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ECONOMIC PLANNING IN A DEMOCRATIC SOCIETY

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I

In a world beset with disorder, it is but natural that people everywhere should seek a formula for stability and orderliness. The word "planning" connotes orderly procedure and also a consciously determined pattern of action. As such it becomes a soothing lullaby to masses, weary of being tossed about, and weary at times of trying to think through the bewildering maze that confronts them.

An analysis of the concept of planning, its implications and ramifications, however, quickly reveals a complexity which the term itself too readily glosses over. At least three different approaches are possible and all of them must be considered if planning is to be appraised as to its possibilities in the postwar world we hope to be able to shape.

It can be treated from the standpoint of pure economic theory. Logically, this is the first step in the analysis. In this setting it becomes an exercise in formal logic, the solution of which depends upon the assumptions made or implied and the possible conclusions which may be derived from those assumptions. Much of the debate in scientific economic literature has taken place on this level.^{1/} It should be noted, however, that this approach is not only fundamental to the whole problem, but it also focuses attention on the issues at stake.^{2/}

A second type of approach is the politico-economic. This necessitates an examination of the various political and other institutional arrangements which would be necessary to implement a planned economy. It would predicate a planned economy as the focus of attention and require an analysis of the socio-political implications of such a type economic organization. In short, the socio-political requisites for implementing a planned economy would be the centre of discussion.

^{1/} This approach also involves the controversy over the nature and scope of economics. If economics as a science is to be regarded as a purely formal discipline, then the problem, so far as economics is concerned ends at this point. In fact, however, this has not been the case because the possibilities of planning in the world in which we live constantly intrude. Economics without human beings is simply not economics. But see: Knight, F. H., The Ethics of Competition, (Harpers & Bros., New York, 1935) c. IV, and Robbins, L., The Nature and Significance of Economic Science, (Macmillan, London, 1932).

^{2/} See Taylor, J. M., The Guidance of Production in a Socialist State, reprinted in Lippincott, B. E., On The Economic Theory of Socialism, (University of Minnesota Press, Minneapolis, 1938) p. 41.

A third approach, for want of a better term, may be called the institutional. This calls for an examination of planning within an existing institutional structure. In the United States, it would mean an investigation of the possibilities of planning for a capitalistic economy. It would involve an analysis of the means by which the government of the United States could, by a coordinated and centralized policy, direct the economic activity of the country in accordance with clearly formulated intentions for the securing of economic stability, full employment and public welfare. The extent to which this could be accomplished by centralized direction would also come in for careful consideration.

These approaches are not exhaustive, nor are they mutually exclusive or simultaneously coextensive. While they present different problems and issues, they are at the same time coordinate parts of the most fundamental question in this country today, namely: what kind of economic policy shall we follow in the postwar period? It is necessary, therefore, to examine planning on all three levels if it is to be appraised as a possible answer to the problems of the world in which we live. The impact of planning on existing institutions, and vice versa, are matters which cannot be avoided even by economics.

Comprehensive proposals for reform are as old as systematic human thought. It was not until the present depression, however, that the issue of planning became vital in this country. Since then, the controversy has raged on all three of the planes mentioned above. The inadequacy of institutional arrangements and intellectual equipment to grapple with the problems that have arisen since 1914; the success of wartime economic devices for war purposes and the world-wide economic breakdown of the postwar period, not only have led to sweeping concentrations of control in the hands of the nationalist state, but also have given rise to the belief in the efficacy of the state, and the state alone, to grapple with the impasse. Now we are again in the throes of an exhausting conflict and we look with trepidation to a future that is terrifying because of the baffling dilemmas it presents, and because of the experiences of the immediate past.

In such a setting, it is of paramount importance that we examine the relationship of government to industry in its conceptual framework. The details of the postwar period are largely beyond our ken, but the methods we are going to adopt in dealing with the issues that will arise, and the objectives we hold, need to be probed to the bottom now. For this reason, an examination of economic planning is not "beating the devil around the stump." Instead it focuses attention on the fundamentals of public policy for reconstruction and brings within its purview the growing list of publications on proposals for the future.

II

The problem of definition is everywhere present in economic analysis and nowhere is this more in evidence than in connection with the discussion of planning. This term has a veritable welter of meanings. In the field of industry we have industrial planning which deals with investment policy, market exploitation, production policy, plant location and layout, and so

forth. In government, the most widely developed idea so far, is that of city planning of sewage, water, public utilities, streets, parks, schools, zoning, civic centers and public buildings. In recent years, this has been expanded into regional planning especially in connection with the utilization of natural resources. The Tennessee Valley Authority was established on a basis that amounted to a complete sociological experiment. Very recently we have been subjected to wholesale military planning - the direction of the entire life of the country for one supreme end.

The use of the term "planning" as applied to the direction and control of economic activity has become a fad. As a result it has become infected with ambiguity and has been used in such a variety of ways as to give it virtually no content. Its meanings shade all the way from totalitarian direction of economic activity to coordinated public policy designed to achieve given objectives, even though the latter be only vaguely defined.^{3/} In any case the implication is that authority to administer accompanies whatever plan is adopted.^{4/} Consequently voluntary planning is a misnomer. Within the limits of planned action, voluntary cooperation is meaningless; hence, compulsion is the only resort if the plan is to succeed. Economic planning may be defined, then, as: "A limiting or shaping of individual and corporate activity into group defined spheres of action which are rationally mapped out and fitted, as parts of a mosaic, into a coordinated whole for the purpose of achieving certain rationally conceived and socially comprehensive goals."^{5/} In an economy based on these principles the government becomes the dictator of the patterns and the administrator of the resources of the society which it controls.

III

The gigantic upheaval that has engulfed the world during the last thirty years has rocked orderly social life to its foundations, and destroyed it over wide areas. On the economic side our modus operandi have been

^{3/} See Clark, J. M., Social Control of Industry, (McGraw-Hill, New York, 1941) c. 28.

^{4/} It is urged by some that we have always planned and that the issue today is merely what kind of planning we shall adopt. Even laissez-faire is regarded as a form of planning. This is the contention of Mr. Galloway, (Planning for America, Henry Holt & Co., New York, 1941, p. 6), yet he distinguishes between a planning economy and a planless economy in which free markets are the arbiter. Later he argues (c. 33, especially pp. 664 ff.) that free enterprise and laissez-faire must go, and that only by collectivism can society be planned and guided. The implications of the term planning are such that a clear-cut understanding of the issues involved, can be obtained only if the definition provides a delimitation sufficient to differentiate it from other alternatives in public policy,

^{5/} Loucks, W. M., Public Works Planning and Economic Control, (The Annals, July 1932). See also Pegrum, D. F., The Economic Issues of Planning, (Proceedings of the Pacific Coast Economic Association, Dec. 1932) pp. 24-25.

inadequate to deal with the problems that have arisen and capitalism has been unable to resurrect us from the morass in which we have floundered. Capitalism has long been under indictment for the shortcomings it has manifested, but its breakdown under the strain of war and the inter-bellum period has led not only to a renewal of the assaults but to sidespread doubts as to its ability to grapple successfully with the economic problems of the modern world. The prospects of postwar reconstruction enhance these doubts.

Economic planning is advanced as the only rational basis upon which economic reconstruction can be built. But this is not its sole claim. Planners are convinced that capitalism is a failure, that the technical structure of modern industry is totally unamendable to the assumptions of free enterprise and that present economic institutions are incapable of preventing violent fluctuations of economic activity or of attaining reasonable standards of economic justice. Only by appropriate planning, it is contended can the desirable ends of economic activity be even approximated.^{6/}

From the literature on the subject, it is extremely difficult to ascertain anything more than a nebulous outline of the nature of a planned economy. The necessity of centralized control and the need for eliminating disturbing nonconformity has resulted, however, in pretty general agreement that some form of a socialist state would be inevitable.^{7/} Under such circumstances all the resources would be under the direct control and administration of the planning authority.^{8/} The state would be the sole producer, maintaining exchange relations with its citizens, buying their productive services with money and selling to them the commodities which it produces. A "socially correct" system of incomes would be established; that is, incomes would be fixed so that they represent that distribution of the total income of the state which is called for in the interest of citizens generally and of the group as an organic whole. Consumers' freedom of choice would be maintained, the preferences of consumers, as expressed

^{6/} See for example: Wooton, Barbara, Plan or No Plan, (Farar & Rhinehart, London, 1934); Galloway, G. B., op. cit.; Chase, Stuart, The Road We Are Travelling, (The Twentieth Century Fund, New York, 1942); Soule, George, A Planned Society, (Macmillan, New York, 1932).

^{7/} For a good preliminary bibliography and survey of the literature, see Mosso, Robert, The Theory of Planned Economy, (International Labour Review, vol. XXXVI, No. 3, Sept. 1937.)

^{8/} The following summary of the theory of a planned economy is taken from the two articles by F. M. Taylor and O. Lange, reprinted in Lippincott, B. E., op. cit. These two articles constitute the most complete theoretical picture of a planned economy. For theoretical analyses which reach opposite conclusions see, Hayek, F. A., von, Collectivist Economic Planning, (Routledge, London, 1935). For an appraisal of the controversy see, Pegrum, D. F., Economic Planning and the Science of Economics, (American Economic Review, vol. XXXI, No. 2, June 1934), pp. 298-307; Landauer, C., Comment; Pegrum, D. F., Rejoinder (American Economic Review, vol. XXXI, No. 4, Dec. 1941), pp. 825-833.

by their demand prices being the criteria of production policy and the allocation of resources. Freedom of occupation would be allowed, the allocation of labor being determined by the market price. A social dividend would be paid so as to make the income of labor, (the sole source of income in such a society), conform to the "socially correct" system of incomes. The rate of capital accumulation would be determined by the governing authorities.

The administration of this economy would be in the hands of a Central Planning Board. The problems of economic calculation, that is the allocation of resources, would be solved by the Board in accordance with the principles which govern competitive equilibrium. This Board would perform the functions of the competitive market. It would establish the rules necessary to maximize output. One rule would require the combination of agents of production on such a scale that the average cost of production would be at a minimum. Another rule would require that the marginal cost of an industry is equal to the price of the product. The price of consumers' goods and the services of labor would be settled by the market, but all other prices would be determined by the Board. This would involve what is called the problem of imputation, that is, ascertaining the effective importance in the productive process of each primary factor. This would be essential to the calculation of the resources-cost of any commodity without which it would be impossible to compute the correct selling price. Assuming the stock or income of each primary factor available for the current production period to be a determinate quantity, the administrators would assign provisional prices to the factors of production. By trial and error, that is by successive approximations, the correct accounting prices would be ascertained and the problem of equilibrium solved.

Such, in very brief form is the theoretical solution of pricing in a socialist economy. The conditions assumed are ideal, of course, but they would have to be approximated in any planned economy.

IV

If planning is to be appraised as something more than a mere logical exercise; in other words if it is to be regarded as a proposal for the guidance of economic activity, then the verdict as to its possibilities must rest upon its relevancy to the world in which we live, or want to live. Planning as a practicable objective must be viewed in relation to other aspects of social life.^{9/} It is incorrect to assert that the economic issues have been solved if the surrounding social institutions have been ignored, unless it is assumed that the economist or the administrator can dictate or create the conditions essential for the solution.^{10/}

^{9/} See Pogrum, D. F., op. cit.

^{10/} Professor Landauer believes that the socio-psychological and institutional presuppositions necessary for planning can be created, (see Landauer, C., op. cit. p. 828), but obviously these arrangements would have to be predicated on an economic order the structure of which had already been devised. In other words rational economic behavior becomes the absolute of such a society and all other social arrangements must fit into the economic pattern.

The theoretical model of a planned economy is based upon the idea that economic science is purely a matter of mechanics. As such it does nothing more than solve a formal problem and the solution to the problem is obtained by making all the assumptions necessary to that end. The result is a statement of conditions that would have to obtain if planning was to be successful. The exclusion of all conditioning factors as non-economic is achieved by definition. Such a procedure may have analytic advantages but it forms a very precarious foundation for the erection of a new social order. ^{11/}

The possibility of economic calculation and economical production guidance depends upon the assumptions. The theoretical model of a planned economy is based upon the requisites of perfect competition and a highly undifferentiated society and production structure. The observance of the rule that producers must fix output at the quantity which makes marginal cost equal to price is possible only under such condition. The existence of a complex technology such as characterizes the modern world, with joint costs, overhead costs, varying degrees competition and so forth, not only renders the rule for planned production impossible but also unascertainable. Marginal cost in theoretical economics is a convenient conceptual device for establishing the focal point of rational production calculation, but the content at least still remains to be discovered.^{12/} If it be urged that the planning board would merely be doing in a rational way what entrepreneurs have to do in ordinary business every day, the reply is that what entrepreneurs do and should do are still open questions. Business is an art and scientific principles of which economists are still struggling to discover.

Finally, in this connection, it should be noted that present concepts of costs under perfect competition and costs under monopoly are two different things and competitive costs curves are inapplicable to monopoly situations. Yet, the problem of calculation under planning is solved by applying the techniques of perfect competition to complete monopoly. If perfect competition obtained, there would be no need of planning; if monopoly characterized the structure, now and undiscovered techniques would be necessary to maximize income.

This brings out another difficulty of planning. Modern economic theory has developed under the influence of western industrialism and capitalism. If competition had not been a significant feature of economic life it is doubtful that competitive concepts would have developed and it is certain that whatever concepts might have emerged would have been decidedly different from those which exist today.

It follows that the question, how the goal of planning is to be reached, is of crucial importance. Radically new psychological presuppositions and

^{11/} See Pegrum, D. F., op. cit.

^{12/} See, for example, Neal Alfred C., Marginal Cost and Dynamic Equilibrium of the Firm, (Journal of Political Economy, vol. L, No. 1, Feb., 1942), pp. 45-64; and Noyes, C. Reinold, Certain Problems in the Study of Costs, (American Economic Review, vol. XXXI, No. 4, Sept. 1941), pp. 482-6.

institutional arrangements would be absolutely necessary. What they would be and how we would get them are still in the realms of mystery. How then, can we place any faith in the validity of plans even for only one phase of activity in such a society? If the goal is to be reached gradually, other difficulties arise. Human society is distinguished by behavior patterns socially acquired and transmitted. Gradualism implies an adaptation of psychology and institutions to changing conditions in which man is both the actor and the passive victim. The results of these processes are not only unpredictable for any length of time, but they also preclude any development towards a predetermined and precisely formulated comprehensive goal. Revolutionary procedure creates chaos and evolutionary growth engenders unpredictable structural mutations and arrangements.

A planned economy is a closed economy by the very nature of the assumptions. This might mean that it would be a world economy or a rigidly national one. The first may be dismissed as being totally out of the question in the present stage of human development. The second merits the fate of condemnation because of the results it would produce. A planned national economy is incompatible with international economic intercourse.^{13/} International trade would upset the assumptions upon which the planning was predicated and would lead to repercussions on the internal structure of the planned state which would destroy the operation of the plans. The external frictions engendered could lead to nothing but armed conflict. In short, nationalist economic planning would be continuous planning for war.

The foregoing analysis indicates the incompatibility of economic planning and democracy. The conflict between the two, however, needs further emphasis. The basis of democracy is the individual with individual rights and responsibilities. The individual must have some kind of independent status which officialdom cannot destroy. An economic status completely dependent upon the dictates of a Central Planning Board would be a complete negation of this. The economic counterpart of political freedom is private property and contract, that is, a society in which free enterprise enjoys a major role. The concepts which underlie political life also form the foundation for the implementation of economic activity. In practice this requires a great deal of decentralization of action, responsibility and initiative. It assumes moreover, that individuals have some degree of free will and can modify their environment, even though it be recognized that the latter is a strong conditioning factor.

In contrast, planning assumes that economic activity conforms to a purely mechanistic pattern. It is an absolute concept and universal. It recognizes no change which can affect its structure. Logically, and in practice, this results in "statism" with the individual submerged or ruthlessly crushed in the all-consuming quest for the ideal. The individual is, and must be, regarded purely as an "economic man." The interaction of the multitude of activities which constitute human life are ignored or else

^{13/} See Robbins, Lionel, Economic Planning and International Order, (Macmillan, London, 1937); Condliffe, J. B., The Reconstruction of World Trade, (Norton, New York, 1940) c. X and XI; Buell, Raymond Leslie, The United States in a New World, (Fortune, May, 1942) pp. 1-25.

assumed to be capable of being moulded into a form amendable to the needs of the planned economy. A planned society would be a much more descriptive term. Freedom of speech, freedom of expression, freedom of communication would be literally impossible, because the organs of public opinion could not be politically independent if controlled or owned by the state.^{14/}

It should be noted in passing, that a good deal of the vervor for planning arises from the widespread belief that political and economic life are necessarily becoming more and more integrated. This is partly due to the growth of the nation state to the position of inordinate importance that now plagues the world.^{15/} If this war does not bring a modification of that development, our present hopes and aspirations are doomed to failure. The development of highly differentiated societies which characterize the modern world points in the opposite direction. The conflict is fundamental and a return to medievalism will mark the demise of democracy. Perhaps we are witnessing a modern Reformation.

The attention which has been given to the possibilities of planning as a solution to the business cycle deserves extensive analysis.^{16/} That is not possible here, but lest it be assumed that this issue has been evaded mention must be made of it. The basic contention of planners, so far as the business cycle is concerned, is that it is the result of the deficiencies of modern capitalistic enterprise. This is nothing more than an assumption which is then used to prove the thesis. No theory of business cycles has yet explained a particular depression and formal theory simply cannot explain business fluctuations. The framework and technique as in the case of the planned model is mechanistic. Such theory is totally incapable of exposing or describing evolutionary processes, but the word "dynamic" can mean nothing more than this when applied to social (and hence economic) change. The extreme emphasis in contemporary theory on the monetary phases of business cycle causation has served only to accentuate the mechanistic approach.^{17/}

^{14/} See Clark, J. M., The Relation of Government to the Economy of the Future, (Journal of Political Economy, vol. XLIX, No. 6, Dec., 1941) pp. 800-1; Knight, F. H., The Individual in the Future World, (Journal of Political Economy, vol. XLIX, No. 6, Dec., 1941) pp. 817-832.

^{15/} See Schovill, Ferdinand, Can Our Civilization Achieve a More Stable World Order? (in Laves W. Foundations of a More Stable World Order, Univ. of Chicago Press, Chicago, Ill, 1941).

^{16/} For an excellent discussion of this aspect of the problem see Ropke, Wilhelm, Socialism and the Business Cycle, (Journal of Political Economy, vol. XLIV, No. 3, June 1936) pp. 318-338.

^{17/} See Simons, Henry C., Hansen on Fiscal Policy, (Journal of Political Economy, vol. L, No. 2, April, 1942) pp. 161-196. Business cycle theory proceeds on the basis of purely mechanistic assumptions to explain the "regular" recurrence of economic fluctuations, and the inevitability of them under the institutional arrangements of a capitalistic economy. But if they follow a purely logical or mathematical pattern, why should it be necessary to presuppose any particular institutional order? Nothing short of a physical science concept of economic activity can create a regular

The excessive attention to the private economy aspects of business cycles has either glossed over the technical conditions of capitalism as contrasted with the institutional or else assumed them to be non-economic. The highly complex nature of modern production processes is bound to result in maladjustments and nothing short of perfect foresight and perfect adaptability can prevent them. Private enterprise at least has the advantage of a welter of judgments which have some compensatory elements. A planned economy would move in unison, but by so doing would be subject to greater extremes. Democracies characteristically are subject to less extreme movements than other forms of social organization and these remarks are as valid for economic as for political considerations.

Finally, economic disturbances are not all caused by economic factors and economic institutions should not be blamed for results arising from events they neither created nor promoted. No amount of literary or logical legerdemain can gainsay the fact that wars are appallingly costly. Nations cannot have the wealth, at least for peace purposes, when the war is over that they had at the start. Whether we like it or not the war will have to be paid for and a greater proportion of our productive effort will have to go into the re-creation of capital goods than otherwise would have been the case. This may be accomplished by working much harder than we have been willing to do heretofore, or by consuming less, or probably both. We may deal, in part at least, with maladjustments and general reduction of real wealth by leveling all in the same ditch but it will not conduce to clarity of thinking to insist that a depression has been avoided because full employment exists at compulsory lowered standards of living.^{18/} Given the existing situation, and

pattern of economic behavior. If this is actually the case then nothing can be done about business cycles. In point of fact, the depression since 1929, which has been so much the centre of attention, can be explained without resort to general trade cycle theory. Far more attention needs to be given to the repercussions of public policy and less to the mechanics of theoretical models.

^{18/} But see, National Resources Development Report for 1942, (National Resources Planning Board, U. S. Govt. Printing Office, Wash. D. C., 1942) "Everywhere one hears it said that, when this war is over, all countries, including our own, will be impoverished. This view, however, is not sustained by past experience. No country need be impoverished if its productive resources (both capital and human) are intact. The productive resources of this country will be on a considerably higher plane when this war is over than ever before." (p.9). And again, the same agency in: After the War -- Full Employment (Jan. 1942) "Costs and income are just opposite sides of the same shield" (p.5). On the basis of this reasoning any spending whatsoever performs a useful function and adds to the sum total of income (real?) of the nation. To build ships, load them with goods, send them out to sea and deliberately sink them would provide an income to compensate for the costs. In fact, to sink them in the harbor would be even better, for then employment and income could be derived from clearing the harbor. If the reasoning in the above quotation is correct we should pray for a war that will demand production (of war goods) as never before envisaged, and pray for a dearth of consumers goods such as to drive all to the level of instant poverty so as to create the maximum of backlog. By such reasoning the "economy of abundance," leads us to the "paradise of poverty."

not the idealization of pure theory, a planned economy can offer no better than this.

V

No discussion of planning at the present time can be concluded without reference to reconstruction. The present conflict has halted temporarily at least, the readjustment of institutional arrangements to profound new forces that have made themselves manifest during the last quarter of a century. It has also aggravated immeasurably, in some respects at least, the situation that already had us so badly bewildered. We now have a planned economy, of a sort, and we shall have more of it before peace is restored. In the modern world, a war economy is necessarily a planned economy. The planning in this country is, however, operating through definitely democratic procedures and is relying basically on the cooperation of free enterprise. The way in which capitalism and democratic institutions have met the crisis is in itself adequate testimony to the strength, vitality and adaptability of our way of life. We need to offer apologies to no one.

This very success, however, creates a danger. The devices and procedures appropriate to the prosecution of a war are not capable of winning the peace. The pursuit of the analogy constitutes one of our greatest threats in the years to come. The fundamental problem of reconstruction is in changing from a war to a peace economy.^{19/} The need for the withdrawal of government from the position of direction and management which it must assume during war, and the restoration of arrangements that will make private enterprise once more the foundation of our economy is the crux of the problem.

This does not mean a return to laissez-faire as that doctrine was understood or applied. At its inception, that philosophy probably had no more connotations than did the ideas of political freedom. It was based upon the belief in "natural law" that prevailed in the 18th century. The concept was profoundly affected, however, by 19th century physical science. The triumph of physical science under the theoretical structure developed by Sir Isaac Newton, led to the adoption of a similar approach by social philosophers and economists. The belief developed that human actions are governed by immutable and uncontrollable natural laws the same as the physical universe. Consequently, the best results are obtained when human beings are allowed to act in accordance with these laws; disaster will result if artificial interference is resorted to. Thus, 19th century laissez-faire came to be liberalism developed in a mechanistic setting.

^{19/} See Terbough, George, Postwar Surpluses and Shortages of Plant and Equipment. (Am. Econ. Rev., vol. XXXII, No. 1, part 2, supp., March, 1942) pp. 361-368. Sumner, John D., The Effects of the War on Price Policies and Price-Making, (Am. Econ. Rev., vol. XXXII, No. 1, part 2, supp., March, 1942) pp. 405-415. Clark, J. M., The Theoretical Issues of Postwar Adjustment (Am. Econ. Rev., vol. XXXII, No. 1, part 2, supp., March, 1942) pp. 1-12.

What we need to do today, is to retain liberalism but abandon its physical science connotations.^{20/} We must recognize the dignity of the individual and emphasize that he is the prime "end" of social activity. At the same time we must acknowledge that he is not the sole navigator of his barque; nor is he completely at the mercy of forces unalloyed by the possibility of group action.

The place of government is far different from that envisaged by 19th century social theory. In the first place, government today, plays a major direct role in economic life. The enormous expenditures of modern bodies politic on the governing process, defense, education, public charities, harbor improvements, highways, conservation projects and so forth have given the state a leading part in economic activity. It is not necessary to debate the defensible limits of these activities to concede that point.

In the second place, recent activities of government, especially those related to the war effort, have created maladjustments and distortions whose impact cannot be borne by individuals or enterprise acting alone. These burdens which have been assumed for the state as a whole must be accepted by the state. The resulting costs must be distributed in a way designed to preserve the structure, and not be allowed to fall willy-nilly on hapless victims; otherwise chaos will ensue.

Thirdly, free enterprise like free people must be conducted under and according to the rules of the game. Competition is meaningless without rules and regulations and it is the responsibility of government to provide the framework, the objective of which is to make competition possible. The function of law under such circumstances is to give expression to generally accepted standards of social conduct with government as the umpire.

What the future holds is hidden behind the veil of mystery, but perhaps it is not too optimistic to assume that comparative peace will be our lot for some time to come when the present conflagration is ended. If this be so, and if we are to retain our free institutions, the greater part of our economic activity will have to be under the control of private enterprise. All-inclusive planning is out of order for such a structure but wise statesmanship is urgently needed. Coordinated government policy is an indispensable cornerstone but government economic activity must be scrutinized for impacts which may threaten or destroy private enterprise. This demands much greater attention to the implications of governmental action than we have given heretofore.

On the other side, equally grave responsibilities rest on the shoulders of private endeavor. Monopolistic practices, grab-bag politics, pork-barrel expenditures, spendthrift vote-getting, special-interest legislation, power-seeking by government officials and private business

^{20/} See Usher, A. P., A Liberal Theory of Constructive Statecraft (Am. Econ. Rev., vol. XXIV, No. 1, March, 1934) pp. 1-10, for an able presentation of the consistency of liberalism with positive social action. See also the same author, Laissez-Faire and the Rise of Liberalism, (Explorations in Economics, McGraw-Hill, New York, 1936) pp. 403-411.

alike, are dire threats to the things we are fighting for.^{21/} If private business is to remain, individual entrepreneurs must demonstrate their ability to assume the accompanying responsibilities. They must be prepared to play the game, see that the rules make a good game possible, and accept the score. No sympathy should be spent on those fair-weather contestants who grab all they can get now and then yell for public aid when readjustment sets in.

Freedom cannot be had gratis. Unless we are willing to make the sacrifices we think it is worth, we cannot retain it even if we win the war. If we delude ourselves into believing that peace will bring the millennium, if we delude ourselves into believing that current consumption backlogs will provide a base that could make economic reconstruction painless, we invite and deserve disaster. The road of freedom is not a cheap one but it is far cheaper than any other we have seen or can visualize.

^{21/} See Slichter, S. H., The Conditions of Expansion, (Am. Econ. Rev., vol. XXXII, No. 1, part 1, March 1942) pp. 1-21; Restraint of Trade, (Editorial, The Economist, London, vol. CXLII, No. 5154, June 6, 1942) pp. 781-2; Watkins, M. W., Present Position and Prospects of Antitrust Policy, (Am. Econ. Rev. vol. XXXII, No. 2, part 2, supp., June 1942) pp. 89-118.