THE PLANNERS OF THE WESTERN WORLD

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THE PLANNERS OF THE WESTERN WORLD

by Robert Lekachman

While we oftentimes don't admit it, a good deal of government planning does take place in the United States. But it is a far cry from the rigid—and autocratic—system that prevails in France.

One of the more startling postwar economic developments in the United States and in Western Europe has been the acceptance of the idea that it is no longer possible to allow modern economies to function freely as fate and fortune dictate.

In the United States the passage of the 1946 Employment Act and in Britain the promulgation of the 1945 White Paper on Employment testified to the acceptance of the target of high employment as an appropriate object of public concern. In Italy, France and West Germany the urgencies of postwar restoration of wrecked economies and disorganized societies seemed to render natural and inevitable a coordination of national effort which required powerful government action.

Risky as it is to generalize about the objectives of various governments at various times, it is safe to say that all these governments at the minimum shared an attachment to high employment, stable prices, and rates of economic growth ample enough to permit both substantial investment and steady improvement in national living standards.

With the limited exception of the British Labour party's first terms of office (1945-51), these governments conspicuously did not seek to alter substantially the existing distribution of income either as between rich and poor or, what is not quite the same thing, between earned and property income. Nor again, with the partial exception of British nationalization, was there a sustained attempt to convert private into public property. Indeed, the left wing of the British Labour party aside, socialists all over Europe appeared to have lost the ancient radical confidence that socialism and nationalization were inseparable twins.

Even in Britain in 1966, it is plain that steel renationalization is the last portion of an outmoded economic program and the fulfillment of an electoral pledge rather than the initial step in a wholesale take-over of private capitalism. The distance between the West German Christian Democrats and their major opposition, the Social Democrats, has so narrowed that in the last election it amounted to scarcely more than the sharp personal contrasts between Ludwig Erhard and Willy Brandt.

Why the fires of ideology have, for the time being at least, burned themselves out is no simple question; but a part of the explanation is to be found in the perception by radicals as well as others that an economic system is an immensely complicated set of arrangements, difficult to control in anybody's interest and still harder to alter significantly without a major disruption of production and standards of life.

Although Britain's economic malaise has many causes, one of them may have something to do with a rather simpleminded, uncoordinated series of nationalizations in the immediate postwar years, which advanced neither the cause of efficiency nor of equity.

Another reason for the blurring of old-fashioned class-war politics is the changing nature of the modern large corporation. It is not essential to share A. A. Berle's confidence in the emergence of a new social consciousness among businessmen to observe that the large corporation is now not only deeply entwined with political processes but aware of its new position. The alertly led corporation operates out of some combined economic, political and social judgment of the effects of its major pricing and producing decisions, if only out of the knowledge that too conspicuous a disregard of current norms of enlightened corporate action will evoke not only public disapproval but governmental intervention, as well.

Indeed, in all the major nations of the NATO alliance what is emerging seems to be a complex assortment of public, private and mixed activities—government corporations in which private investors have a voice; or private corporations in which the government has a major role (as in our communications satellite program); nationalized enterprises like the British railways and coal mines which are directed to make profits, or at the least avert losses; private corporations which are in effect instrumentalities of government (like our airframe and electronics industries); and all manner of major institutions like universities, foundations, Blue Cross and Blue Shield.

Is it possible to make a modicum of sense out of the nature of the role of public planning in these variously mingled economies? Let me suggest quite tentatively that a certain amount of evidence exists that the kind of planning going on in the West appears to follow one of two major models—the French and the Anglo-American.

French-style indicative planning lies somewhere between the coercive central direction of old-style Soviet planning and the vague statement of goals without provision for their attainment, which until recent years seemed to describe British and American arrangements. In France successive four-year plans have set quite detailed targets for individual industries as well as for global expenditures on investment, consumer goods and public functions.

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French planning involves a great deal more than mere statements of objectives. The planners, far from vanishing discreetly from the scene once they have formulated a consistent blueprint, remain to guide, prod, all but coerce industries and firms to behave in ways which facilitate the achievement of stated targets. The planners have deployed an array of tax and investment incentives and deterrents, materials and capital controls, and import and export tax variations. Direct government interventions have been deliberately selective, encouraging and rewarding the efficient, and discouraging (or even bankrupting) the inefficient.

By Anglo-American standards, the French approach has been rather highhanded. The plans are devised exclusively by technocrats—the intellectual elite of lawyers, economists and administrators who have survived the grueling experience of the French education system and emerged as honor graduates of *les hautes ecoles*. The role of labor unions has been very small in the definition of planning goals and in the actual operations of the plans. Parliament has had little opportunity to debate the plans, less to alter them, and least of all to oversee their application.

It is no doubt true that French capitalism never quite freed itself from alliance and dependence upon government—or from traditional cartel arrangements. But in the context of the present planning system, this consequence of French history must appear highly convenient to the tidy operation of a central plan.

French planning seems to have worked. French businessmen, often deeply involved in the shaping of the plans, have learned to believe in plan forecasts and, in so believing, have expanded plant and enlarged productive investment in the confidence that markets for finished products would grow rapidly. Though ignored in the councils of its betters, French labor has enjoyed the comforts of rising wages, steady employment and moderate increases in social services. Large portions of industry have been modernized to such a degree that French manufacturers, once barely able to subsist behind high tariff and quota protection, have become increasingly competitive in European and even world markets.

Moreover, until quite recently these achievements have taken place to the accompaniment of a very presentable degree of price stability. At the least, indicative planning and French economic revival have coincided. But we should be wary in alleging that the first caused the second.

What are the distinctive features of the Anglo-Saxon mode of planning? Is planning indeed even the right word to describe the ad hoc evolution of public policy in both countries?

To begin with, both nations prefer general controls to specific, detailed interventions; and when, as in incomes policy, their leaders do turn to microeconomic actions, they endeavor to make them conform to some general, publicly stated rule. Both England and the United States have deployed tax variations, alterations in public expenditures, and consequent budget deficits or surpluses as tools to stimulate or check aggregate demand, output and employment.

Long routine in Britain, fiscal policy achieved its major American breakthrough with the passage of the Kennedy-Johnson Revenue Act of 1964. But this Act was itself foreshadowed by Kennedy Administration decisions to press for an investment tax credit and liberalized depreciation guidelines, both designed explicitly to enlarge business investment.

In both countries monetary policy has been the active, on occasion the dominant, partner in general control of the economy. In October, 1964, when Harold Wilson assumed office in the middle of a major sterling crisis, the most important step which he took was a sharp rise in the bank rate to the crisis level of seven per cent (to which it has recently returned). Since late 1965 the Johnson Administration has tacitly permitted the Federal Reserve

System to bear the brunt of counterinflationary policy in an election year when the Administration thought tax increases politically dangerous.

What is interesting in the present context is the movement of English and American political leaders beyond fiscal and monetary policy in the attempt to resolve an important dilemma: the very measures which promote full employment tend to raise prices at undesirably rapid rates.

Although the problem is more acute in England, where productivity gains have been small and price increases have been large, American and English responses contain similarities. England has experimented with an Incomes Policy designed to persuade unions to restrain wage demands and capitalists to moderate price increases. The Prices and Incomes Board has powers at least of publicity and investigation regarding wage and price changes. Currently before Parliament is an Early Warning Bill which will compel unions on pain of substantial fines to give advance notice of wage demands.

The American analogue is the occasionally praised and much more frequently assaulted wage-price guideposts. These familiar criteria are efforts to relate wage and price increases to productivity increases. The current guidepost is 3.2 per cent, which represents the average annual increase in productivity throughout the private economy during the past five years.

Indeed *if* unions were docile, *if* exceptionally efficient companies reduced prices, *if* exceptionally inefficient firms raised them, and *if* the bulk of all enterprises held prices steady, then average 3.2 per cent wage gains would be consistent with a stable price level.

This, however, is not the place to point out the flaws in guidepost concept and application (see "What the Steel Settlement Means," CHALLENGE, Nov./Dec., 1965). What is important is the number of interventions President Johnson has made in the interest of guidepost criteria. A long list includes steel, copper, aluminum, cigarettes, molybdenum, and a number of wage negotiations, notably in construction industries.

In other words, without very much legal authority, without so much as a statement of Congressional sentiment, two Democratic Presidents have been led to intervene quite directly in the setting of specific prices and wages. What has occurred so far suggests two conclusions: incomes policy has been perceived as a necessity by our elected leaders, and current actions are experimental and transitional, presumably on the route to more extensive, more consistent and more legal interventions in the future.

At this juncture it is well to make a qualification. In the United States less than a complete consensus has been achieved in the use of the potentially coordinated tools of economic policy. The public at large is still reluctant to accept the logical reversibility of fiscal policy—the desirability, in times of excess demand, of raising taxes. Higher interest rates arouse resentment not alone in the hearts of thwarted borrowers, but also in the spirits of influential Congressmen like Wright Patman. The wage-price guideposts have never won AFL-CIO endorsement, and they have been breached on countless occasions by both corporations and unions.

Nevertheless, the direction of American policy, like the drift of British policy, is reasonably clear. It is in the direction of more and more consistent application of a combination of fiscal, monetary and incomes policies to an economy occasionally menaced by inflation, frequently by unemployment, and too often by inadequate rates of economic growth.

Possibly because her problems are more acute, Britain is likely to be ahead of America in devising such policies. One case in point is the Selective Employment Tax just proposed by the Wilson government. In essence this device will penalize (by taxing) employers in the service trades and reward (by subsidizing) other employers in manufacturing indus-

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tries. It is a delicate attempt to shift workers from the relatively overstaffed, low-export service sector to the relatively efficient, high-export motor, machine and metal industries.

It would be an optimist who alleged that this model of intervention has completely succeeded either in England or the United States. Although England has long enjoyed full or even overfull employment, her economy has been seriously damaged by low productivity, intolerable inflation and lagging exports. As for the U.S., it is only in the last years that we have come within shouting distance of full employment, and already price inflation threatens the stability of the achievement.

All the same there is something to be said for the Anglo-American mode of operation, especially as a potentially satisfactory technique, and much to be noted in criticism of the excessively praised French model.

Above all, French planning is contrary to democratic principle and practice. French planners discriminate among business firms simply in the interests of planning objectives, not because an objective rule of law justifies their action. The plan is pervaded by an elitist notion of what's good for everybody, which is quite distasteful to the American palate.

No doubt the French procedures accord well with French tradition, the time-honored importance of cartels, and the quasi-authoritarian mold in which De Gaulle has cast the French nation. Evidently a replication of the French system is neither possible nor desirable in countries where the legislature is strong, labor unions cannot as readily be shunted aside from the process of public decision making, and cartels are stigmatized as evils.

Undoubtedly it is highly unlikely that American and British planning will ever approximate French consistency and logic. Nevertheless, American-style emergent planning is friendlier to influence from diverse sources, far less exclusive in its recruitment of planners, are infinitely more open to democratic guidance.

Thus far in both England and the United States, the timid, initial steps taken toward public planning have tacitly left untouched existing distributions of wealth and income; and the Johnson Administration has managed to combine a discreet increase in welfare benefits with a firm alliance with big business. Nevertheless, there is still more room for initiative in the Anglo-Saxon countries than in France.

With all due respect to French achievements, it might seem best for Englishmen and Americans to concentrate on improvement of well-known tools of economic administration and to repine somewhat less at the untidiness, inconsistency and occasional stupidity of public policy in democracies. ■