Paul Krugman - New York Times Blog

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How Are These Times Different?

Ah, Paris! You walk for miles and miles — it's still, after all these years, a spectacularly beautiful city. Then you have as traditional a meal as possible at an old-fashioned bistro, washed down with lots of wine.

And you feel like hell the next morning. Blogging may be a bit limited.

But I'm still thinking about the conference I was just at, and my own reactions. It was a business-y affair, and like all the economics/business conferences I've attended, it was full of speakers declaring that everything is different, nothing you learned from the past is relevant, and so on. Hey, I understand — people attend such conferences in large part to get shaken out of their routines, and don't want curmudgeons telling them that there's nothing new under the sun.

So I'm kind of an outlier, since when it comes to macro issues I am pretty much a curmudgeon, someone who thinks that the similarities between our time and the 90s in Japan or the 30s everywhere are a lot more important than the differences. But obviously things do change over the decades. And this morning I find myself wondering, how are these times different?

Not, as I've argued, because of globalization. But there is at least one important respect in which the 21st-century economy is different in a way that ought to have a significant effect on macroeconomics: the much larger role of rents on intangible assets. This isn't an original insight, but I haven't been finding systematic analyses of the point.

What do I mean by the role of rents? Consider the changing identity of the most valuable company in America. For a long time, it was GM, then Exxon, then IBM. These were companies with huge visible production activities: GM had more than 400,000 employees, which was amazing when you consider that the overall national work force was much smaller than the one we have today, Exxon had oil refineries. IBM was an information technology company, but it still had many of the attributes of an old-style manufacturing giant, with many factories and a large, well-paid work force.

But now it's Apple, which has hardly any employees and does hardly any manufacturing. The company tries, through fairly desperate PR efforts, to claim that it is indirectly responsible for lots of US jobs, but never mind. The reality is that the company is basically built around technology, design, and a brand identity.

There was an old Dilbert in which the pointy-haired boss explained that the company had discovered that despite its slogan, people weren't its most important asset — money was, and people only came in at #8 or something. Actually, in Apple's case market position is its most important asset.

There are a couple of obvious implications from this change in the nature of corporate success. One is that profits are no longer anything remotely resembling a "natural" aspect of the economy; they're very much an artifact of antitrust policy or the lack thereof, intellectual property policy, etc. Another is that a lot of what we consider output is “produced” at low or zero marginal cost.

So in some respects these times are different. How does this change things for economic policy? I’m thinking, I’m thinking. First, more coffee.