National economic planning: a slogan without substance

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Americans habitually avoid systematic discussions of fundamental principles. There have been exceptions, of course—indepen-dence from England, slavery, isolationism, and involvement in Vietnam being the most notable—but it is striking that each of these great debates was closely intertwined with the question of war.

If the prospect of war has tended (as Dr. Johnson said of hanging) to “focus the mind,” the prospect of national economic planning in America has not. The problem is not primarily one of rhetorical excess. There has been some, to be sure, nicely balanced between jeremiads lamenting the “serious threat to the welfare and freedom of our citizens” posed by planning (Thomas A. Murphy, chairman of General Motors), and warnings of enthusiastic partisans that “the alternative to planning...is disorder and drift” (economist Robert Lekachman). In fact, however, the discussion to date has suffered far less from hyperbole than from vacuousness, and we have considerably more to fear from the latter. The vast center of American public opinion seems perma-

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nently inoculated against contagion from ideological systems of the left or right. Appealing goals clothed in high-minded generalities, however, are quite another matter; they seem to go directly into America's bloodstream. Indeed, the more universally desired the goal and the more abstract its formulation (the two conditions are, of course, closely related), the more beguiling it tends to become.

So it is with national economic planning. The notion of planning—the explicit specification of desired goals and the means for achieving them—possesses the same kind of plausibility that any "rational" and "comprehensive" method has in a sophisticated, modern society afflicted with unforeseen, apparently random ills. Moreover, its objectives are humane, eminently desirable, and often achievable (at least if taken individually).

The case for planning

Perhaps most important, the argument for national economic planning is often made to rest upon factual premises that are, for the most part, incontrovertible. First, by historical standards the American economy has performed quite poorly during the last five years. High and persistent unemployment; intractable inflation; the weakness of the dollar in international markets; shortages of critical raw materials; environmental degradation; the bankruptcy of major corporations and chronic subsidization of important sectors of the economy; increased labor strife, particularly in the expanding public sector; erratic swings in the bellwether housing industry; widespread concern about capital shortages; relatively low levels of new capital investment; massive and politically uncontrollable federal deficits—these are some of the disturbing symptoms of contemporary macroeconomic pathology.

Second, some of the most profound shocks to our economy have taken us utterly by surprise. Few economists (except in retrospect) predicted the flattening of the Phillips curve (which defines the "trade-off" between inflation and unemployment), the rapid decline in industrial production in 1974-75, the double-digit inflation of 1973-74, the quadrupling of petroleum prices in two years, the duration of the OPEC cartel in the presence of large oil surpluses and excess capacity, the demise of major commercial banking institutions, the sudden imposition of wage-price controls, the enormous Soviet grain purchases, or the floating of the dollar. Looking back upon the wreckage of economic prognostications
during this period, it is tempting to assume that there must be a better way to make economic policy than by simply reacting to cataclysmic events.

Third, many institutions in our economy already engage in long-range planning. Large corporations have done so for many years, and planning by state and local institutions has been encouraged by federal policy since the Section 701 grant program was inaugurated with the Housing Act of 1954. The federal government has steadily enhanced its formal coordinating capability, most notably through the growth of the Executive Office of the President, the new Congressional Budget Office, and planning requirements in much recent federal legislation. Polling evidence suggests that most Americans no longer perceive planning as an alien concept synonymous with socialism.

Fourth, many other nations engage in what is called national economic planning, and some of them, most notably Japan, France, and Sweden, have achieved real economic growth while retaining democratic political systems.

Fifth, dislocations and changes in one sector of the economy inevitably affect the performance of other sectors. Wage settlements in the steel industry, for example, quickly ramify, affecting production, distribution, and consumption patterns throughout the rest of the economy. As our society grows more complex and interdependent, the need for coordination increases, and planning purports to address this need.

Sixth, the information base concerning the nature and dynamics of our economy is extremely primitive, impairing our ability to make public policy judgments. Surprisingly little is known, for example, about the characteristics of the unemployed, about the effects of unemployment compensation upon their job-seeking behavior, and about the actual effects of public-service job programs on total employment. A planning system, it is argued, would generate such information and make rational policy-making possible.

Finally, the market system is deficient in many respects as a mechanism for allocating scarce resources. It often seems to perform in unpredictable, undisciplined ways, creating waste and satisfying private wants rather than urgent public needs. Senator Javits recently noted that "there are vast sums available for violent or simple-minded television programs, but in too many cases our education system produces virtual illiterates. Could we not strike some better balance?" National economic planning, he hastened to add, would do so.
The formal scheme

The proponents of national economic planning, to their credit, have taken pains to describe for us what the planning process might look like, at least at the level of formal organizational structure. This scenario has been infused with legislative life in the "Balanced Growth and Economic Planning Act of 1976," drafted by the Initiative Committee for National Economic Planning (chaired by United Auto Workers president Leonard Woodcock and economist Wassily Leontief), and introduced by Senators Javits and Humphrey in May 1975. The authors fully recognized that the legislative process would knead this proposed planning structure into a somewhat different form. Indeed, only nine months later, the Javits-Humphrey bill had been supplanted by the Humphrey-Hawkins bill, and "economic planning" had vanished from the title of the bill, though not from the body: Advocates of planning could take some comfort in this change, however, for Humphrey-Hawkins was subsequently endorsed by all the Democratic Presidential aspirants, Jimmy Carter included.

Humphrey-Hawkins envisions a planning procedure that, however ambitious, is somewhat more modest than that of its precursor: preparation by the President of an annual "Full Employment and Balanced Growth Plan" proposing "in quantitative and qualitative terms...long-term national goals related to full employment, production, purchasing power, and other essential priority purposes, and the major policies and programs, including recommendations for legislation, to achieve such goals and priorities." The Plan would predict economic and social trends, estimate national "economic and social needs," and identify the "human, capital, and national resources necessary to fulfill the Plan's goals." Only one goal is specified in the legislation—full employment, defined as no more than three per cent adult unemployment within four years.

The implementing policies and programs to be proposed in the Plan to achieve this and other Plan goals need only be detailed enough "to furnish an integrated perspective" of needs and capabilities and to serve as "a long-run guide to optimum private, federal, state and local government action." Initially, however, the "priority policies and programs" are to include:

1) development of energy, transportation, food, small business, and environmental improvement policies and programs required for full employment and balanced economic growth, and required also to combat inflation by meeting full economic levels of demand;
2) the quality and quantity of health care, education, day care, and
housing essential to a full economy and moving gradually toward adequacy for all at costs within their means;
3) federal aid to state and local governments, especially for public investment and unemployment-related costs;
4) national defense and other needed international programs; and
5) such other priority policies and programs as the President deems appropriate.

Humphrey-Hawkins also provides for consultation on the Plan with state and local government, a broad-based advisory committee, and Congress (through its normal committee structure, although with expedited procedures). When Congress, by concurrent resolution, adopts some version of the Plan, that resolution “shall serve as a long-term guide” for legislation relevant to its version, which shall be transmitted to the President “for such actions as the President deems appropriate.”

This, then, is the proposed scheme for national economic planning. Like any formal structure, however, it is an empty vessel whose significance depends entirely upon its contents. What is perhaps most singular about the debate over national economic planning is how little attention has been paid to the content, the substance of planning.

As we have seen, proponents of national economic planning have been content to rest their case essentially upon dissatisfaction with existing economic and social arrangements and conditions, inferring that with a more rational, foresighted approach to economic life—national planning—we can do better. That inference, however, is a logical fallacy; one cannot derive the efficacy of policy B from the deficiency of policy A. If national economic planning is desirable public policy, it must be because it is both conceptually sound and consistent with the political reality in which it must necessarily function. Unfortunately, it is neither.

**Ignorance and conflicting goals**

Alan Altshuler, a student of the theory and practice of planning, has captured the essence of its conceptual and practical dilemma: “Those who contend that comprehensive planning should play a large role in the future evolution of societies must argue that the common interests of society’s members are their most important interests and constitute a large proportion of all their interests. They must assert that conflicts of interest in society are illusory, that they are about minor matters, or that they can be foreseen and
resolved in advance by just arbiters (planners) who understand the total interests of all parties.”

American society is characterized by an extraordinarily rich profusion of sharply conflicting interests and values. James Madison observed that America could hope to do no more than control such conflict, which inhered in the nature of man and could be eliminated only by “destroying the liberty which is essential to its existence.” His solution lay in growth and expansion: “Extend the sphere and you take in a greater variety of parties and interests,” thereby preventing any special interest from being able to “outnumber and oppress the rest.” That advice seemed eminently sound in 1786 when it was written. In a world of closed frontiers and sharply curtailed economic growth, however, it serves only as a quaint reminder that fundamental conflicts of values and interests are immutable and will almost certainly deepen.

Even the few goals mentioned in Humphrey-Hawkins are, to some extent, mutually inconsistent. Thus, even those economists who dispute the traditionally understood shape of the Phillips curve acknowledge that pursuit of “full employment” entails some sacrifice of “purchasing power,” i.e., price stability. Similarly, meeting “national needs” in transportation necessarily implies, in a world of scarce resources, that national needs in some other areas, such as housing or education, cannot be fully met, even if such “needs” could somehow be determined.

There is another fundamental reason why specifying the goals of a national plan is an essentially meaningless exercise. Goals only have value to the extent that we strive to achieve them. And in order to attempt that, we must first have a theory of social causation. That is, even if we could agree upon abstract goals (“clean air,” “quality education,” “balanced growth”), and even if we could somehow reduce those goals to operational proportions (“emissions at five per cent of base year levels by 1978,” “a college education for every high school graduate who wants one,” “average wage increases not in excess of productivity gains”)—a process that itself generates additional conflict—we must still decide how to get from here to there. To do that, we must understand how society “works.”

The state of the art of social engineering is, to put the very best face on it, rudimentary and underdeveloped. Reasonable persons may differ as to whether this ignorance about the workings of social processes is an inescapable consequence of their inherent complexity, or whether our social scientists and policy analysts sim-
ply have not yet had enough practice. My own conviction is that this ignorance can be dispelled only marginally at best, and that the kinds of propositions about social causality explicit or implicit in any national plan worthy of the name will be exceedingly problematical.

Our efforts to program large-scale social change, even in relatively narrow policy areas, have persistently failed to achieve or even approximate their original objectives. Thus it is generally conceded that urban renewal succeeded only in reducing the total housing stock, diverting the displaced poor into more expensive (and often inferior) housing, and hastening the demise of many small businesses, while effecting little significant improvement in the urban tax base. Federal efforts to forge a national transportation policy and regulate it into existence have culminated in the bankruptcies of major railroads, a highly wasteful trucking industry, and an airline industry that depends upon insulation from competitive forces. Welfare policy, by most accounts, has increased dependency and the isolation of the poor, and created a welfare bureaucracy refractory to reform of the system.

Can one seriously maintain that these (and many other) social interventions have miscarried only because they were "not sufficiently well coordinated," or were "inadequately funded," or were administered by incompetent or hostile agencies? Of course, such propositions can never really be tested; indeed, that fact may in part account for their widespread acceptance and persistence. It seems far more plausible to conclude, however, that we simply do not know how to build urban communities, fashion a national transportation system, or eliminate social disintegration, much less accomplish all of these objectives simultaneously through an integrated strategy or plan. Moreover, most social theories that we do possess can never really be tested, nor can they swim against the tide of political and economic constraints. The politicians and the public will never sit by quietly while the social scientists perform controlled experiments (if indeed such experiments were even possible in principle), nor will there ever be "enough" funds (whatever that means) allocated to such programs.

The state of the economist's art

If social theory is primitive, macroeconomic theory—a field that only a dozen years ago seemed to many to have attained the status of a science—is in utter disarray. It is not simply that the
economists differ among themselves about the basic elements of such policy (though that is certainly the case). It is that no theory seems capable of explaining the turbulent economic environment of the recent past. Indeed, as MIT economist Peter Temin has recently pointed out, "our inability to settle on a single story of the Great Depression, or even to devise powerful tests of alternative stories, suggests that a certain diffidence with respect to current policy prescriptions is in order." He concludes that "in a serious discipline, it must be a cause of concern that one of the major events in our economic history is still so poorly understood."

Our most sophisticated understanding of the national economy—its important variables, their complex interrelationships, and theories of economic causality—is summarized in a handful of econometric models of the American economy that are employed by major consulting firms, large corporations, and government decision-makers. Great success has been claimed for these models (especially by their authors) and they are certainly among the best macroeconomic policy-making instruments we possess. Three economists recently used each of eight leading econometric models to ask two basic questions: First, in terms of the inflation rate and other economic indicators, what difference would it have made if President Johnson had imposed a permanent 10 per cent tax increase in 1966, instead of relying upon monetary expansion to help finance the expanding Vietnam War? (Almost all economists, including Johnson's chief economic adviser, had urged such a course in order to restrain the progress of inflationary pressures into the 1970's). Second, what alternative mix of fiscal and monetary policies during the period 1971-74—compared with the actual policies pursued—would have substantially improved the performance of the economy?

For those who believe that national planning would significantly improve matters, the preliminary results of this experiment must be unsettling. Despite numerous assumptions that greatly simplified and minimized the actual uncertainty of choices confronting actual decision-makers, the tax increase would have done "little to restrain inflation over the next nine years or to prevent instability in output and employment during the early 1970's." As for the efforts to design economic policy superior to that pursued from 1971-74, there was an "even wider dispersion of results" among the eight models "even as to the direction of policy (until 1974) as well as to magnitudes and combinations of different [policy] instruments." The researchers ended by confirming the conclusion of an
earlier comparison of models: "[The econometric models] disagree so strongly about the effects of important fiscal and monetary policies that they cannot be considered reliable guides to such policy effects, until it can be determined which of them are wrong in this respect and which (if any) are right." Reflecting upon this research, one economist has asked the inescapable (if unduly harsh) question: "If the best of the modern day economic policies—even with the benefit of hindsight not available at the time—couldn’t produce any better results than what actually occurred, does the economist have merely a marginal usefulness to society?"

Another chastening experiment was recently carried out not on the computer, but on the American consumer. I refer to the economic stabilization program of 1971-74. While this program was not national planning, it nevertheless was as close as our government has come since World War II to imposing centralized discipline on the economy. The results would be comical were it not for the damage to consumers that they reveal. In the eight months prior to the August 1971 freeze that inaugurated the program, the annual rate of inflation was 3.6 per cent, considerably lower than the inflation rates for 1969 or 1970. With the exception of the initial three-month freeze (Phase I) which held the rate to a two-per-cent level, the program accomplished an ever worsening cycle of inflation, interrupted only by a brief hiatus in 1973 (during which the annual inflation rate was held to 3.8 per cent). Whereas the eight months prior to Phase I had witnessed an annual inflation rate of only 3.6 per cent, the final eight months of controls managed to achieve the double-digit rate of 11.5 per cent, and the eight months following the termination of controls swelled the inflation to a staggering 12.2 per cent annual rate.

This is a stupefyingly dismal record of failure (although one which economic theory could easily have predicted), yet there are those already poised to try again. Their reasoning is that if the controls had been administered by officials (unlike those of the Nixon Administration) who really believed in them and wanted them to work, the program would have succeeded. Although there is little reason to believe that this is true, it is one proposition that may be tested all too readily in the future.

The number of important economic developments in the last few years that economists failed to predict (except, perhaps, in retrospect) is striking. Many have been mentioned above. These predictive failures imply the absence of an adequate theory of causation in a complex domestic and international economy.
What is perhaps even more disturbing, given the imminence of national economic planning, is the abject poverty of our economic statistical base, upon which even a good theory must be grounded. In recent years, the inadequacy and inaccuracy of a broad spectrum of economic indices—including the wholesale price index, the consumer price index, the unemployment rate, and business inventory levels—have become quite evident. The wholesale price index, for example, reflects only list prices rather than actual transaction prices (which are often lower) and uses anachronistic seasonal adjustment factors; yet it is considered a bellwether statistic in economic forecasting.

Often the deficiencies of these indices become apparent only long after they have seriously misled policymakers. Herbert Stein has noted several examples: “In late 1972 and early 1973, both fiscal and monetary policy might have been more restrictive if the extent of the shortages in key industries had been appreciated. In 1974, policy might have shifted to a less restrictive posture earlier if the true amount of inventory accumulation had been known. In the middle of 1975, uncertainty in prescribing economic policy was increased by the fact that statistics from household surveys showed employment rising rapidly and statistics from employers’ reports showed it rising slowly. . . . There is probably another layer of errors where we never did learn the truth.”

**Comprehensiveness and control**

Comprehensiveness lies at the core of the planning “science.” Because planning is an effort to rationalize and harmonize an intricate system of interrelated, potentially conflicting parts, it can succeed only if each of those parts is comprehended and coordinated in the plan. National economic planning must view the economy as a whole, considering each of its many intertwined sectors. If the plan embraces less than the whole, it loses its claim to rationality, for the planner’s credo—like the ecologist’s—is that complex environments are “systems” in which the first principle is that “everything is related to everything else.” The difference is that the ecologist draws from this a policy of “do not disturb,” while the planner’s very raison d’être is to disturb existing social and economic patterns.

This complexity is at least as true of the modern post-industrial economy as it is of the ecology. The national economic planner, therefore, must necessarily understand and plan for not only tradi-
tional economic sectors (such as extraction, production, distribution, retailing, transportation, money and banking) and those sectors that support basic economic functions (such as education, energy, land use, technology, natural resources, housing, and human resources), but also those private decisions that affect the economy indirectly, but significantly nonetheless. Perhaps the most obvious of these is the growth and distribution of population, and it is no accident that Otis Graham, Jr., a historian and enthusiast of national planning (with a capital "P," as he never fails to remind us), has referred to the movement for a national growth policy (NGP) as the "closest approximation of a drive for national Planning since the Planning movement of the early 1930's." Graham (after acknowledging the meaninglessness of the first two biennial NGP reports—the third was just released) notes with approval the irresistible logic of comprehensive planning:

...economic Planning is not Planning at all, but merely planning. It is a way station on the road to social Planning; many societies have rested there for years, even indefinitely. When the momentous step is taken to finally set up a national economic Planning apparatus with that explicit function, it is usually some time before leading economic and political groups are comfortable with the presence of a planning commitment, staff, and process. Yet before long the logic of planning thrusts against these barriers, and it is seen that Planned social management must be broadly social, not merely economic in the narrow sense. Everything relates to everything. Thus public authority must explicitly encompass questions of population growth and distribution. A nation without a national growth policy may have a national planning staff in a building all their own, turning out five-year plans full of impregnable equations. But there is not yet Planning.

This comprehensiveness and scale clearly distinguishes economic planning (even with a small "p") from the kind of corporate planning that is often pointed to as a model for a system of national economic planning (although several studies indicate that business in fact does precious little of it). A more basic difference is that when government plans, it is in a far better position than even the most powerful corporation to manipulate the social environment in pursuit of the plan's objectives. And if corporate planning is to be looked to as a standard, it may be well to heed Murray Weidenbaum's observation that for years, the leader in long-range business planning was Lockheed.

Like Sisyphus, the national economic planner will see the cherished goal of comprehensiveness ever slipping away from him, for as time goes on the various parts of the economic system
become more, not less, interdependent and the feedback loops become more, not less, attenuated. Perhaps the most dramatic example of this is the increasing extent to which our economy is affected by international factors. A major reason for the failure of wage-price controls, for example, was the rise in the world prices, beginning in 1973, of many essential commodities above domestic control levels. Controllers confronted a Hobson's choice of maintaining price ceilings below the world price, thereby encouraging diversion of domestic supplies and capital to export markets, or acquiescing to the inflationary pressures. Similarly, changes in the value of the dollar abroad can have an important effect upon the domestic economy, a fact that has become particularly salient in the era of flexible exchange rates. Yet American policy-makers possess essentially no influence over these factors.

There is an important analogy here to the dilemma that confronts the regulator of an industry. In order to rationally regulate a market, one must regulate the entire market in order to prevent uncontrolled activities from eroding the comprehensive scheme. But in embracing this larger number and diversity of transactions, the complexity of the regulator's task—and his need for political and informational resources—increases disproportionately. Elsewhere, I have observed that this expansionary tendency almost inevitably spawns regulatory failure; the more one may regulate, the less one can regulate, relative to one's responsibilities. So it is with the planner.

The problem of politics

The mere mention of national economic planning still evokes in some American minds images of commissars and Gosplans; the Soviet Union has given planning, like socialism, a bad name. Perhaps for that reason, the proponents of national economic planning in this country have emphasized that it will be "American-style" planning, wholly consistent with our institutions and ideals. This assurance, for all of its Madison Avenue overtones, is true, almost tautological. Its truth has important consequences, not the least of which is that some of the more extreme concerns about the effects of planning on our liberty cannot be taken too seriously. National economic planning may be a step down the road to socialism, but so are income taxation, social security, and the United States Postal Service. A long journey must begin with a single step, as the Chinese like to say, but most steps lead nowhere in particular.
A more significant consequence of "American-style" economic planning is that it will be conducted in the midst of the web of American politics—which is to say that it will not be planning at all. As we have seen, planning—if it is to be an enterprise worthy of the name—must know where it is headed (the problem of goals), must know how to get from here to there (the problem of ignorance), and must be sweeping, rational, and able to manipulate the social and economic environment (the problem of comprehensiveness and control). The American political system ensures that none of these conditions will be met.

Fragmentation, decentralization, and lack of system are the very hallmarks of American society and politics, deeply embedded in our institutions. Richard Neustadt has captured this notion in describing our constitutional system as "separate institutions sharing power": the array of constitutional checks and balances between the three branches; an executive branch establishment presided over by Cabinet officials who are often political rivals of the President and who, in any event, inevitably fall under the sway of the career bureaucracies that they nominally head rather than under the influence of the short-timers in the Executive Office of the President; a "national party system" that is in fact little more than a collection of state and local political organizations, groups that are losing whatever coherence they once had to the forces of "reform" and the "independent" voter; a tradition of implementing national policy through the mediation of the state and local governments (the most recent manifestation being revenue-sharing); an expanding constellation of policy-oriented regulatory agencies that are independent of the President as a legal and structural matter, independent of the Congress as a practical matter, and uncontrollable by the judiciary except in the most extreme cases of lawlessness; a federal judiciary that has come to play not only a significant policy-making role, but a policy-implementing role as well, in areas as disparate as education, corrections, housing, health care, political party structure, and transportation; and, reflective of all the above, a political tradition of formally delegating great chunks of legal and political power to well-organized private groups.

Fragmentation, parochialism, and dispersion of power, however, reach their apogee in the Congress, which is precisely what the Founding Fathers intended. Even at the purely structural level, bicameralism, the committee system, and the two-year term obliterate any possibility of a comprehensive, thoroughgoing approach
to policy-making. No fewer than 23 subcommittees, for example, assert jurisdiction over energy policy, a fact that helps to explain the patchwork fabric (one could not in conscience call it a “policy”) that only recently emerged after two-and-one-half years of political wrangling and delicate compromise. Over the years, the perennially dismal fate of executive branch reorganization plans at the hands of Congress testifies to the jealousy of that institution over its political prerogatives and its hostility to any changes, “rational” or otherwise, that remotely threaten them. Yet such structural reorganization is perhaps the least “political” of all the items on the economic planner’s agenda. The budgetary reform recently enacted by Congress has not yet met its first real tests (which can only be provided by a Democratic administration), but there are already signs that, like its predecessor of 30 years ago, it may require more coordination and system than the institution can bear. In sum, it is deeply ironic that the most enthusiastic proponents of national economic planning tend to be the same persons who take delight in the recent resurgence of Congress and its efforts to curtail Presidential power, for Congressional government will always be the scourge of planning.

Needless to say, the political system consists of far more than formal structures (though, as we have seen, structures have important consequences for planning). And it is the politicians who operate within those structures that assure the failure of planning. Where planning must be bold, comprehensive, rational, focused on the long term, and goal-oriented, the politician is necessarily—indeed, constitutionally—cautious, concerned with compromise, bargaining, and consensus, consumed with short-term (i.e., electoral) considerations, and hostile to explicit goals. A thoroughgoing consistency, the cardinal virtue of the planner, is fatal to the politician. It is no wonder, then, that most politicians harbor deep suspicions of planners and do not yield to them any genuine influence concerning policy.

The planner who would negotiate these shoals has a simple choice: He can either adapt to this political environment or he can plan in a vacuum, unnoticed, irrelevant, and without effect. There really is no other alternative, nor is there much doubt which road the planner-in-politics will take. John Dunlop recently noted with some bitterness and resignation that the Economic Policy Board does little planning but instead spends 90 per cent of its time dealing with political considerations—more specifically, “on tactics, on how to deal with Congress.” Academic studies of other
efforts to plan broadly in the context of American politics amply confirm Dunlop's observation.

In short, the more fragmented the political system, the less political power the planner will possess vis-à-vis the politicians and well-organized interest groups. And the less power the planner possesses, the more what he does will approximate bargaining or acquiescing rather than "planning," and the less politically relevant such "planning" as he does engage in will be. It is not surprising, then, that the French planning commission, according to a recent study, "plans" by negotiating extensively with large industry, promoting greater industrial concentration, and discouraging such "irrational" forces as competition. "If ITT were a French corporation," the study notes, "the Planning Commission would be its natural ally." Nor should one wonder that a recent study of national economic planning in Japan has found that "the national economic plan has very little relevance" to macroeconomic policy, and that even at the industry level, the plan largely ignores consumer interests and tends to favor the largest firms in the industry. Such "planning," it should be noted, has not prevented Japan from experiencing the deepest and most protracted recession since World War II, with rampant inflation, unemployment at its worst levels in 16 years, and no substantial improvement in sight.

The point, of course, is that the logic of politics and the logic of planning are fundamentally different and inconsistent. The planner can survive and have influence only insofar as he submits to the "irrationality" of political life; in the process of doing so, he ceases to be a planner and his policy prescriptions lose whatever special claim to our attention they may have had by reason of their "rational" and "objective" origins.

The inevitability of planning

Thus, "American-style" national economic planning would not be planning at all and could not fulfill the objectives of planning. It could provide no coherent social goals. It could not dispel our intractable ignorance about the social organism. The more comprehensive its reach would become, the less sure would be its grasp. And its rationality would quickly dissolve in the yeasty medium of politics.

If national economic planning would accomplish little good, however, it is also likely to do little harm, if only because the dominant, and predominantly hostile, political reality to which it
must speedily adapt will deny it any real influence. Yet for all of that, national economic planning in some form appears inevitable in America. Its natural enemy, big business, has lost its hard edge of opposition, sensing perhaps that planning can be rather easily coopted. Indeed some of its most eminent field marshals, like investment bankers Robert Roosa and Felix Rohatyn, have openly defected. Schumpeter’s description of the capitalist under attack rings even truer today, 35 years later: “They talk and plead—or hire people to do it for them, they snatch at every chance of compromise; they are ever ready to give in; they never put up a fight under the flag of their own ideals and interests.”

National economic planning itself may command little respect today, but its cultural and technological precursors—the ethos of rationalism and social control, the language of systems analysis and management, and the mechanism of large bureaucratic organization—are very much in the saddle, and the forces of liberalism that ultimately have the most to fear from them are doing most of the spurring. In the final analysis, national economic planning will come not when its logic is compelling or its merits have been demonstrated, but when the remaining barriers to its acceptance have been eroded by such cultural and technological transformations. When that day comes, to borrow again from Schumpeter, the planners’ bread will taste sweeter than capitalist bread simply because it is planned, and it will do so even if there are rats in it.