover, even the most dedicated bureaucrat who is more Keynesian than Keynes himself feels a slight sense of alarm about the indiscriminate use of this privilege, because somewhere in the back of his [reptile brain](#) he understands what he is doing: imposing a stealth capital levy on the wealthy, by diluting the dollar supply. Suppose dollar holders evaded this tax, which after all is a tax, by switching to some other monetary asset? Gold? Bitcoin? [Honus Wagner baseball cards](#)? Besides, if the dollars have to pass through Washington, the spending side remains a target.

Therefore, absolutely the best way to inflate AGDP is to *increase private-sector capitalization*, generating a [wealth effect](#). Moreover, there are two ways to do this, since there are two forms of capital asset: debt and equity. Debt

is dangerous because it has to be paid back. More on this in a moment. So we have a second-best way to inflate AGDP, convincing the private sector to borrow more; and a first-best way, making the stock market and real estate go up.

The latter is solution D-1, the absolute bestest way (from a political perspective) to create jobs, and the mainstay of the Greenspan-Bernanke era of American prosperity. In short, our actual reality. The former is solution D-2, as practiced in the great nation of [China](#). (And, wonderfully, [Angola](#).)

Is there a downside? Of course there is. Capitalization (debt or equity) is supposed to reflect actual capital. When you increase capitalization (debt or equity) without a corresponding creation of productive assets, you are storing up trouble. Excessive market cap is like nuclear waste. If it gets out, as in [2008](#)—you have a problem. Fortunately, this problem can always be solved by solution D-3, printing money to buy nuclear waste.

Note that all of this is a question of financial alchemy. None of it has *anything at all* to do with the resolution on your iPad, or other technology ingredients that go into computing the FGDP hedonic deflator. It is all a matter of AGDP. It's true that AGDP inflation is reflected in FGDP, but the number that matters is AGDP—the quantity of money, not the quality of products. If you try to solve the problem of inadequate AGDP inflation by improving the GDP deflator, i.e., by better technology, you are committing [cargo cult](#) economics. You are trying to cause a cause with an effect.

Is there any problem at all with this insane machine? Sure there is. It's insane, after all. Its insanity is totally disproportionate to its actual purpose, i.e., employing otherwise idle and useless humans. As we'll see, a sane regime could accomplish the same goal far more sanely.

A financial system is a central planning mechanism. To the extent that a planning mechanism, whether automatic or bureaucratic, is sane, it instructs economic actors to make sane and rational decisions, like investing in productive assets. To the extent that it instructs economic actors to do insane things, like building [empty cities in the middle of Mongolia](#), its automatic and supposedly free-market nature is no different from the bureaucratic insanity of a [Gosplan](#), or the autocratic insanity of a [Houphouët-Boigny](#). Of course, it still fulfills its actual mission of creating jobs. But not without significant and unnecessary

financial weirdness, whose only purpose is to pretend that the machine is not in fact a makework scheme.

In America, the consequence of job creation through AGDP inflation is the notorious [FIRE economy](#), a central-planning system in which the only income source is asset-price inflation, and the employment created involves Mexican immigrants installing granite countertops and nice white ladies selling real estate to each other. For instance, this is essentially the economy of Ohio, once one of the world's great industrial centers. As a way for human beings to spend their time, frankly, it seems lame and depressing. Is it that much better than digging ditches with spoons?

Moreover, nuclear waste is dangerous. A critical point is passed in an event like that of 2008, which might be described as the transition from debt capitalism to debt communism. Under debt capitalism, it is possible to sustain the illusion that both borrower and lender are private-sector agents. Under debt communism, a state we have now attained, borrowing remains a private action, but the Fed is now and forever the lender of first resort.

The bottom line is that in business terms, what's wrong with the American economy is very simple. It loses money. In order to keep operating on an even keel, it needs to borrow roughly \$1.2T a year. In other words, we have a simple way to get 2% AGDP growth per year—expand the debt bomb by 2% a year. We can also inflate the stock and real estate markets, which is better, of course, because equity does not create obligations. It's a way of enriching the rich at the expense of the poor, but hey, what else is new?

A money-losing economy, like a money-losing restaurant, sucks. It sucks in all kinds of ways that have no apparent connection to finance. The entire dining experience is grim. This, indeed, is the experience of the entire “old economy” outside the little bubbles of Silicon Valley and Wall Street. My in-laws live in Columbus. Columbus sucks. Even with [Chairman Ben's](#) \$85-billion-a-month bond-buying “recovery.” It is more and more palpably a Soviet restaurant.

The fantasy of the money-losing economy, like that of the money-losing restaurant, is that if enough money is pumped in, eventually the “pump will be primed” and the engine will restart on its own. On this theory, America has been expanding its debt bomb since the 1930s. Yo, it's not working. I'd be happy to bet any sum of money on what would happen if Chairman Ben turned

off the QE. If you are into professional betting, bet on zero interest rates for the infinite future. “Capitalism” with zero interest rates is a mockery and a monstrosity—but there is no alternative within the system.

Worse, we will face a 2008 all over again when the private sector’s debt becomes so large that even borrowing from an infinite lender is no longer a market operation. Goldman Sachs can borrow at 0%, but you can’t. Debt has to be serviced. Debt saturation happens. When it happens, [debt deflation](#) begins—and in a debt-deflation phase, even *borrowing at 0%* is no longer a market operation. Once debt deflation begins, there is no alternative but reflation by direct government spending, in the classic “[Bernanke helicopter](#)” mode. While the political system is always capable of [helicopter drops](#) in theory, it may not be capable of it in practice. And if it can achieve direct inflation, it has still entered a purely Soviet mode in which all investment is directed by the State.

And all this, just so that marginally employable Americans with an IQ of 95 can have jobs. Which many of them can’t. Evaluated as a job creation mechanism, which is what it is, this insane financial inflation machine earns no better than a C–. Granted, it has put us so far behind the debt 8-ball that if you turn it off, you go straight from C– to F–. Which was about to happen in 2008 before Bernanke [fired up his helicopter](#). [It’s a trap!](#) And the bait isn’t even that tasty.

So are there other solutions? Is there a Solution E? An F? Well, sure. They’re not politically possible. Nothing other than what we’re doing now is politically possible, at least, not without regime change. As Hunter S. Thompson [put it](#), that bothers me the way VD bothers a Hell’s Angel. If not less.

E is a factor we left out: foreign trade. As it happens, the US with its disastrous [37% labor-force nonparticipation rate](#) (i.e., the real measurement of “unemployment”, which is commonly cited in terms of the meaningless benefit-claims number), besides borrowing \$1.2T a year, runs a trade deficit of \$600B a year. I.e., 3% of US GDP. What does this mean?

What it means is that if USG *entirely eliminated foreign trade*, [closing its ports](#) like [Tokugawa Japan](#), US businesses would experience an immediate 3% jump in gross revenue, and hence in employment. Of course, this would involve a boom in import substitution industries and a bust in export industries, but the net effect would be a boom. \$500B ain’t nothing. The hedonic effect, of course,

would be negative—but as we’ve seen, inadequate hedonism is anything but our problem.

We could do even better than this. We could eliminate imports, while maintaining exports. Of course, we would be admitting the mercantilist reality of world trade, something our Asian trading “partners” already understand. Does it hurt that much to say: “Friedrich List was right?” Let’s say that retaliation would cut our exports not to zero, but just in half. In that case, we have \$0 in imports and \$650B in exports, meaning a net gain in revenue to US businesses of roughly \$1.2T—and that’s not counting a multiplier effect of money spent over and over again.

Again, we’d see some hedonic pain. We’d also see something like a 10% boost in AGDP overnight, as all the crap we buy from China now had to be made in America. Which means a titanic economic boom perhaps unparalleled in history, except at the inception of the Third Reich when Hitler adopted more or less the same autarkic policies. Less fun—more prosperity.

Call me crazy, but I don’t believe mercantilism—which, before Adam Smith, was no more than conventional wisdom in political economy—is inseparable from yet another persecution of the Jews. Indeed, any pre-liberal mercantilist would regard the combination of free trade, massive trade deficits, and massive unemployment, as economic insanity on a par with persecuting the Jews.

(I’m sure Professor Krugman, who can be accused of many things but not of misunderstanding the power of aggregate demand, understands this perfectly. Which makes him yet another concern troll—i.e., a person concerned not with solving the problem, but with exploiting it.)

As List puts it, free trade is the weapon of the strong. England and later America adopted free trade when we were strong. Well, face it, we’re not strong anymore. But we keep hitting ourselves over the head with the weapon. Why? It’s simple: blithering idiocy.

And yes, there is also a Solution F. Solution F is a reality we’ll eventually have to face: technology restriction. Actually, Solution E is a special case of Solution F, because foreign imports are best considered as a technology of production. From the perspective of the American economy, there is no difference between production by Chinese workers, and production by robots—both

imply production which does not employ American workers.

It is hard to imagine technology restriction working, because we have to get past imagining this terribly powerful tool being wielded by our utterly incompetent and corrupt rulers. The same problem exists in contemplating effective protectionism. The most obvious outcomes of both these tools simply amount to featherbedding if not outright theft. As a result, protectionism has gained a bad name, and technology restriction is well outside the policy landscape. Yet in actual reality, the problem is not with the tool, but with the wielder. Once we admit that USG isn't working and has to go, we can imagine replacing it with something that doesn't suck—and can actually wield such a tool.⁵

I am not suggesting across-the-board technology restriction, general medieval stasis, low-res iPads, banning Google Glass, or anything of the kind. My idea of Solution F involves targeted technology controls designed to create market demand for the type of unskilled human laborers that modern industry has made obsolete, but that we are politically unwilling to kill and sell as organ meat. Being so unwilling, we have no choice but to provide these people with a way to survive as human beings—preferably as human as possible.

For instance, two forms of semi-skilled labor well-known to be good for the human soul are (a) craftsmanship and (b) farming. Compared to the demand for these professions that once existed, both have been essentially eradicated. How many meth-heads, thugz, etc., are there in America whose great-great-grandparents were craftsmen, farmers, or both?

Consider one targeted technology restriction: no plastic toys. If my children are going to have toys, these toys will be made from wood, with hand tools, by Americans, in America.

Results: (a) negative financial impact on parents who need to buy toys for

⁵As Moldbug writes in “[Carlyle in the 20th Century](#)”:

Observe the fascist or socialist State again, through the eyes of the orthodox libertarian or classical liberal. We see an 800-pound gorilla on acid, whooping it up at the wheel of a running bulldozer. Your libertarian says: stop that bulldozer! Your Carlylean says: stop that gorilla!

A bulldozer, well-made, well-maintained and well-operated, is a positive force in the world. But only if it is controlled by a *man* and not a gorilla. If you saw a bulldozer driven by a *qualified bulldozer operator*, dear libertarian, would you cry: stop that bulldozer! I think not. You might be amazed at all the good works a qualified bulldozer operator can work with a bulldozer.

their children, and might have to increase their toy budgets; (b) negative hedonic impact on children, whose toy bins are no longer filled with brightly colored Chinese plastic crap; (c) negative economic impact on China, which is not our country, so who cares; (d) gigantic economic boom in the American wooden toy industry, providing employment to any fool who can whittle.

How can anyone contemplating these outcomes not agree with me that (d) considerably outweighs the sum of (a), (b) and (c)? Or take agricultural labor, for which an arbitrary level of demand can be created simply by banning industrial farming techniques. Every ghetto rat in America today could find employment as an organic slow-food artisan. Crap—even a 10th Street zombie can milk cows. We’d have to pay them for their work, of course. We already pay them for not working. Is this better for us? For them? WTF, America?

Is this unrealistic? Of course it’s unrealistic. To be exact, it is completely inconsistent with consensus reality, to the point of seeming utterly bizarre. I doubt a Sam Altman would even be able to evaluate it. Normal sane people, especially rich ones, are socially well-integrated and live in consensus reality, i.e., a [Plato’s cave](#) of pure blithering idiocy.

And yet, I assert, in *actual* reality—my Solutions E and F are slam-dunk no-brainers. (We’d still need a way to safely shut down the Solution D debt bomb, but that’s a matter for [another post](#).) Will this gap ever be bridged? Will we ever escape from the 20th century? Almost certainly not. But for whatever crazy reason, I still feel the need to point out that we could. Perhaps it’s just because I’m a nut.

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