

THE FUTURE OF THE U.S. POLITICAL ECONOMY

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The words “political economy” describe the meshing of political authority with the economic system. There has always been a substantial interplay between public authority and so-called private economic activity. What that relationship ought to be makes for lively discussion. Governments tax, enact tariffs, subsidize canals just as they did in George Washington’s day.

Throughout the 19th century, the U.S. economy was capitalist, and the government was only slightly involved in directing the nation’s economic development. Events changed the economy, and in response, the voting public and political leaders changed the degree of involvement of government. The industrialization and urbanization of our agricultural economy produced waves of political reform in the pre-World War I era. Even more occurred during the Great Depression of the 1930s. On the eve of World War II, the American political economy was characterized by extensive involvement of national policy with economic life. The involvement was greater than at any previous time.

This new system did not please everyone, and the years of its construction, especially the first two administrations of President Franklin D. Roosevelt, were a time of intense controversy. Despite complaints about its radical novelty, it was endorsed by the voters with massive electoral majorities in 1936, 1940, 1944, and 1948.

By the 1950s it was readily apparent that nothing could be done to reverse the trend. The political economy of the 1930s was deeply entrenched and accepted by the majority. If you did not like the system you called it Big Government, Leviathan, Big Brother, or even Socialism. But these were not accurate or effective labels. Friends of the system called it New Deal liberalism and the welfare state. They were mistaken, because the system was less concerned with welfare or care of the poor and indigent, than regulation of the economy. The purpose was to maximize output consistent with stability.

THE BROKER STATE

The sustained national emergency which began in 1941 subtly altered the New Deal system. Defense expenditures were increased

at the expense of domestic programs. The presidency later became even more exalted, self-important, and imperial than in FDR's day. These changes, while they made a difference, did not fundamentally alter the post-New Deal political economy. That system probably should have been called the "Broker State". For as relatively large and busy as was the government in regulating, subsidizing, taxing, and spending, its outstanding characteristic was its lack of a guiding purpose. It had neither vision nor plan.

Public policy had no socialist utopia in mind. It accepted comfortably a predominantly capitalist, market economy. It had few explicit goals beyond the promotion of a mix of economic growth with price stability which the public expected. The Broker State had few central institutions defining its purposes or developing its guiding strategies. It was a broker, sure only of its vague and general mandate to avoid depression and promote economic growth. It took the rest of its assignments from the clamoring voices of organized pressure groups. Government became a large but uncoordinated collection of agencies. These agencies intervened everywhere—setting the price of butter, conducting scientific research, subsidizing the building of private merchant ships, giving tax advantages to oil companies, mailing checks to the blind and the retired, determining where air carriers could operate and at what rates, delivering the mail and supplying a huge defense establishment.

All of this activity was not coordinated from the center in any significant way. Actually, the center was remarkably weak as an institution for social management. The chief executive had a small personal staff in 1939. In 1946, the president first gained a three-man council of economic advisers. In the 1950s the president could call on only one scientific adviser. He could, however, form task forces and commissions to study vexing public issues. He could convene his cabinet, but without staff or complete loyalty to presidential purposes, little could be accomplished in the way of charting policy directions.

The congressional branch was pathetically underequipped for coherent policymaking. It could scarcely cope with rapid change or technological advances, but faced events as they reached crisis proportions. Harry Truman appointed a presidential commission to study raw material procurement, the only one of its kind in American history to that time. The Paley Commission projected supplies and demand until 1975. But no one paid much attention. Taxing, spending, subsidizing, and regulating were directed in compartments on a day to day basis. The budget process, with its short

one-year vision, was the only connecting link serving to coordinate federal activities. Through the 1940s and 1950s and into the 1960s, Americans struggled mainly with the Soviet Union, or at least were aware of the ebb and flow of Russian hostility. Everything else took care of itself within the loose system of a mixed economy and a broker government.

My words perhaps betray some disrespect. But if that tone is appropriate, it is only so in retrospect. It would not have been understood by the hard-working and well-meaning citizens who managed or observed the post-New Deal political economy. For it worked! Not only were essential liberties maintained, not only was Communist expansion reasonably contained without war, but the economy did well under our governing arrangements. And what, after all, is a more important test of any system than the capacity to achieve affluence for many and basic survival for all? The American economy shifted from war to peaceful production in the 1940s, avoided the predicted post-war depression, then set a course of rising production of goods and services every year through the 1950s. It had been interrupted by only two recessions, and without serious inflation. It dominated the world economy with American currency, goods, techniques, and slogans. Business thrived, labor joined the partnership and enjoyed rising incomes and consumer goods. Agriculture became productive and prosperous, feeding both America and many foreigners with a shrinking farm labor force. The old curse of tenancy virtually disappeared. Communists abroad challenged our political economy both in principle and in performance, but they could not begin to match its bounty and their predictions did not produce the anticipated massive collapse of American capitalism.

Defenders of the American system pointed not only to the economic record, but to the accessibility to private groups and individuals of the government's decision-makers. The government regulated and aided society in a willy-nilly but well-intentioned way. The vigorous capitalist economy seemed to thrive on this arrangement, even if some individuals were perpetually disgruntled at the persistence of a suspicious smelling lubricant for the engines of prosperity—annual federal deficits. But to most this was a small price to pay. The benefit was economic growth that brought affluence to every class of Americans, steadily diminishing the acute poverty of the 1930s. It was growth earned by skilled hands and minds, wrung out of America's apparently unlimited resources of minerals, forests, water, and fertile soils. No national election from 1932 all the way into the 1970s was to reveal a majority of the

electorate as being eager for basic change.

FUNDAMENTAL DOUBTS

Yet sometime in the late 1960s or the early 1970s we began to entertain fundamental doubts about our political economy. I refer here to difficult and growing social problems that prodded the media into using the words “crisis” with increasing frequency. We have had an unbroken series of crises since at least the British collapse in Greece in 1947. A crisis in Eisenhower’s or Kennedy’s or even Johnson’s day, was simply a time for all of us to work harder or do better. Or we could get new leaders. Into the late 1960s, with five years of urban riots behind us and the social divisions of the Vietnam war, it was still possible to believe that the Communists were our main threat. We still felt that our own system of governance—not necessarily the existing leadership, but certainly the system—was adequate to manage our affairs.

This basic confidence has seriously eroded in the last decade. If you ask the average citizen what are the most serious internal malfunctions affecting American public life, he probably begins with the code word Watergate. The word refers to a series of abuses of power in the executive branch of government—White House, FBI, CIA—that continued under both parties and culminated in a bitter constitutional crisis in 1974. Watergate has largely opened to our view a profound malaise in the functioning of our government. Congress is not immune. The visible results are apathy, citizen alienation, a sour anti-government mood, and slumping voter turnout.

But of course our crisis involves more than the political system. If one assignment of our governing institutions is to preserve liberties, another is to manage the domestic and foreign means of survival and the satisfaction of our wants. Economists who have served in the government tell us that this has been done rather well since the Employment Act of 1946.

But the situation has recently, and quickly, become more complicated and the prospects more ominous. A new economic characteristic is the anomaly of both high inflation and high unemployment. This painful new malady does not seem to respond to the old Keynesian, macroeconomic remedies. Alert people know that something serious is amiss, perhaps out of control.

Then in 1972-73 came a great season of shortages. This will be seen as a decided turning point in both the performance of the American political economy and public attitudes toward it. We received a cold bath in fundamentals. Resources were limited, and the human populations hoping to consume them were expanding at stunning rates. Bread, that overlooked fundamental of life, was something that the Soviets wanted, and an inexplicable governmental blunder helped send it into shortage. An Arab cartel raised the price of oil by 100% at one stroke. Energy, we learned, was fundamental and in shortage. The Club of Rome published *THE LIMITS TO GROWTH*, predicting a mounting series of shortages and disorders as populations outran resources. The human population passed four billion in the spring of 1976, and a United Nations study predicted a total of 12 billion in 50 years. Agricultural resources diminished, then disappeared. It was not the granary that was ever normal, but hungry people pressing against diminishing resources.

MANAGEMENT AND INTERDEPENDENCE

Because we were too complacent before, some writers have overestimated our problems and underestimated our assets. Still, I have no hesitation in predicting that someday school children will refer to our era as pivotal, the End of the Growth Era and the coming of the Era of Management and Interdependence.

Let us begin with the matter of growth. Reflect on what shifts in values and attitudes are required of us and our children. We must make the break with four centuries of Yankee reliance upon unlimited abundance. We must absorb the revolutionary but irresistible truths that resources are finite. Man must achieve equilibrium with the planetary space he inhabits. If we redefine growth to mean the enlargement of human choices, perhaps we may yet pursue it to the end of time. If we do not redefine it, we will just have to part with it.

Think of what that means! A whole new system of accounting! Small is beautiful, Rhode Island a better place than Texas, little people favored over big, except for NFL recruiting; small towns favored over large ones, the managers of garbage as honored as the captains of industry, the engineering of equilibrium raised up and the gods of consumption nudged down.

We have always hated waste, honored the soil, and respected nature—some of us part of the time. Our cultural realignment of values may not go so slowly as we might think. But we are interested here in the implications of the necessity for a degree of

social management undreamed of, as a swarming population presses upon the shrinking margins of environmental safety.

Reflect on the second identifying idea of our season of crisis—interdependence. Another way to state this is, vulnerability. We have been learning the lesson of interdependence for years—attended elementary school with the first world war, high school with the war against fascism in the 1940s. We reached a higher level of understanding when the atomic bomb brought the entire planet within reach of a common destruction. Yet these interdependences were products of war. We have not yet fully realized how daily we are linked in a common life to what Adlai Stevenson years ago called Spaceship Earth.

Technology has been at work, especially electronic communication. The world of business has been aggressively exploring the shrinking barriers to interchange, aided now by the multinational corporation which transcends national lines and loyalties. The sea is an endangered common resource; so is the atmosphere. When Brazilians cut away rain forests, drought and famine come to Africa, and the Canadian growing season is shortened. Concorde and aerosol cans are said to reduce the ozone layer, not just over France and the U. S. but over the natives of Ethiopia and Japan. Life everywhere is affected when agricultural methods change, when the flow of rivers is reversed, and when over population breeds famine and unrest. These linkages make us all vulnerable to other nation's activities, whether benign or careless. Our vast interconnected global economy is increasingly productive. It is also fragile. We are exposed, and permanently so, to the malfunction of some part, a sudden imbalance of relationships in the world system.

How does American society, as well as planetary society, cope with crowding, with relentless scientific and technology innovation, and with a tidal wave of change, much of which will be destabilizing? It must and will search for the means of anticipating the future before it arrives and destabilizes. It must analyze changing conditions in the basic environment, devise effective and comprehensive policy correctives to maximize social goals, bring population growth under control and manage it to equilibrium, and bring an end to environmental pollution. Can we do these things with the present system of governmental management, the present attitudes toward social management?

VIEWS OF AMERICA'S FUTURE

There are three broad schools of prophecy, or persuasion, among those who think about the future of the American system. Some remain convinced that incremental change within the current framework will suffice, or will be all that the political system and national leadership will accept. This view has the advantage of appearing to be calm, and therefore perhaps also wise. It gains plausibility when we recall that many political, economic, and politico-economic revolutions have been predicted for America, yet have not occurred. Nonetheless, this view is mistaken. We will have sharp departures, and systematic change.

A second persuasion, convinced of the malfunctioning of contemporary American governmental institutions and assumptions, predicts that the political economy must and will change radically. This opinion has been around for 40 years and more. In this view our problems prove that we have too much political and too little economy. The government mismanages everything it touches except national defense and internal security, which ought to be pursued even more vigorously. Politicians and hired bureaucrats have always mismanaged the economy. They have produced the shortages that shocked an affluent people, failed to end poverty with massive Great Society programs, and made the race problem worse by remedial laws and promises which merely raised expectations. They have endlessly interfered with the marketplace which, if left alone, would automatically select the right economic decisions for this society.

The instinct of people of this persuasion—mislabeled “Conservative”—was to seek radical reduction of governmental functions. There was a lot of talk of this sort in the Nixon administration, and also in the more recent Ford government. Mr. Nixon promised us “a new American revolution” if congress would just pass his revenue sharing proposals. There has not been much movement, however, toward a pre-New Deal political economy.

The reasons include not only that the people who talked that way have been unwilling to risk moving toward a weaker management role for the national government (and indeed may not even have cared very much personally one way or the other), but also that they were outnumbered, outargued, and invariably outvoted.

Could a few more months or years of our current forest of social problems bring the public to demand a radical revision of our system? I think not. This school sees clearly the defects of the current system, but they point in a direction that we are not going to travel.

The third general perspective is, for better or worse, the best prophecy. We are moving toward a new political economy, and we will have to call it planning. To substantiate that prediction, and to define the idea of national planning, we have to go back some 40 years. During the Great Depression of the 1930s, national planning was one of the large organizing social strategies that jostled for influence in the emergency atmosphere of that time. This was not because anybody really knew what planning was or exactly how to do it on a national scale (the Soviet experience with planning was known to be interesting, but hardly applicable to American conditions), but because one crisis brought to mind another. Americans had turned to planning during the brief but effective mobilization of World War I.

By coincidence, the new president in 1933, Franklin Roosevelt, was a planner by instinct and conviction. He and his planning-oriented Brain Trust formulated the basic planning assumptions in the early years of a crippling depression. It was that modern industrial society requires public intervention to attain stable growth, that such intervention must touch all fundamental social developments, that it must be goal-oriented and effectively coordinated at the center, and anticipatory rather than reactive.

The New Dealers never worked out satisfactory forms to embody these ideas, and congress resisted every advance in that direction. By the end of the 1930s Roosevelt had been forced to give up on national planning and to accept the uncoordinated system of short-range interventions that has lasted to this day.

So the national planning impulse of the early New Deal was not only frustrated, it was forgotten. Yet Roosevelt's planning experiments produced much clarification, at least in retrospect. John Dewey warned in 1939 against a planned, as opposed to a planning society, stressing the open, tentative, experimental, and democratic qualities appropriate to planning. A planning society would be characterized by two main features at the governmental level that FDR did not find when he came to Washington. First, effective policy contact with the major sources of social change. Second, a set of planning capacities at the center of government, meshed into a planning process.

As to the first, it is well known that the New Deal expanded the government's influence over the economy. In traditional areas of governmental activity, such as transportation, communication, energy, natural resource management, FDR tried to synthesize existing policies into national policy. And there were new areas that

needed to be entered. For the first time, excepting perhaps briefly during World War I, the government developed what is today called an Incomes Policy, involving itself in wage and price decisions. Through the Reconstruction Finance Corporation (and to a lesser extent through its housing and agricultural credit policies), the New Deal exercised strong influence over private investment.

These policy tools, along with the traditional fiscal, monetary and regulatory instruments, did not add up to planning in themselves. They were not intended to do so by the congressmen who voted for them piecemeal. But they constituted the full armory of economic policies required to manage a modern economy.

The New Dealers took on this assignment of social management with a zest that set them apart from their predecessors. It was soon obvious that more was involved than merely "the economy" in the narrow sense. Before the 1930s were over, the New Deal had made important efforts to extend social policy to touch population distribution (now called national growth policy), land use, and science and technology. *Planned social development required that the strategic points of contact between policy and society be subjected to collective influence.* Roosevelt and his generation seemed to have located most of these. Only population size did not occur to them as an important agenda item; everybody thought the population was shifting toward stability or even decline.

All of the above was aspiration, and only that. The government in the 1930s never fashioned comprehensive policy in all of these areas. The planners were not up to the task they wished to assume, and even if they had been, the political environment was hostile. Efforts to enter new fields such as land-use or population distribution were substantially defeated. But the strategic points where public policy must be engaged were identified.

A second prerequisite in a planning society is a set of capacities institutionalized and meshed as a process at the center of government (and then effectively regionalized and decentralized). These were not available to Roosevelt when he came to Washington in 1933. The first Sunday of his presidency he wheeled himself into the Oval office, rang a bell, and no one answered! Had he lined them all up, his personal staff would have amounted to a cook, butler, handful of secretaries, two male aides, and a Navy doctor. The president had in his direct service no economists, scientists, statisticians, lawyers, philosophers, nor futurologists.

Through the 1930s, FDR tried to remedy the chief executive's weaknesses by strengthening—or initiating—the capacity for economic and social accounting, forecasting of future trends, technology assessment, and federal policy coordination. All of these capacities he tried to achieve through that interesting and ill-fated institution, the National Resources Planning Board (NRPB). The board spent up to \$1 million a year on studies of future trends, the analysis of social as well as economic data, and the setting up of state planning agencies. NRPB was greatly interested in natural resources and had a special affection for long-range thinking. It also made a futile attempt, at the president's bidding, to do what the cabinet clearly could not do, coordinate administration policy. The board was abolished by the congress in 1943.

A final but important institutional barrier to plan, rather than crisis-oriented government, was the reorganization of the executive branch which FDR sought with the help of the Brownlow committee of 1936-1937. Here, too, he was defeated. So, planning was tried a little bit in America in the 1930s, and also through the ill-fated National Recovery Administration, but it did not take.

True, the onset of World War II required four years of relatively comprehensive planning. But this interlude was seen as unique, and the planning apparatus was dismantled in 1945-46 without leaving much institutional trace. From the end of the war until the 1960s we did not talk about national planning anymore in this country, except to condemn it as a mistake that Communists and sometimes Socialists made in the far reaches of Europe.

THE NECESSITY FOR PLANNING

By now you may have anticipated the argument. As the current political economy has developed its flaws and faltered, the alternative that comes forward more irresistibly has American origins but few call its name in friendship—planning. There has been no general announcement of its revival, not because there is a conspiracy of silence, but because the idea of planning has been so deeply buried that busy people who groped for institutional solutions to governmental problems did not see the direction in which they moved.

I spoke earlier of one element in planning a political economy, that is, comprehensive national policy at all strategic points of social change. The recent drive for coherent energy, transportation, food and fiber, health, and other substantive policies are not yet successful thrusts, but rather signs in the wind. Areas forbidden to the New Dealers have now been entered by the national (and often

lower levels of) government. Population distribution became a vital interest of congress when it passed Title VII of the Housing and Community Development Act of 1970 (and the Rural Development of 1972) requiring the president to help develop a national growth policy by producing a biennial national growth report. National land use planning has been on the legislative agenda since 1970, has passed the senate twice, and is very much alive as a policy issue. Without a national land-use planning law, we have edged into national land-use planning through environmental controls begun in 1969, such as flood plain insurance legislation and the 1972 Coastal Zone Management Act. Since 1969, with the National Environmental Protection Act, we have seen a quantum jump in political involvement in resources use and environmental protection.

Even population size has been squarely placed on the national agenda. President Nixon's population commission went so far as to call for population stabilization as a national goal, and a joint resolution to that effect was introduced in 1971. It is only a matter of time. I need not mention the emergence of an Incomes Policy, as represented by Kennedy's guidelines, or Nixon's 1971-74 controls.

The move toward a planning system is now less than a matter of enlarging governmental contact with all strategic points of social change as rapid evolution toward planning capacities at the center. In 1971, President Nixon established the Domestic Council for horizontal policy coordination, forecasting, and social accounting. He had shown strong interest in these capacities in the establishment of the short-lived National Goals Research Staff in 1970. The executive order setting up the Domestic Council reads very much like FDR's words in launching the NRPB, even if the Domestic Council did not evolve into a central coordinating institution as Nixon intended. Johnson and Nixon, especially the latter, worked for functional reorganization of the executive branch. A national commission on supplies and shortages is now at work, following Nixon's materials policy commission. Congress has provided itself with an office for technology assessment. It also has a new budget procedure with staff support for policy review and long-range budgetary projections. Since 1967 there has been legislation in the senate hopper for social accounting.

Franklin Roosevelt would see a pattern in all of this. Points of policy leverage upon social development are being re-examined in the hope that federal policy might be made more coherent, anticipatory, informed by adequate data, and disciplined by explicit national goals. New policy areas, especially population distribution

and land-use, are being reconnoitered prior to the design of appropriate national policy.

Is this planning? Not yet. It is only a resumption of the movement toward planning started in the 1930s. We are in another planning era, this time without the institutional, political and intellectual obstacles that defeated planning in the 1930s.

Planning, while not equally popular in both parties, was legitimized as a bipartisan issue during the Nixon administration. Americans have discovered that planning is not synonymous with socialism. To the consternation of Socialists, some citizens now believe it is the only way to defeat socialism. Japan and France, steadfastly capitalist societies, have been planning since the 1950s. They pioneer in "indicative planning" which binds the government to certain goals and procedures but which is only advisory and offers encouragement where the private sector is concerned. With the discovery of indicative planning suited to capitalism, where command planning on the Eastern Europe model was not, the planning movement in America finds its common ground with moderate political opinion.

"And so it is planning," I said to John Ehrlichman one sunny day in 1974," that has been emerging in this country and that the Nixon administration has shaped to its own conservative tastes." He was not surprised, but preferred to call it "better social management". To each his own in terminology. Planning is the systematic management of assets; it is also comprehensive, future-oriented intervention disciplined by national goals. We are today involved in what appears to be a rapid evolution of our political economy toward a planning system.

The whole intellectual climate is shifting. Walter Rostow, an economist prominently identified with the older liberal view that the government's job was to produce growth through fiscal policy and that growth would solve social problems, has recently shifted ground. He writes in a 1975 publication of the U.S. Chamber of Commerce:

We are and shall remain in a world where certain types of energy and agricultural output, certain levels of purity in the air and water, certain kinds of raw materials production are achieved and sustained in our own country and in other regions of the world. And it is my central judgment that the approximation of those targets requires a significant degree of national and international planning which is not now taking place.

Senators Hubert Humphrey (D-Minn.) and Jacob Javits (D-N.Y.) introduced a national planning bill in 1974. Many have followed, such as that proposed by Rep. Richard Bolling (D-Mo.) in the house. And the Humphrey-Hawkins Full Employment bill which was endorsed by every major Democratic candidate for president, and which very narrowly failed of a vote in both houses this session, is a planning bill.

These are only trends and changes in the political environment. Vast changes in the American and world economy are also altering the economy side of political economy—toward interdependence, altered views of property rights, and the necessity for management. That we will enter a more collectivistic age is inevitable. Can we make it collectivism openly arrived at, based upon the real and sustained consultation of affected individuals? Can we suffuse our social controls with respect for individual rights, a commitment to what we call due process? Can we extend public control where inescapably required by the public good, and still recognize the irreplaceable role of the marketplace where individuals under certain conditions can and do exercise an important degree of personal choice?

These are the questions we face. Many are still frightened at the idea of planning. They do not see that freedom is narrowed by chaos and short-sighted interventions, that it may be preserved and even enlarged only by social action which is rational and comprehensive and tries to see the whole. But those who fear are not without their fundamental insight. Social engineering is terribly dangerous. The arrogance of the managers often outruns their vision or judgment. If there is to be engineering, it must be by all of us. The design of accountable systems of power is this generation's assignment—urgent, hazardous, but unavoidable. The presidency will and must remain a powerful policy-initiating and administrative position. Yet we must check that managerial power with a congress adequately staffed to participate in modern management, with a vigilant press, with a pluralistic, independent and perpetually skeptical citizenry.

It is not Watergate which makes the discussion, selection and implementation of reforms imperative. It is the impending strengthening of the power of social management vested in a free people's elected government.

Among all the radical futures which are our only choices, the most congenial to a freedom-loving as well as an affluence-loving people, will be a planning future. To the design of that new

political economy one may now summon friends of both liberty and order. For it is its design, not its necessity, which is the great question now facing this transitional generation of Americans.