
CHARTING AMERICA'S FUTURE



RESPONSES-1

Below we present the first contributions by readers to the NL's year-long series aimed at stimulating debate on setting a new course for the country.

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Gus Tyler's incisive and stimulating essay, "The Great Debate" (NL, November 30, 1981), launched what promises to be a momentous series on "Charting America's Future." Undeniably, this country stands at a watershed and seeks a new direction.

For Tyler the focus is "the reality of class interests" and "an eternal struggle between those who have" and those who have less—in other words, a conflict of opposing interests. I am bothered by Tyler's tenuous linking of this conflict with the faulty design of the American political system. I view the present crisis as the inevitable outgrowth of the system's structural deficiencies, not the result of a paucity of available solutions to the problems besetting us.

It is significant that past great debates about national directions turned, finally, on constitutional questions as much as upon substantive policy issues. On each of these occasions, the capacity of the central government to exercise power sufficient to resolve the issue before the nation was paramount. Fundamental (some might say radical) constitutional adjustments were required to permit the emerging consensus to be implemented. Tyler saw the relationship in discussing the adoption of the Constitution.

But fundamental changes in the Constitution were equally essential at the close of the Civil War and in the judicial revolution accompanying the New Deal's reorientation of the polity. Thus when Tyler asserts that the great debates of the past were of an ideological and class character, it is appropriate to note that the goals advocated by the successful proponents could not have been achieved without constitutional change,

wrought either by amendment or judicial interpretation.

The underlying problem now confronting this country is the fragmented nature of its political system, rendering it impotent to respond to and implement the claims supported by a majority consensus. Reformers in this century, intending to advance democracy, have unwittingly often helped to weaken the institutions through which responsible power could be expressed—parties, nominating processes, and legislative leadership. Their successes have immobilized democratic political forces and made them incapable of aggregating the plethora of diverse interests; these, meanwhile, have become adept at blocking proposals inimical to their particular positions.

It is now more imperative than ever before that we rethink our social and economic policies. Such efforts will prove unavailing, however, without the governmental means for implementing



and legitimating the desired policies. This is not to embrace either a liberal or a conservative solution; it is to state that our fragmented Madisonian constitutional system has simply become incapable of moving authoritatively in any direction. As I see it, then, addressing the question of reshaping our democratic structures is vital. Others may demur. But in the ensuing colloquy we neglect this basic issue at our peril. We need to explore ways of creating responsible democratic institutions with the capability of responding decisively to domestic and international challenges of a magnitude greater than this country has previously experienced.

To those who say this is impossible, I respond that the nonachievement of the past 15 years has demonstrated that our system as now constituted is fatally flawed and must be drastically overhauled. Otherwise, we as a nation shall surely blunder into the chaos of irresolution, or the death of American democracy as we have known it.

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Let me comment on three points raised by Gus Tyler.

Criticism 1. The New Deal, as Tyler implies, was an exercise in economic schizophrenia. There were two New Deals, and their interaction was largely isometric. A macroeconomic New Deal featured deficit spending and monetary expansion, aimed at increasing aggregate demand, albeit by short-term pump-priming rather than long-term fine-tuning. A microeconomic New Deal aimed at reflation too, except it used the technique of raising production

costs and reducing aggregate supply. But instead of breaking up the aristocracy of Big Business and counteracting 60 years of Republican policy, the New Dealers took a path of least resistance by making Big Business split the swag with newly-created aristocracies of Big Labor and Big Agriculture.

For a member or official of a powerful union, or for a big farmer with a marketable surplus over subsistence, that was all to the good. The rest of us, though, were left to be robbed or gouged by three sets of robbers and gougers in place of one, which is a better route to inflation and stagflation than to progress and growth. And things get worse when the aristocrats collude against the consumer—when collective bargaining becomes a conspiracy by Big Labor and Big Business to raise prices and wages more or less in step with each other. As I see it, a poor gouger is no better than a rich one, and two are worse than one. Big Labor, Big Agriculture and Big Bureaucracy are legacies of the New Deal, just as Big Business is a legacy of the Gilded Age or the Roaring Twenties.

Criticism 2. As for the alleged inconsistencies of Reaganomics, they have been procedural rather than substantive. Tight money, lower taxes and higher defense spending *can* be reconciled (without the benefit of credit crunches), but only if certain conditions are met. One such condition, on which the Administration relied too strongly in my opinion, is in fact the famous Laffer Curve. Another, in which the Administration may have had some unjustified hope, is that America's allies share substantially in the cost of increased armament. A third condition, or "mediating strategy," is a substantial cut in civilian expenditures. This Congress has refused on a line-item basis, as might have been anticipated.

It has therefore seemed to me regrettable that the President did not take advantage of his honeymoon period to pass impoundment legislation. The Administration would then have had the power and authority to impound (postpone, cancel) sufficient appropriations to reduce the deficit or even balance the budget, up to a limit of \$200 billion or possibly more. It chose, unfortunately, to take the more conventional line-item route and shun full responsibility for the mistakes that impoundment would undoubtedly have included in this imperfect world. (No, "impoundment" as advocated here is *not* the misguided Nixon policy of 10 years ago. Nixon's impoundments were made without Congressional authorization, and were rightly struck down by the judiciary. I am proposing impoundment legislation passed by Congress—an option open in the spring of 1981 but perhaps no longer available!)

Criticism 3. This is a point of personal privilege, coming from an academic specialist with something less than Tyler's "wide-lensed mind." I'm a professional economist, I admit to my Duke students, plus a semipro Japanologist (and an amateur ogre), not at all a universal genius or Renaissance man. Tyler says such specialization makes me narrow and useless. What I ought to be is a free-floating intellectual (perhaps he means a free-floating emotional?) putting 100 per cent of the people in the top 10 per cent of the income distribution. Far be it from me to illegitimize free-floating colleagues in Academe and elsewhere, who "know less and less about more and more, and end by knowing nothing about everything," but I would rather be left alone to simply go my own specialist way without Tyler's aspersions. Division of labor, you know.



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Gus Tyler declares in his introductory piece, "The Great Debate," that "The roots of the New Deal were in the socialist and reformist critiques of capitalism." This is only partly true, for the National Recovery Administration as well as the expanded Reconstruction Finance Corporation reflected Right-wing views about the failures of market capitalism. Furthermore, it should be made clear that socialist and reformist critiques of capitalism are fundamentally different: The first argues that "capitalism by its very nature is flawed"; the second argues that the present variety of capitalism is flawed, but the flaws can be eliminated or at least attenuated. Tyler seems to imply that a prerequisite for revitalizing Left liberalism is identifying the weaknesses of today's capitalism and indicating the nature of the changes needed to remove or reduce them, without telling us exactly how to go about this.

The Right-wing critique of our big government/interventionist capitalism is based on an assertion to the effect that "Economics shows that an unregulated market economy will lead to a 'best' result." This is false. The propositions in pure theory upon which the Right's position rests can be shown to be valid only for abstract models where time, money, capital assets, investment, financial usages and the financial structures that characterize our economy do not exist; therefore, the propositions are not valid for our economy.

A paradox worth noting is that current Right-wing economic theory implicitly assumes an organization of the economy that separates the mainte-

nance and increase of capital from the "normal" market processes determining the prices and outputs of goods and services. An "economy" for which the propositions of economic theory would be valid would more closely resemble the "market socialisms" discussed by Oscar Lange and Abba Lerner in the 1930s than the corporate capitalism the Right-wing agenda envisions. The basic policy theorem that follows from Keynesian economics is that for "capitalism" to work well, "investment" has to be "socialized" in the sense that either a large portion must be independent of market considerations or the government must intervene to fix and constrain the conditions that determine private investment.

The Reagan policy proposals reflect the view that the big government/interventionist capitalism the Administration inherited is bad because it results in inefficiency and inflation. I doubt if any of today's liberal politicians, or even their house intellectuals—say, the various economists who were members of the President's Council of Economic Advisors during Carter's years—have cogent views about why small government/laissez-faire capitalism is not as good as the post-Roosevelt big government/interventionist economy. But certainly the history of the performance of American capitalism indicates that the big government/interventionist variety that has ruled since 1946 performs better than the small government/noninterventionist kind of 1896-1932. To make progress we have to understand the reasons for this, and in what manner the one outperforms the other.

Of course, many aspects of the big government/interventionist system that ruled when Reagan was inaugurated cannot be defended. It is the fact of big government, not the specific details,

that is important. Thus a reconstruction of liberal/progressive economic policy will not mean a reconstitution of what we had in 1980. If reconstructed liberalism reflects both a cogent critique of small government/noninterventionist capitalism and an analysis of the institutional structure and policy regime that explains the deterioration of the economy after 1966, then it will also indicate the reforms necessary to improve the performance of the economy.

I would conclude by conceding that from where I sit the critique showing why big government/interventionist capitalism is superior to small government/non-interventionist capitalism exists. It can be found in my work, as well as in the work of Paul Davidson and Sidney Weintraub among others. The question about the policy implications of post-Keynesian analysis is open—but the proposition "that capitalism is a flawed system" runs through the argument.

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No one can quarrel with the proposition that our government, like any other, has had a great and continuous influence on the relationships among its citizens. Nor can it be denied that economic considerations have played a major part in shaping this influence. I believe, however, that in Tyler's unfolding scenario economics is being overemphasized.

No less important to the future of this country is our willingness to consider solutions other than military to our differences with other nations; our willingness to cease the shocking rape



of the environment; our willingness to seek safe, sensible solutions to the energy crisis; and perhaps above all, our willingness to take a "world" view of the world.

Tyler seems to be suggesting that if we but solve our economic problems, everything else will fall into place. Although he does make reference to the Constitution and the Declaration of Independence as they relate to such things as the effect of slavery and domestic tranquillity on the economy, he makes no reference to the Bill of Rights, certainly one of the bulwarks on which the spirit of this country rests.

I am aware that in the early days of the Republic, economic concerns were a principal factor in the condoning of slavery despite the Bill of Rights. But the atmosphere has changed. Blacks and other minorities have realized their rights through affirmative action, the Voting Rights Act, the Civil Rights Act and similar laws, almost, one might say, in spite of economic considerations.

I do not mean, of course, to deny that prosperity is basic to our well-being. One of the principal tasks of government is to strike a proper balance among the various groups in this country, whether we group them economically, politically, religiously, ethnically, or some different way. We all want life, liberty and the right to pursue happiness as each one of us sees it, insofar as we can do that without treading on the rights of others.

Yet the very significance of the economic factor leads me to another difficulty I have with Tyler's analysis. I agree that the societal pendulum had swung so far away from "the people" that a vehicle like the New Deal was both possible and necessary, to counter the Depression and to right the wrongs that had been perpetrated in the name

of laissez-faire capitalism. At the same time, part of the reaction (and I use that word advisedly) we are witnessing today has resulted from that pendulum having swung too far in the opposite direction. What many look upon as the excesses of the labor movement have substantially dissipated the sympathy labor enjoyed during and after the Depression.

I know that, at least until very recently, the large corporations have continued to have good profits. But I refer to perceptions. The national response to the air traffic controllers' strike is an example of this phenomenon. The overwhelming support for President Reagan's firing of the controllers came from deeper down than mere objection to an illegal strike. Another such perception is that labor productivity has dropped substantially, making it difficult for this country to compete in international markets.

As I have suggested, our problems extend beyond economics. They stem in part from our failure to take more than a provincial view of the world. They also arise from our almost psychopathic insistence that American is better—even when, as often happens these days, the evidence to the contrary is compelling. And they are reflected in our irrational fear of Communism, although our reaching out to the People's Republic of China, while admittedly linked to our strategy regarding the Soviet Union, was a positive departure. We need a more rational, calm approach to the world, which has truly become "One World."

I do not have the answers to our economic troubles, but I do know that we cannot increase the military budget, cut taxes and balance the budget—except, as John Anderson observed, with mirrors. I feel strongly that social pro-

grams, representing the finest impulses in our society, have been too deeply cut. Steps of this kind, far from curing our ills, are more likely to turn individual against individual, group against group, and in fact exacerbate our troubles. We could far better afford, in my view, to make those cuts in our swollen military budget.

I agree with Tyler that, unlike Robin Hood, we have taken from the poor and given to the rich, and that this is a basic social error. At the same time, in charting America's future we must look beyond matters of money. The New Right is a greater threat to our societal health, to the fabric of our democracy, than any economic flaw, because that group would destroy the dialogue that has made this country great. That group would turn brother against brother, and make rational debate impossible.

There have always been one-issue groups in America, but I don't believe there has ever before been the same lack of respect for the viewpoints of others. When one adds the element of the religious extremist, it is reasonable to worry that a potential danger to our democracy may have been created, even though the group is still only a small minority.

Finally, allow me to say that in providing a forum for a free-flowing exchange on these issues, Gus Tyler and *THE NEW LEADER* are performing a great service. This is true not only for the solutions such discussions can provide, but because the discussions themselves best illustrate the greatness of our society, and distinguish it from most other societies. So long as we are "talking," hope is not lost. In fact, I am confident that we will win the day, in terms of a just society in good economic health. We owe that to ourselves and to the world.