

# National Economic Planning: Must It Be Orwellian?

---

by David Ignatius

---

*"It was a bright cold day in April, and the clocks were striking thirteen. Winston Smith, his chin nuzzled into his breast in an effort to escape the vile wind, slipped quickly through the glass doors of Victory Mansions. . . . Behind Winston's back the voice from the telescreen was still babbling away about pig iron and the overfulfillment of the Ninth Three Year Plan."*

People tend to have rather strong feelings about economic planning. To opponents, it connotes totalitarian regimentation and inefficiency: the Ministry of Plenty in Orwell's *1984* babbling nonsensically about pig iron; incompetent commissars in the Soviet Union producing millions of left shoes and no right shoes because someone at Gosplan misplaced a page of the National Plan.

To supporters, on the other hand, planning is the painless cure-all to every economic problem, so perfectly *rational* that only parochial politics and stupidity could have prevented it

from taking hold in the United States. Senator Hubert Humphrey, a planning booster, observes in horror and astonishment: "The United States government is the last bastion of unplanned activity in the world."

With Senator Jacob Javits, Humphrey has introduced a bill which should sharpen the planning debate considerably. Titled *The Balanced Growth and Economic Planning Act*, the Humphrey-Javits bill is the first attempt since the 1930s to give polite legislative discussion to a comprehensive planning scheme. In what follows, I will offer an unsentimental evaluation of the bill, hoping to show that it is neither as sweetly reasonable and unobtrusive as the advocates imply, nor as monolithic and wasteful as its opponents claim.

Briefly, here is what the Humphrey-Javits bill proposes to do to restructure economic policy-making: It would create within the Executive branch a three-member Planning Board with a staff of 500 and an annual budget of \$50 million. The Board's job would be to formulate a National Economic Plan for the

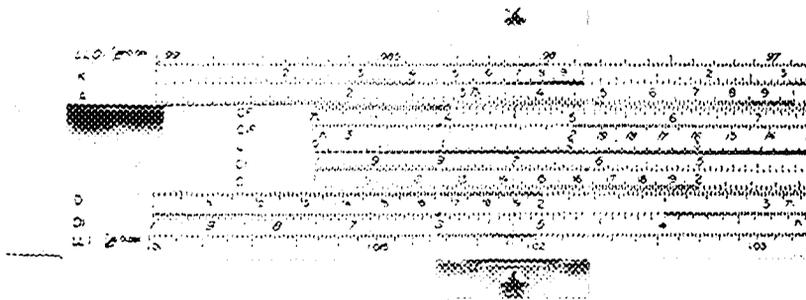
---

*David Ignatius is an editor of The Washington Monthly.*

planning period (unspecified in the bill, but usually assumed to be four or six years). The Plan would include a forecast of production and investment over the period; a statement of economic objectives; and a list of legislative recommendations necessary to achieve those objectives. The Board's draft Plan would be reviewed by a Council of Economic Planning, composed of all Cabinet members and others in the Executive branch with major economic responsibilities, such as the Chairman of the Federal Re-

ners," and by their repeated use of such simplistic analogies as "every family knows it needs to *plan* its expenditures," the Humphrey-Javits forces attempt to make planning sound as American as... well, free enterprise. Which it isn't.

The real trouble with the Humphrey-Javits bill is that it is dishonest, or at least disingenuous, on the question of bureaucratic control—the 1984 factor. In an effort to quell the traditional fear that planning would lead to regimentation and loss of



serve. (The reader may note a slightly tedious aspect to this narrative. In this respect, I hardly do justice to the utter tedium of the bill itself.) The Council's role would be consultative: the Secretary of Transportation, for example, would examine the Plan to make sure it contained sound targets for transportation policy. After the Council had approved the entire Plan, the President would submit it to Congress for extensive review. Once approved, it would stand as the country's economic blueprint for the duration of the planning period. Any new economic or social programs would have to be justified in terms of their effects on the overall Plan and its targets.

This not only sounds sweetly reasonable, it sounds soporific, and that is my quarrel with the advocates of *The Balanced Growth and Economic Planning Act*. They are trying to slip something past us. Through gratuitous allusions to Alexander Hamilton, Albert Gallatin, Andrew Jackson, and other historical notables as "plan-

freedom, Humphrey and others promoting the bill habitually refer to their scheme as "democratic planning." The modification of the noun "planning" by the adjective "democratic" is meant to imply that the community will participate at each stage with the planners in formulating and implementing national goals. The process will be, at the same time, centralized and decentralized.

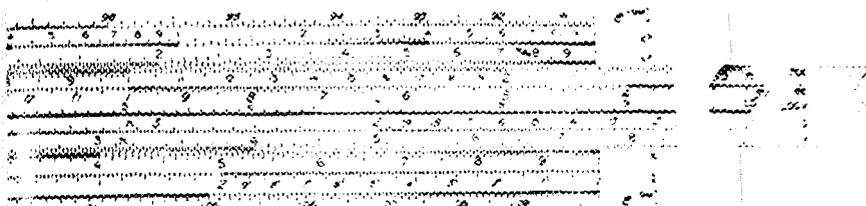
The grammatical juxtaposition of basically opposed concepts like "democratic" and "planning" is a useful device. One might speak, in a similar way, about "Christian racism," or "humane torture," or "earnest mirth" and presumably mean *something* by it. In his famous essay, "Politics and the English Language," George Orwell noted that the word "democratic" is especially liable to this sort of manipulation: "It is almost universally felt that when we call a country democratic we are praising it: consequently the defenders of every kind of regime claim that it is a democracy. . . . Words of this kind are

often used in a consciously dishonest way.

So too with the phrase "democratic planning." The intended deception is that we accept the planners' contention that increased central control of the economy can be gained without a loss of liberty by some individuals. To be fair, the friends of planning seem to have deceived themselves on this point as a pre-condition to deceiving the rest of us. Humphrey and Javits have taken pains to build an elaborate system of checks and balances into

incredible delay, was not really a plan at all, but an index of the relative strengths of various organized interest groups in the United States.

The country managed to get through the last two "Energy Crisis" years only because "planning" was being done outside government, by the oil companies. Efficient public sector planning would have been infinitely preferable, but the buffoneries of our democratic system in action prevented a coherent plan from taking shape.



Penelope Breese

their bill. The National Plan, after being deliberated by all members of the Cabinet and approved by the President, is to be sent to Congress for review and modification within 105 days. "Citizen" groups can also intervene to protest aspects of the Plan which trouble them. It then goes back to the President for further modification; then back to Congress again, which would "approve or disapprove, in whole or in part, the revised Plan."

This is certainly democratic, but it is also likely to prove utterly paralyzing in a non-parliamentary system like ours. To see why, we need only consider the events of the last two years, as Congress and the Executive tried jointly to work out a rudimentary "plan" for energy consumption and development. As any reader of the newspapers knows, that plan was an almost laughable exercise in futility and frustration. The Ford Administration did its best to protect the energy industry. Congress struggled to protect other well-represented interests. The bill that finally emerged, after

The whole point about planning is that it is supposed to break through this kind of bureaucratic and political logjam. To state the matter boldly: A technical elite of planners comes up with what it believes to be sound answers to economic questions and then uses the machinery of the state to impose these solutions on an inevitably recalcitrant society. Without this elitist aspect, and the force of coercion, planning makes little sense.

Clearly, then, the fears of conservatives that planning will restrict individual freedom are not groundless, especially if the individuals involved happen to be corporation presidents or labor leaders. In a planned economy (of a progressive political complexion), a corporation would not be free to use scarce capital resources to produce doggy diapers or foot deodorants for the affluent if there was a shortage of housing for the poor. Similarly, labor unions would not be free to bid up the wages of organized workers if that would result in inflation and a worsening of living stand-

ards for unorganized workers and people on fixed incomes.

There is, however, one aspect of planning which ought to tantalize conservatives: it might restrict the freedom of do-gooder liberals to expand the government bureaucracy. If bureaucracies have to justify to the planners every existing program and job in the federal government, there is some chance that big government could actually be reduced.

On the simplest level, the problem of mushrooming social spending has been one of data collection. In a 1965 study, a researcher named Albert Biderman found that for 44 new "national goals" enunciated by the 1960 President's Commission on National Goals (such as "increase the number of junior colleges," "increase construction of low-income houses and apartments"), there were statistical records of past performance available in only 25 per cent of the cases. This meant that even if the government had decided to make a disciplined effort to improve housing in the cities, it would have had no way to measure its progress, or to compare the method chosen to other possible approaches. In recent years, there has been some effort to improve collection and analysis of data, through regular publication of a volume entitled *Social Indicators*. But this project reeks of "planning," so there has been little money for it. The last time I checked, the Office of Management and Budget had one and one-half full-time staffers working to compile the upcoming edition of *Social Indicators*. By comparison with other countries, where public sector planning is not so starved of talent and money, our data collection is shockingly bad.

---

### 'Corporatism'

---

A look at planning systems around the world clarifies the choices we will face in this country if we ever decide to get serious about planning.

First, the unfortunate fact is that "democratic planning" in practice has usually ended up reinforcing corpo-

rate power and producing a version of the "corporatist" state. To facilitate consensus, corporations (and to a lesser extent, labor unions) are brought into the planning process. The largest and best-organized interests gradually develop a symbiotic relationship with the planning elite. All large corporations become, in effect, state corporations: encouraged and aided by the state, sharing the state's priorities, working with the state to thwart foreign competitors. The system recalls the old Salazarist slogan: "Everything for the state; nothing against the state."

This sort of "consensus" planning tends to work especially well in countries which have had the historical experience of fascism, like France and Japan. In France, for example, post-war national planning was largely an extension of the economic methods of the Vichy government. The French badly needed economic discipline after the war, and the first French National Plan, from 1946 to 1953 succeeded in mobilizing resources for rapid rebuilding of French industry. Planners concentrated on allocating resources to those sectors where investment was most needed and would produce the highest return.

Since then, there have been six more French National Plans. The latest, to be implemented this year, is less oriented toward investment than some previous ones, but retains many of the same features. The planners, after consulting with the larger corporations, set "indicative" targets for output, employment, investment, product development, imports, exports, and income distribution. For the most part, these merely aggregate and endorse the separate planning targets of the various firms. Where there is divergence between the plans of the firms and that of the government, negotiations take place in an attempt to reach a compromise.

Compromise is usually possible, given the basic identity of interests between government economic managers and corporate economic

managers. Both tend to favor high growth, investment, and exports. More important are the cultural factors which make the French "indicative" approach work. The French government historically has been highly centralized, with a national administrative elite educated at special, state-run schools. Today, both the planners and the corporate managers tend to be drawn from these schools, where they have developed friendships and common goals. In addition, the French have no tradition of antitrust. Cartels are encouraged, on the assumption that they are more efficient, more stable, and more adept at planning. As John Sheahan noted in a survey of French planning in *Challenge* magazine: "If ITT was a French corporation, the Planning Commission would be its natural ally."

---

### Soviet Planning

---

In communist countries, planning can, of course, be implemented without any semblance of democratic consent. Even so, in recent years Soviet planning has moved closer to the Western European type, giving credence to the theory that the world's economic systems are converging.

In the old days, before Khrushchev and de-Stalinization, the planning process was monolithic and its implementation totalitarian. Six to eight months before the beginning of every plan year, the Planning Commission would prepare a "preliminary balance" for the entire economy and send "control figures" on inputs and outputs to each industrial ministry. These targets were then passed on to the various state-owned enterprises, whose managers were instructed to stick to the "plan," using the specified materials to produce the specified output. Managers would be rewarded with bonuses if they produced more than the planned targets and demoted (or worse) if they produced less. It was an entirely top-down system, unresponsive to consumer sentiment, and the goods often sat on shelves for lack of demand.

Since 1956, the Soviet planning process has been improved considerably. The big change came in 1965, when Premier Alexei Kosygin announced a series of economic reforms which decentralized planning and gave much more latitude to the individual enterprise. Today, the central planning authorities specify only the volume of final output they want and the total wages bill, leaving the firm to decide on the most efficient production techniques, to contract for its raw materials, and to hire its workers. More important, the two key features of capitalism—prices and profits—are becoming part of the Soviet system. "Shadow prices" attempt to duplicate the market prices of a corporate economy. And the "surplus" of a state enterprise measures its efficiency in much the same way that a firm's profit does in the West.

Thanks to the planning reforms, the oppressive aspect of life in Budapest (where I found myself last summer) is no longer inefficient services and poor quality products. It is now the same as in New York or London: extreme inequality. Where the Hungarian workers still wear drab proletarian costumes and ride the streetcar, the political and managerial elite wear elegant Italian clothes and drive around in fast automobiles. "Consulting," by the way, is a favorite means for members of the elite, especially professors, to augment their incomes. As the power of the Eastern European technocrats grows, the inequality of the class system is likely to become even more pronounced.

---

### Stubborn America

---

While the rest of the world happily converges toward the planned corporatist economy, the United States remains something of an anomaly. Our economy may already be largely planned by a technocratic elite of corporate managers. But the electorate has thus far refused to allow the final step: full integration of corporate planning and the government.

From the experience of other

countries, we can be sure that planning is no panacea. Efficiency and order imposed by planners (communist or non-communist) have dangers of their own, and some may find the patchwork, unplanned system that has developed in the United States preferable to a more rationalized system. For the very inefficiency of the system—the sort of absurdities detailed each month in this magazine’s “Tidbits and Outrages” section—acts as a check against totalitarian control.

But we pay a price for our refusal to plan. By comparison with leading European countries, our economy is highly unstable, our unemployment rate very high, our investment low, our growth sluggish, our exploitation of natural resources anarchic. What is more important, we have all of the vices of big government and none of the virtues. As one economist predicted in the 1930s, the New Deal brand of limited intervention in the market has led to “an impairment of the efficiency of the competitive system without the compensating benefits of rationalized collective action.”

---

### Three Questions

---

There are three hard questions that we must confront if we decide that we are willing to consider planning in the United States: Who should do the planning? What should the planners focus on? How far should they be allowed to dictate to the rest of us?

On the first two questions—who should plan and what should they do?—I have to take what will sound like an elitist view. The planners should be the smartest and most principled public officials in the country. To some, this may sound like a dismal throwback to the early 1960s. Because one group called “the best and the brightest” clearly failed, the idea has crept into our thinking that we shouldn’t seek the best and the brightest for public service. We should. We may need better criteria for selecting them, but they are the only ones who can make planning

work.

I have real doubts about whether the Congress and the public can play a meaningful role—of the sort sketched in the Humphrey-Javits bill—in the process of setting targets and deciding what is the most effective way to achieve them. In an interview, Humphrey has explained the kinds of questions he hopes “democratic planning” will tackle: “How much urbanization does society really want? What do we consider to be the optimum size of the city? What population levels can give us the best in terms of cost-effectiveness programs and living conditions? *Surely we can find out.*” (my emphasis)

If by this “we” Humphrey means the general public, he is deluding himself. How in the world is the citizen supposed to be able to say something useful on “the optimum size of the city”? He can say whether he likes the size of the city he lives in, and if not, why not. But unless he’s lived in a dozen different-sized cities, he’s unlikely to know much about which size is “best.” But presumably by “we” Humphrey doesn’t mean the citizen at all, but an elite of technocrats, who can study the problems in a more detached, scientific way. I’m not sure they can answer all of Humphrey’s sample questions, which raise issues which are not technical at all, but instead require value judgments about what makes for the good life. Planners are no better qualified to decide this than anyone else. But there *are* questions which the planners can solve.

The planners must focus on problems which can be easily quantified. What is the rate of depletion of key resources and what is the most cost-effective use of them? Where are there supply bottlenecks in the economy and how can they be removed? What areas of the economy are starved of investment and what areas are choking from over-development? Where is technology not being adequately developed by the private market and could a public corporation do a more

efficient job? What would be the economic costs and benefits of reducing automobile production? In what new ways could we use the resources freed by such a reduction?

Economic planners could give good answers to these questions. But I am not proposing them as a theocratic priesthood which will make *all* decisions. Congress and the public must set the overall political context in which the planners do their problem-solving. The political issues will be, in every way, more difficult and important than the technical ones: How much equality do we want in income distribution? How much inflation and unemployment are we willing to tolerate? Are we willing to trade rapid economic growth for improved environmental quality? While one cannot be altogether confident that these issues can be resolved through the political process, the alternative—a value-judging elite to decide them for us—is clearly intolerable.

The final question—what coercive powers should the planners have?—is the most vexing one. The challenges we are likely to face in the future are so difficult, and will require such discipline from society, that an argument can surely be made that, for our own good, we should surrender all power to the planners. Robert Heilbroner has argued the logic of this in his gloomy *Inquiry into the Human Prospect*. I must admit my doubt that a life in total service to Heilbroner's supremely rational, species-preserving planning elite would be worth living.

Planners shouldn't be dictators, then. But they should have considerable power—enough that they don't have to run every decision through a bureaucratic and congressional gauntlet, where it would likely be beaten to a pulp by an endless line of interest groups. *But*, because they will have so much power, planners should be quickly and easily dismissable if the electorate, through its congressional representatives, disagrees fundamentally with what they're doing.

In this framework, planners should

have the right to abridge certain economic freedoms. If the planners can show that it is socially inefficient and environmentally dangerous to build another steel mill in Gary, Indiana, then they should have the power to stop it—and if no private firm is willing, the power to charter a public corporation to build a plant where it *would* be safe and efficient. If the planners can show that private automobile travel is inefficient and environmentally dangerous, they should have the power to restrict investment in new automobile plants. If the planners can show that the number of satisfactory low-income housing units is declining over time, they should have the power to mobilize resources to build new houses.

---

### Essential Freedoms

---

As for political freedom, there is absolutely no reason for abridging it in a mature, literate, reasonably cohesive society like ours, with 200 years of success as a democracy. The democratic liberties guaranteed in our bill of rights must remain privileged. So too must entrepreneurial freedom. An individual who commands his own labor power is different from a corporation president who commands that of many thousands. Where we can see why society may wish to restrict the corporation president's range of official action, there is no such justification for limiting an individual or a small group. People should be free (indeed, encouraged) to start new enterprises. The entrepreneur should come under public control only if his business becomes a giant, with the power to threaten the lives of others.

The Swedish economist Gunnar Myrdal has noted the way in which planning might actually increase our freedom as individuals: "... You have government controls of all sorts over your private lives, and still you are proud of having no planning. If you had more planning for the big things in society, then you wouldn't have to interfere with individuals' actions." ■

## THE RADICAL CENTER

Middle Americans and the  
Politics of Alienation  
By Donald I. Warren

One in four Americans shares a radical center perspective. Warren analyzes who they are, what they believe, the major targets of their grievances, and the likelihood of their political mobilization in this election year. A mine of social research, indispensable for anyone wishing to take the pulse of contemporary America. \$4.95

University of Notre Dame Press  
Notre Dame, Indiana 46556

hypnotism, modern dance, meditation, Silva Mind Control, Arica, acupuncture, sex therapy, Reichian therapy. . . ." The list goes on, but you get the idea: Jerry Rubin, 1970s-version, is as much of a jerk as ever.

**Jackie and Ari.** Lester David, Jhan Robbins. Pocket Books, \$1.95. Here's a good example of "gossip" that does not illuminate. In a description of the yacht *Christina*, for example, we learn that "Charlie the bartender is busy. Charlie is a fixture on the *Christina*, and his martinis are famous among the Beautiful People. He concocts them of four-and-one-half parts gin to seven-eighths of a part of vermouth. Those who have tasted them pronounce Charlie's martinis the world's finest."

Jackie and Ari and his yacht and their martinis tell us so little precisely because he was so rich and therefore so removed from the everyday world—removed into the world of almost pure fantasy. The same criticism can be made of much of the social coverage in Washington—parties at the Iranian embassy, for example. They do not impinge on the real world any more than life on Ari's yacht does. For that reason, of course, these accounts tend to have a widespread "escapist" appeal, but they tell us very little about our society.

**Living with Terrorism.** Richard Clutterbuck. Arlington House, \$7.95.

**Mediterranean Europe and the Common Market: Studies of Economic Growth and Integration.** Eric N. Baklanoff, ed. Univ. of Alabama Press, \$14.50.

**Nightmare: The Underside of the Nixon Years.** J. Anthony Lukas. Viking, \$15. This history of Watergate is mostly familiar stuff, but you would need to read at least a dozen other books to find all the material Lukas has brought together here. Familiarity makes it tepid reading now, but completeness will make it an indispensable reference in the future.

**The Party's Choice.** William R. Keech, Donald R. Matthews. Brookings. A valuable history of and commentary upon the presidential nominating process. Almost all the material concerns the period since 1936.

**Peacemaking: A Guide to Conflict Resolution for Individuals, Groups and Nations.** Barbara Stanford, ed. Bantam Books, \$1.95. A pointless and tedious compilation, which seems to be based on the dubious premise that if only we can have a "dialogue" of high-minded nature on the solemn issues of the day, our problems will eventually disappear. Peace does not prevail not because we are unfamiliar with "peacemaking techniques" or a "definition of peace" or the nature of "interpersonal conflicts," but because human beings are not as sweetly reasonable as the authors of this book.

**Police Reform in the United States: The Era of August Vollmer, 1905-1932.** Gene E. Carte, Elaine H. Carte. Univ. of California Press.

**The Politics of Adoption.** Mary Kathleen Benet. Praeger, \$8.95.

**Premise for Propaganda: The United States Information Agency's Operating Assumptions in the Cold War.** Leo Bogart. Free Press, \$12.95.

**The Rape of Inez Garcia.** Jim Wood. Putnam, \$7.95.

**The Strength in Us: Self-Help Groups in the Modern World.** Alfred H. Katz, Alfred I. Bender. New Viewpoints, \$12.50/6.95.

**Thunder in the Rockies: The Incredible Denver Post.** Bill Hosokawa. Morrow, \$12.95.

**Today and Tomorrow in America.** Martin Mayer. Harper & Row, \$8.95.

**The TV-Guided American.** Arthur Asa Berger. Walker, \$7.95.

**The United States Marines: The First Two Hundred Years, 1775-1975.** Brig. Gen. Edwin Simmons, USMC Ret. Viking, \$8.95.

**The Watcher and the Watched.** Bruno M. Cormier, M.D. Scribners/Tundra, \$10.