Doctoral Dissertations 1896 - February 2014

1-1-1984

The depoliticization of public policy.

Dwight C. Kiel
University of Massachusetts Amherst

THE DEPOLITICIZATION OF PUBLIC POLICY

A Dissertation Presented

By

DWIGHT CONRAD KIEL

Submitted to the Graduate School of the
University of Massachusetts in partial fulfillment
of the requirements for the degree of

DOCTOR OF PHILOSOPHY

September 1984

Department of Political Science

THE DEPOLITICIZATION OF PUBLIC POLICY

A Dissertation Presented
By

DWIGHT CONRAD KIEL

Approved as to style and content by:

Jeffrey L. Sedgwick, Chairperson of Committee

Lewis C. Mainzer, Member

Norman D. Aitken, Member

Dean Alfange, Jr., Graduate Program Director

ACKNOWLEDGEMENT

I would like to thank Peter J. Katzenstein for instructing me in the ways of "political understanding" that transcend "political explanation." In more recent years, I owe especially heavy scholarly debts to Michael H. Best, William E. Connolly, Lewis C. Mainzer and Jeffrey L. Sedgwick. Charlene A. Stinard has been, for the last four years, a source of inspiration and a constructive critic. Her help has been indispensable. Glen Gordon, the Chairman of the Political Science Department during my tenure as graduate student, created the most convivial and constructive environment for graduate students that I have ever experienced. I want to thank him and the graduate students at the University of Massachusetts for making life as a graduate student exciting and livable.

Of course, none of these scholars is responsible for the errors and omissions in this work.

ABSTRACT

The Depoliticization of Public Policy

(September 1984)

Dwight Conrad Kiel, B.A., Cornell University

M.A., University of Texas/Austin

Ph.D., University of Massachusetts

Directed by: Professor Jeffrey L. Sedgwick

Much of the recent work in the public policy field in Political Science has heralded a welfare economics/public choice approach as the new "paradigm" of the field. A welfare economics/public choice approach does have political appeal because it redefines politics, the public good and citizenship in ways that seem to resolve many of the problems facing the modern administrative state. However, the thoughts and practices necessary to make these redefinitions and resolutions hold are even more dangerous than the problems now facing the administrative state.

The public policy field has opened itself up to much of the fare of a welfare economics/public choice approach because the field lacks a history guided by more than just a case-study approach. This work attempts to develop a history of public policy in the

United States that is guided by an understanding of the relations between the public sphere and the private sphere. Such an examination provides insights into the nature of guiding approaches developed in the United States to deal with the problems of a federal government with immense responsibilities for, yet, relatively weak powers in, the private sphere. Each of the approaches taken by representatives and administrators at the federal level from 1883 to 1969 had its flaws. Yet, compared with a welfare economics/public choice approach, each previous approach maintained a commitment to good politics, to the public good and to citizenship.

The historical examination of past policy approaches helps reveal both the appeal and the danger of a welfare economics/public choice approach to public policy.

TABLE OF CONTENTS

CHAPTER I

INTRODUCTION

The Public Good and Public Policy

In the last fifteen years scholars and practicioners of public policy in the United States have been lured by the sirens of a welfare economics/public choice approach to public policy. In the public administration literature, the policy literature and the policy analysis literature the sirens have warned that past policy approaches taken by the federal government to solve social ills and promote social equity failed, and failed dangerously.[1] The previous forms of intervention into the private sphere by government have been accused of wrecking the economy, fostering civil disturbances and weakening the social fabric of the United States. Indeed, the sirens claim that the legitimation crisis of the 1960s and the 1970s was not so much the product of institutionalized racism, nor of the Viet Nam War, nor of the Nixon presidency nor of a rejection of American mores, but was, instead, the product of the techniques of public policy. The sirens, of course, do more than warn of danger, they offer a new approach and a new set of techniques which will, they

promise, secure a strong economy, restore faith in government action and protect citizens from the deliterious effects of the private economy.

I have little doubt that many of the techniques and models advocated by those who support a welfare economics/public choice approach will be adopted by policy makers in the United States. I have, though, grave doubts about the effects a welfare economics/public choice approach will produce on the political life in the United States. The assumptions made by this approach about human nature, the public good and good politics portend the depoliticization of government and society in the United States. I do not make such a claim lightly. The methods of intervention in the private sphere by government establish practices and create concepts which influence the thoughts and actions of citizens. As the Founders understood, good government is predicated upon good citizens, but good government also has a responsibility to nuture good citizens. A public policy approach which ignores the connection between good government and good citizens is dangerous. A public policy approach which isolates citizens in the policy process, encourages unreflective behavior by citizens and endorses "homo economus" as the ideal citizen is dangerous. A public policy approach

which denigrates the ability of citizens to come together in public forums and to rise above self-interest in the pursuit of the common good is dangerous.

Methods

I want to expose these dangers, which are the dangers of the depoliticization of public policy at the hands of a welfare economics/public choice approach, but I also want to explore why past policy approaches have encouraged this depoliticization of public policy. In reviewing the history of public policy in the United States, I found (and/or constructed) four federal approaches to public policy since the 1880s. By an "approach" to public policy I mean a set of techniques, structures and concepts which guide government officials as they are forced to make interventions in the private sphere. Each approach that I have discerned makes assumptions about human nature, good politics and the public good which guide and justify the actions taken by the government under that approach.[2]

As we shall see, each approach taken since the 1880s has been a response to the failure of previous approaches to respond successfully to new political, economic and/or social developments. Each approach also

generated problems which could only be handled by moving outside the boundaries which determined that approach's selection of techniques for intervention in the private sphere. Rarely does an approach die outright. Rather it survives in some areas, but is supplanted in most areas of government intervention by a new dominant approach.

From the 1880s to the 1970s, the history of public policy in the United States has been marked by four approaches to government intervention in the private sphere. First, beginning in the 1880s the federal government adopted a <u>regulatory approach</u> to intervention in the private sphere. Second, without abandoning the regulatory approach, the federal government, in response to the Great Depression, accepted responsibility for steering the economy and for guaranteeing decent living standards for all citizens. The myriad of approaches to these new responsibilities during the New Deal makes the New Deal approach hard to label, but the emphasis on social responsibility by the federal government separates this era from the regulatory movement and I have chosen to call it the <u>social responsibility</u> approach. Third, following the Second World War, the federal government attempted to fulfill the promises of the New Deal with the <u>scientific-planning</u> approach.

Fourth, in the 1960s a participation approach was slapped on top of the increasingly deficient scientific-planning approach.

It is my argument in this work that each of these previous approaches, although containing serious flaws, maintained a commitment to good politics, the public good and good citizenship. We need to rethink these past approaches so that we can find the moments of truth and of insight that each approach offers. We need to be aware of the deficiencies of each approach so that better policies can be made in the future. We need to beware those approaches which sacrifice politics, the public good and good citizenship to the single banner of efficiency.

Organization

The depoliticization of public policy at the hands of a welfare economics/public choice approach is the thread which binds this work together. I use the term "depoliticization" to signify the de-moralization of both citizen and citizens: the political being and the political body. Political life is a way of being in the world which has been celebrated periodically in the history of humans and squashed quite easily, though not

completely, for much longer periods. In the literature of public policy there is far too little discussion of the connection between policy and good politics and between policy and good citizenship. These connections need to be explored if the study of public policy is to make lasting and fruitful contributions to the human condition.

In Chapter I, "The Anti-Political Character of a Welfare Economics Approach to Public Policy," I critique the assumptions about human nature that welfare economics/public choice advocates hold. In the next four chapters I began the examination of the four approaches to public policy practiced from the 1880s to the 1970s. In Chapter VI, "The Why of a Welfare Economics/Public Choice Approach to Public Policy," I present the case for the welfare economics/public choice approach by examining the flaws of the previous approaches. In Chapter VII, "The Depoliticization of Public Policy," I illustrate the conceptual weaknesses and practical dangers of a welfare economics/public choice approach to public policy.

ENDNOTES

1. My criticisms of a welfare economics/public choice approach to public policy are aimed most specifically at works by Vincent Ostrom and Charles L. Schultze: Vincent Ostrom, The Intellectual Crisis in American Public Administration (University, Alabama: Alabama University Press, 1974); Charles L. Schultze, The Public Use of Private Interest (Washington D.C.: The Brookings Institution, 1977); Allen V. Kneese and Charles L. Schultze, Pollution, Prices and Public Policy (Washington D.C.: The Brookings Institution, 1975). I am more leary of holding other advocates of a welfare economics/public choice approach knowingly responsible for the depoliticization of public policy which such an approach encourages. Ostrom and Schultze, though, are both politically astute scholars and cannot claim ignorance of the political benefits and costs of the model they endorse.

2. I make no claim that this is the only possible construction of previous policy approaches. Other scholars may discern more complicated and sophisticated patterns in the ways which the public/private split has influenced public policy in the United States. My schema is helpful for understanding the dilemmas of the modern administrative state in the United States and, I hope, that it is provocative enough to encourage further historical analysis of public/private relations and the way in which these relations determine the possibilities for government action.

CHAPTER II

THE ANTI-POLITICAL CHARACTER OF A WELFARE ECONOMICS APPROACH TO PUBLIC POLICY

The Tragedy of the Commons

In 1968 Garrett Hardin published his now famous parable, "The Tragedy of the Commons."[1] This parable -- a paraphrasing of an account made by an English political-economist in 1883 -- has become the standard introduction to works that argue for a welfare economics approach to public policy.[2] Hardin's parable is useful to welfare economists because it illustrates their conception of the individual and the dangerous consequences of this individual in action. Furthermore, the parable is an alleged explication of an historical event: the enclosure movements in England. This is not a fable with talking fauna, but an, allegedly, exemplicative and "true" story of humans acting in the world. The claims of such a story deserve exploration.

The parable reads:

> The tragedy of the commons develops in this way. Picture a pasture open to all. It is to be expected that each herdsman will try to keep as many cattle as possible on the commons. Such an arrangement may work reasonably satisfactorily for centuries because tribal wars,

poaching, and disease keep the numbers of both man and beast well below the carrying capacity of the land. Finally, however, comes the day of reckoning, that is, the day when the long-desired goal of social stability becomes a reality. At this point, the inherent logic of the commons remorselessly generates tragedy.

As a rational being, each herdsman seeks to maximize his gain. Explicitly or implicitly, more or less consciously, he asks, "What is the utility to me of adding one more animal to my herd?" This utility has one negative and one positive component.

1. The positive component is a function of the increment of one animal. Since the herdsman receives all the proceeds from the sale of the additional animal, the positive utility is nearly +1.

2. The negative component is a function of the additonal overgrazing created by one more animal. Since, however, the effects of overgrazing are shared by all the herdsmen, the negative utility for any particular decision-making herdsman is only a fraction of -1.

Adding together the component of partial utilities, the rational herdsman concludes that the only sensible course for him to pursue is to add another animal to his herd. And another.... But this is the conclusion reached by each and every rational herdsman sharing a commons. Therein is the tragedy. Each man is locked into a system that compels him to increase his herd without limit -- in a world that is limited. Ruin is the destination toward which all men rush, each pursuing his own best interest in a society that believes in the freedom of the commons. Freedom in a commons brings ruin to

all.[3] (original emphasis)

The Myth of the Tragedy of the Commons

Within the parable is a clear description of the individual according to welfare economists. Individuals, including herdsmen, are "rational" beings who seek to maximize their individual economic gains. Individuals, as economic self-maximizers, lack the ability to perceive correctly interests greater or other than their own individual and specific economic interests. Being incapable of, or at least retarded in, determining interests other than their own economic interests, individuals are denied the political ability of communicating and discussing political issues in a forum where the pubic good (as opposed to the summation of private interests) might be determined. Individuals are cast as economic and atomistic creatures, not as political and social beings.

If this is indeed a true picture of human nature then one is prompted to ask why the commons originated and how they were maintained before the enclosure movement. No precise explanation of the origin of commons is offered in the parable, but one is suggested by the parable's direct answer to how commons were

maintained. The parable states, "Such an arrangement may work reasonably satisfactorily for centuries because tribal wars, poaching, and disease keep the numbers of both man and beast well below the carrying capacity of the land."[4] Simply, each individual was earnestly pursuing economic self-maximization in the commons, but the ill effects were constrained by warring neighbors, roaming villains and natural disasters. Maintenance of commons, then, was the result of the whims of human nature and the caprice of nature. The origin of the commons also must, then, be the result of whim, caprice and chance. Surely, economic and atomized self-maximizers -- with narrow and short-term world views who are devoid of political and social skills -- must have simply lucked into the commons arrangement.

The parable, having presented such a sparse view of human nature, must ignore evidence that the users of commons were also responsible for the maintenance of commons. A vast array of anthropological studies have shown how even the most primitive tribes have sophisticated social, religious and political practices which maintain their commons.[5] These practices may not be acceptable to modern citizens, but the practices do illustrate that members of these tribes, as well as English herdsmen, were not merely economic creatures who

were constrained from destroying their commons by the whims of other humans and the caprice of nature.

Indeed, the English commons were not enclosed because they were an agricultural failure or because pasture land was overgrazed. From the thirteenth century to the sixteenth century enclosures were carried out by the heads of baronies for the creation of parks and to secure land surrounding their homes.[6] This estate-building by the aristocracy was usually accomplished without remuneration to the yeomanry. The aristocracy may have displayed prestige and security motives in these enclosures, but economic motives were, at best, unimportant. After 1600 an economic motive for the enclosure of commons did appear. Commons were enclosed to provide the vast acreage necessary to make the raising of sheep for wool production profitable. Enclosure was possible because the aristocracy was able to enlist the most affluent yeomanry to the movement. As commons were enclosed, large villages disappeared and were replaced by five or six large estates: affluent yeoman had become landed gentry. These enclosures forced the yeomanry off the land and created yet another new class in England: the poor.[7] Prior to these enclosures some of the yeomanry were impoverished, but they maintained access to their own sustenance. After

these enclosures, dispossessed yeomen either found a market for their labor or found themselves in a building without an exit: the poor house.

The enclosure movement was fueled, at times, by economic motives, but the explanation of the demise of the commons (as a result of each herdsman pursuing his rational self-interest and thus destroying the commons through overgrazing) was an incorrect and posthumous apology for the aberrational economic motives displayed by the aristocracy and the landed gentry. This prevaricated apology by England's blooming political economists was necessary to explain the most dangerous consequence of the enclosure movement, the new class of the permanent poor. Evicted yeomen who sought no employment and escaped the poor house were able to sustain themselves by relocating to areas where commons still were maintained. By gleaning and by using waste land held in common in these areas, these yeomen were able to avoid selling their labor without ending up in the poor house. These "idle poor" never constituted a threat to commons, but they were seen by English political-economists as deviants who refused to live by the new model of economic self-maximization and who were thus poor role models and future threats to social stability.[8]

The enclosure movement did provide economic benefits. Wool production was profitable for those few who owned large sections of land. The rents charged for enclosed land were higher than those charged for land on agricultural commons and this also created profits for large land owners. New and more productive agricultural techniques were employed more often on enclosed lands than those on commons and these innovations surely produced some long-range economic benefits in England.[9] However, the claim that the enclosure movement after 1600 produced economic benefits for some and the claim that these enclosures were the product of some individuals' attempting to maximize their prestige, security and, in some cases, profits do not prove that the economic explanations of enclosure and the economic arguments for enclosure expounded by political-economists in the nineteenth century are correct. On the one hand, the explanation of the enclosure movement propounded by the political-economists (the one which Hardin accepts) assumes that the tragedy is the logical outcome of the transcendental self-maximizing character of all humans. This explanation was inaccurate, but necessary for the political-economists who wanted to illustrate that the economic self-maximizing individual glorified by Mandeville and elevated to the rank of

citizen by Adam Smith was not simply a vision of or a model for the modern subject, but was instead an historically verifiable (and transcendental) description of human nature. On the other hand, the economic argument for continued enclosures advocated by the political-economists was a result of their desire to dry up the resources of the "idle poor" and force these poor to conform to the political-economists' vision of the safe and depoliticized modern subject. The political-economists' explanation could carry no weight until the many deviants who undermined their interpretation were forced to accept their proper economic attitude toward life.

The attempt to argue that the economic self-maximizing individual is a transcendental construct is central to Hardin's parable, but this construct is simply not self-evident. Hardin's parable assumes such a transcendental claim about human nature -- gaining persuasiveness by the very simplicity and brevity of the story -- by ignoring both anthropological and historical evidence.

Consequences of Endorsing the Myth of the Tragedy of the Commons

Despite these serious flaws, it is still possible that the parable may be an accurate description of particular actors in particular commons situations. Welfare economists use the parable to explain why air and water pollution occur in the United States: the polluter is plagued by only a small proportion of the environmental damage his pollution creates, but the benefit of the free use of the environment to dispose of the pollution accrues completely to the polluter. The welfare economists have provided a compelling explanation of modern air and water pollution by retrieving Adam Smith's vision of the individual as an economic self-maximizer with accurate knowledge only of his own passions and by applying this vision to both the modern corporation and the modern individual. It is not the modern corporation that is demeaned in this view, but rather the quality and character of humans. Given this view of the modern individual, how is it possible to solve public problems created by individuals (and corporations) pursuing and knowing only their own private interests? How is it possible to determine and to pursue the common or public good?

Hardin and the welfare economists part company in

answering these questions. Hardin, exhibiting Hobessian colors, suggests the necessity of a scientific-administrative elite to determine and enforce the public good. The individual pursuit of economic interests would be blunted by administrative laws and constructively rechanneled by a paternalistic technocratic elite. How this elite would be selected and how it would maintain its allegiance to an acceptable interpretation of the public good are questions Hardin does not answer. How would individuals in society (previously known as citizens) rise above their channeled pursuit of self-interest and select technocratic guardians who have everyone's best interests in mind? How would expertise in scientific issues provide a moral framework within which allocation decisions could be made? Why would individuals who are in essence self-maximizers accept the decisions of individuals whose only claim to legitimacy is a scientific background and a claim to moral superiority? Such questions cannot be answered when one's conception of the individual estranges the individual from knowledge of interests greater or other than his own.

The advocates of a welfare economics approach to public policy avoid the inconsistencies of Hardin's solution. Individuals will not determine the public

good, because the concept of the public good is a myth and the public good is, therefore, not accessible. What is accessible is the summation of all individual interests in society, and this summation of interests will replace the false ideal of the public good with the empirical reality of the "public interest." The calculation of the "public interest" does not depend upon the ability of humans to act ethically or morally. Nor does it depend upon the ability of humans to communicate their interests to each other and upon reflection posit a "good" greater than individual interests. The calculation of the "public interest," then, does not rely on either democratic or republican forms of government. For both forms ultimately must rest upon the virtue of citizens and upon the greater insights of intersubjective communication in democratic forums.[10] Indeed, individuals who act ethically and/or who try to understand and represent interests other or greater than their own interests "artificially" skew the results in the calculation of the "public interest." Proper calculation depends upon proper behavior: economic maximization (at all costs!).[11]

According to welfare economists, the dangers posed to common resources by self-maximizing behavior, as well as the deleterious effects of ethical and political

action on the calculation of the "public interest," can be managed by creating the proper incentive structures in society. To control pollution of common resources, all that is required is a system of effluent fees that force manufacturers to "cost in" their use of common resources.[12] Adam Smith's vision of the individual was not incorrect; what was misunderstood by Smith was the role that public policy must play in ensuring that the individual pays the full cost of his economic activities and in ensuring that the individual will "live up" to Smith's meager vision.

Once one has accepted Smith's model of the individual, the solutions proferred by the advocates of a welfare economics approach to public policy seem internally consistent. The welfare economics model needs no bureaucratic elite with the abilty to determine the public good. If the summed preferences of individuals illustrate a preference for industrial production over clean rivers or a preference for plastic trees over natural trees, then so be it.[13] It is not the role of the bureaucrat to determine the final outcome of public policies, only to determine the proper incentives which will produce the outcome which the aggregation of individual preferences has indicated. The problem facing welfare econom)cs advocates is the

acceptance of this model of the individual and of the "public interest" by policy makers and by the public. The problem, then, is to convince the populace of the "social" benefits of giving up on political thought and action and replacing political life in the United States with pure economic behavior. The allure of Hardin's parable for welfare economists now becomes clearer. For the parable posits this model of the individual in all times and in all places. An accurate understanding of the political nature of human nature can become unnecessary if only the proper (read welfare economic) vision of the individual can be produced.

The transcendental implications of the parable's description of humans are important for a welfare economics approach because so much must be sacrificed to produce and maintain this vision of the individual. As we have seen, the welfare economics model of humans must reject: (a) the ability of humans to know interests greater or other than their specific individual interests and, thus, their ability to act ethically and morally, and (b) the ability of humans to communicate intersubjectively to determine the public good and thus their abiltiy to participate in either democratic or republican forms of government. The concept of the public good must be abandoned because the demoralization

and depoliticization of humans make the public good unattainable. Inividuals must be emptied of all the virtues and abilities that form the bond between politics and the public good.

Why such a mortal sacrifice of the political nature of humans is acceptable to proponents of a welfare economics approach to public policy will become clearer in the following chapters. For each of the four predominant approaches to public policy which preceded the welfare economics approach failed to make such a sacrifice and, also, failed to achieve the political and economic promises that each had offered. Each previous approach had relied on politics, the concept of the public good and enlightened political citizens to achieve their policy goals. In order to avoid the failures of past approaches the welfare economics approach is willing to sacrifice politics, the concept of the public good and the political citizen in favor of economics, the "public interest" and the economical consumer. Why such a model of society and of the hollow individual is now offered up for public consumption can best be answered by first examining the four previous policy approaches and why each one failed to deliver its political and economic promises.

ENDNOTES

1. Garrett Hardin, "The Tragedy of the Commons," in Managing the Commons, eds. Garrett Hardin and John Baden (San Francisco: W. H. Freeman and Co., 1977), pp. 16-30. Originally published in Science 162: 1243-1248, 1968.

2. For examples, see Vincent Ostrom, The Intellectual Crisis in American Public Administration (University, Alabama: Alabama University Press, 1974); Edith Stokey and Richard Zeckhauser, A Primer for Policy Analysis (New York: W. W. Norton and Co., 1978); Robert L. Lineberry, American Public Policy (New York: Harper and Row, 1977).

3. Hardin, "The Tragedy of the Commons," p. 20.

4. Hardin, "The Tragedy of the Commons," p. 20.

5. For one of the most insightful discussions of the social and religious practices of primitive tribes and how these practices are developed to maintain the ecological balance of these tribes' environments, see Claude Levi-Strauss, The Savage Mind (Chicago: University of Chicago Press, 1966), especially pp. 90-91. An earlier discussion of how economic motives have, until the eigthteenth century, been submerged in social relations can be found in Karl Polanyi, The Great Transformation: The Political and Economic Origins of Our Time (Boston: Beacon Press, 1957), pp. 43-55. As Polanyi wrote in this book, originally published in 1944:

> "The outstanding discovery of recent historical and anthropological research is that man's economy, as a rule, is submerged in his social relationships. He does not act so as to safeguard his individual interest in the possession of material goods; he acts so as to safeguard his social standing, his social claims, his social assets. He values material goods only in so far as they serve this end. Neither the process of production nor that of distribution is linked to specific economic interests attached to the possession

of goods; but every single step in that process is geared to a number of social interests which eventually ensure that the required step be taken. These interests will be very different in a small hunting or fishing community from those in a vast despotic society, but in either case the economic system will be run on noneconomic motives."(p. 46)

6. W. E. Tate, The English Community and the Enclosure Movements (London: Victor Gollancz, 1967), pp. 60-61.

7. Tate, The English Community, p. 77.

8. Tate, The English Community, pp. 70-73.

9. Barrington Moore, Jr., Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World (Boston: Beacon Press, 1966), p. 23.

10. Even republican government presupposes the ability of citizens to come together in forums where the individuals will rise above their own interests and work at positing policies in the common or public good. The faith in this ability by citizens is obvious both in the construction of the federal legislative bodies and in the maintenance in the United States of jury systems which depend upon the ability of "ordinary" citizens to rise above their own view and reach agreement among 11 of their peers.

11. It is possible for welfare economists and public choice advocates to claim that it does not matter what factors (e.g., regard for others, regard for future generations, insanity, etc.) influence the responses of individuals making their preferences known to policy makers. However, there is a drive for normalization in this policy approach which guided by the approach's demand for efficiency. If, for example, many citizens decide that all other members of their community will undervalue health care then these citizens' strategic responses which overvalue their own willingness to pay may provide an inaccurate picture of the communty's commitment to health care. If all the citizens in a community value, for example, their local forest as

priceless (or worth $5 billion if they are forced to give an answer in dollar terms), then assessment becomes difficult. Normal responses by consumers who honestly reveal their isolated and specific preferences is needed for the model to be truly efficient.

12. For a brief and clear discussion of this approach to water and air pollution see Charles L. Schultze, The Public Use of Private Interest (Washington D.C.: The Brookings Institution, 1977), pp. 80-82. Schultze's discussion here reveals a serious technical problem in the conceptual framework of a welfare economics approach: this approach assumes that environmental decay proceeds along the same smooth curves as those hypothesized by economists for consumer preferences. The problem, of course, is that once an ecological entity decays past a certain point it is no longer a live system. Just like humans, ecological "units" die and death is not smooth cornered.

13. The egocentric dangers of a welfare economics approach can be mitigated by political strucutures which encourage the political development of citizens and which foster democratic and republican forums where citizens can rise above self-interest and attempt to pursue the public good. The citizen viewed only as and simply as a consumer will be denied the opportunity to develop as a political being. However, there are no sure guarantees that as political beings we will not destroy nature and replace it with nature surrogates. Political activity does not guarantee that good politics will result or that we will be able to appreciate the world in non-egocentric terms. Political activity only guarantees that citizens will have available the opportunity to learn and practice reflective thought and action as the social beings that we are. For an excellent discussion of the problems policy analysts and policy makers face in thinking about environemntal issues, and for a convincing plea for more careful thought about our relationship to the natural environment see Laurence H. Tribe, "Ways Not To Think About Plastic Trees: New Foundations for Environmental Law," The Yale Law Journal 83 (June 1974):1315-1348.

CHAPTER III

THE REGULATORY APPROACH: 1883-1933

The Beginnings of Modern Public Policy

Two legislative enactments of the 1880s marked the beginning of modern public policy. The first, the Pendleton Act of 1883, provided the rudiment of a professional and rationalized federal civil service. The second, the Act to Regulate Commerce of 1887, created the Interstate Commerce Commission (ICC) which established a precedent for future government intervention in the private economy and served as model for the administrative structure of subsequent independent regulatory agencies. Neither Act produced the results sought by their respective advocates until the first decade of the twentieth century, but both Acts proved crucial in setting boundaries for the development of modern public policy in the United States.

The Pendleton Act and the Moral Character of Public Employees

The Pendleton Act was not a piece of legislation that was swiftly and haphazardly patched together in response to President Garfield's assassination by a

frustrated office-seeker denied Republican spoils. Garfield's assasination did prove instrumental in provoking a public outcry against the spoils system and in prodding a reluctant Congress to take some sort of action, but careful research and sophisticated legislative proposals preceded the Pendleton Act by more than a decade. In 1868, Congressman Thomas A. Jenckes sponsored a report on the civil service procedures of China, Prussia, France and England.[1] In 1871, President Grant appointed George William Curtis, a proponent of civil service reform and an admirer of the Northcote-Trevelyan civil service reform in England, as chairman of a Civil Service Commission.[2] Grant's Commission was refused appropriations by the Congress in 1873 and slowly and quietly died, but not before it had produced detailed procedures and laws for a civil service based on competitive examinations, security of tenure and political neutrality.[3] By 1881, the National Civil Service Reform League, with George William Curtis as President, was formed after meetings of numerous state and city reform associations.[4]

The target of these reformers was the spoils system. While they were interested in producing economy in government by securing more competent public employees, their distaste for the spoils system centered

upon the lack of honesty and morality exhibited by public employees selected on the basis of their connections with the political party in power. Dismayed by the avarice and illegalities of individuals who sought public employment for purely economic gain, the reformers proffered a view of political men in public office -- <u>moral</u> economic men -- who could counter the ill effects of amoral economic men in the private sphere.[5] Economic considerations were not unimportant: corruption and incompetence were costly and businessmen were dissatisfied with the waste and inconsistency of performance and judgement diplayed by patronage appointees.[6] Leonard D. White has also suggested that another motivation for reform was "... the concern of thoughtful men over the prostitution of the party and the weakness of the executive power."[7] Such concerns may have motivated a few reformers, Woodrow Wilson included, but it is clear that these conserns were far from primary for most reformers.[8] Nor was the demand for a businesslike approach to government a source of reform zeal, for business methods of recruiting, selecting and promoting were also underdeveloped and lagged behind the federal government for decades after the Pendleton Act.

The primary objective of the civil service

reformers was the creation of mechanisms which would select moral and competent public employees and would allow these employees to remain free from partisan intrusions that would threaten moral and competent performances. The Pendleton Act of 1883, drawn up by the New York Civil Service Reform Association in 1881, contained such mechanisms. Certain positions in the federal government were designated as classified positions and were to be free from political influence. Entrance into classified positions was based upon success in competitive examinations. Performance in public office was to be the only basis for removal from office, providing classified employees with a relatively secure tenure in their positions. Merit would determine placement and advancement in classified positions and party loyalty or affiliation was to be disregarded in the selection and evaluation of classified personnel. A Civil Service Commission was created by the Act and empowered to control the testing of applicants for classified positions and to investigate departments to ensure conformity to the Act. The Civil Service Commission, to ensure its ability to maintain this politically neutral sphere of public employment, was composed of three members, one of whom was to represent the political party out of (executive) power. The

President, in recognition of the executive power over federal administration, was granted the power to dismiss commissioners without explanation, but appointments were to be confirmed by the Senate. The Congress also granted the President the power to increase the number of classfied positions by executive order.[9]

By the use of executive orders the number of federal civilian employees covered by the Pendleton Act was slowly and erratically extended from 1883 to 1900. In 1883, 14,000 of the 100,000 federal positions were classified and by 1900 the merit systen covered 106,000 of some 275,000 federal civilian positions.[10] Of course, these figures on federal employment also reveal that between 1883 and 1900 the number of patronage positions grew from 86,000 to 169,000. The patronage system was far from collpse by 1900, but it had given up ground to the merit system in key technical positions within the executive departments. The Departments of Agriculture and Interior, especially within those offices which gathered and analyzed data, experienced a rapid extension of the merit system.[11] Positions within the Treasury Department that required technical and scientific expertise were also quickly covered by the Pendleton Act, and continuity within these offices was matched by consistency in external relations with

the private economy with the passage of the Customs Administration Act of 1890. This Act further rationalized the Treasury Department, much to the pleasure of businessmen, by creating a board to ensure uniform custom rates at the various ports in the United States[12] The number of patronage positions in the federal government still far exceeded the number of merit positions in 1900, but the percentage of merit positions had doubled in the first twenty-seven years of the Pendleton Act, and the positions covered by the Pendleton Act were concentrated in executive departments where knowledge and consistency were the keys to power.

By 1900 the extension of the Pendleton Act had created a sphere in the federal government that was separated from both partisan politics and the private economy. Politics and administration can never be entirely divorced, but in 1900 it was possible to argue reasonably that there was politics and then there was civil service administration. Such a claim was possible because the Pendleton Act provided for moral and <u>neutral</u> administrators, and Congress passed laws which were extremely detailed and which denied administrators discretion in implementing legislation. For example, Congress passed very rigid and very detailed legislation for the provision of Civil War pensions. Administrators

were given little discretion in applying Congress' standards for these pensions and from 1886 into the 1890s Congress passed hundreds, even thousands, of personal bills each year exempting individuals from the standards set by Congress. The denial of discretion by Congress from 1886 to 1900 on the awarding of pensions and the subsequent flood of personal bills to right this lack of discretion illustrates the difficulty of accepting Theodore J. Lowi's argument in The End of Liberalism that one of the solutions to "liberalism" is Congressional enactments which limit administrative discretion by providing detailed and specific instructions for administrative action.[13] If Congress could not develop equitable standards for pensions, it is far from likely that Congress could establish equitable and non-dicretionary standards for more complicated legislation.

At the turn of the century, neither Congress nor civil servants encouraged administrative discretion. Congressman saw administrative discretion as a delegation of power to the executive branch and they were leary of their loss of power under the Pendleton Act. Indeed, Senator George F. Howe wrote in his autobiography that: "The reform of the civil service has doubtless shorn the office of Senator of a good deal of

power."[14] Civil servants, by being denied discretion, were safe from assaults on their integrity. If there were complaints about the effects of policy these complaints should be directed at Congress, not at the neutral civil service created by the Pendleton Act. The Pendleton Act had created a civil service that could be recognized in Max Weber's ideal-type presentation of bureaucracy. Of course, the civil service in the United States has never reached a state where it corresponded exactly with Weber's ideal type bureaucracy -- it was not Weber's intention to suggest that any bureaucracy would correspond exactly with his ideal-type presentation -- but, the United States' civil service under the Pendleton Act was able to operate behind a facade of bureaucratic neutrality.[15] Because there was a real distance between Congress' politics and the civil servants' administration of politics at this time there was substance to the facade.

The Pendleton Act was important in the development of public policy in the United States because it created a civil service that was professional and a structure of administration that was rational. These features were absolutely essential if the federal government was to be effective in promoting the success of private enterprise in domestic and foreign markets.

The emphasis by civil service reformers on moral economic men who would be neutral administrators was not hypocritical, but it was crucial in developing a federal administration that could serve the interests of business in the United States, usually big business, without appearing to be a handmaiden to those interests. In time, the moral foundation of the Pendleton Act would reappear to haunt those individuals and those interests who demanded a purely business-like approach, rather than an ethical approach, from government for business.

The Act to Regulate Commerce and the Commitment of Public Employees to the Public Good

The direct regulation of private enterprise by the federal government began with the establishment of the ICC in 1887. Support for government regulation of the railroads came from farmers, shippers, paying passengers and, even, from some of the railroad owners. Farmers and shippers objected to long haul/short haul price differences that sometimes made it more expensive to ship goods two hundred miles than it was to ship goods eight hundred miles. The lack of standard track gauges and coupling devices for railroad cars produced increased loading and unloading costs for those who shipped goods long distances over the tracks of several

railroad companies. Farmers and shippers were also outraged at the price concessions and rebates given large corporations. Paying passengers were dissatisfied with the practice of giving free railroad tickets to favored shipping customers. Some railroad owners were wary of the increasing "cut-throat" competition among railroads and desired government determination of minimum charges for railroad services -- a goal that these railroad owners had been unable to secure through informal pooling associations of railroads. Furthermore, the cut-throat competition among railroads was producing a crazy quilt of unnecessary and redundant railroad tracks across the country.

Despite all this support for government regulation of the railroads, the ICC was, until 1904, rather ineffective in addressing the complaints of its various supporters. The most powerful restraint on ICC action came not from the private sector, but from the Supreme Court. Determined to protect the self-regulating economy (the market) from direct intervention by government, the Supreme Court in 1893 and 1897 denied the ICC the power to establish standard rates for the railroads.[16] The first major reform of the Act to Regulate Commerce of 1887 was the Elkins Anti-Rebating Act of 1903. This Act was written by employees of the

Pennsylvania Railroad and was supported by most of the large railroads.[17] The most important provision of the Elkins Act legalized the setting of joint rates by railroad companies. In effect, by allowing joint rate setting to be legalized, the large railroads had finally achieved the goal they had sought with informal (and ineffective) pooling: standardized rates that would not be threatened by cut-throat competition from small and/or new railroad companies. Indeed, the Elkins Act fulfilled the request that Albert Fink, Chairman of the Executive Committee of the Trunk Lines Association, had made before the United States Senate Committee on Inter-State Commerce on May 6, 1889 when Mr. Fink claimed that the ICC would be truly effective only if pooling were legalized.[18]

The Elkins Act though, did not solve the basic problem confronting the ICC in establishing maximum rates for railroad services. It was impossible for the Congress to pass legislation that would provide rigid standards for maximum rate setting by the ICC. This is not to suggest that the ICC welcomed discretion in rate setting. Martin A. Knapp, the Chairman of the ICC, wrote in 1905 that the ICC should not have its authority over the railroads extended until there were clear administrative guidelines established by Congress:

> We must begin by prescribing in the statute law, with as much precision and certainty as the case admits, the rules of conduct which it is the province of administration to apply and enforce. The substantive law must first be made ample and explicit, clear and comprehensive in its definition of legal duty and as exact as may be in its restraints and requirements.[19]

Knapp's call for more ample and explicit administrative guidelines went unheeded by Congress. In 1906, the Congress instead passed the Hepburn Act which gave the ICC rate-making power.[20] Nowhere in the legislation were there specific guidelines for the determination of just and reasonable rates.

The delegation of rate-making authority to the ICC completed the birth of the first regulatory agency in the United States. Even at that time it is possible to discern the criticisms that would later be launched at the ICC, other regulatory agencies and the regulatory approach to public policy. First, government regulation of private sector enterprises entails a government guarantee of the continued success of those enterprises regulated. If regulated enterprises fail, it is not the fault of the enterprises, but of the regulator, the government. Thus, regulated enterprises must be protected from new competition and must be guaranteed a profit in their operations. Second, if the government

is to guarantee the success of regulated enterprises, the government agency which regulates must be staffed, especially at the top of the agency, with personnel familiar with the regulated enterprises. Although only three of the five ICC Commissioners can be of the same political party, usually all five have been extremely familiar with the railroad companies and almost all have been extremely sympathetic to the interests of the railroad companies. Because familiarity with the workings and problems of regulated enterprises is essential for government regulation, it is not surprising that regulatory agencies are so frequently co-opted by those whom they are supposed to regulate. Third, given the need to guarantee the success of regulated enterprises and the need for intimate knowledge of the regulated enterprises to provide the guarantee of success, it is necessary for Congress to delegate authority to regulatory agencies. The more complicated the regulation of enterprises becomes the more impetus there is for Congress to delegate the setting of standards and the making of rules to regulatory agencies. Increased and increasing administrative discretion by regulatory agencies is not, as Theodore J. Lowi suggests, simply one of the ills of interest group liberalism, but is the logical result of

government intervention into the private sphere.[21] Fourth, government regulation of private enterprises ensures the status of those enterprises which are in dominant positions at the time government regulation begins. Large railroad companies encouraged government regulation and secured their continuing dominance in railroad transportation under the post-Elkins Act ICC. This same pattern can be seen in the regulation of meatpacking companies. Large meatpacking companies supported the Pure Food Act of 1906 because the new standards would reduce competition from small domestic meatpackers and would open the European market to meat exports from the United States.[22] European countries had controlled meat exports from the United States by setting health and quality standards that most United States meatpackers did not meet. The new standards for meat quality that the Pure Food Act set were a boon for consumers, but the standards also assured the success of the large meatpackers who could most readily adopt them.

Government regulation of the banking industry with the Federal Reserve Act of 1914 followed much the same scenario as the ICC and the Pure Food Act. In response to the bank panic of 1907 a National Monetary Commission was appointed in 1911 to study the value of a national reserve system for banks. In 1912 the Commission

produced the Aldrich Plan which was written by Paul M. Warburg of the powerful banking and investment giant Kuhn, Loeb and Company.[23] The Aldrich Plan, which clearly expressed the desires and interests of the large banks in big cities, was reworked under the direction of Senator Carter Glass of Virginia and President Woodrow Wilson. The result, the Glass Plan, reduced the centralization of private control envisioned by the Aldrich Plan, but still managed to address the major interests of the large banks and of high finance. As was the case with the ICC and the Pure Food Act, the Federal Reserve Act secured the interests of the largest enterprises, but it also paid more than lip service to the idea of government regulation serving the public good. As Arthur S. Link has stated in his analysis of the Federal Reserve Act:

> What began as a bill designed to serve only the business community and reinforce private control over banking and currency had metamorphosed, under progressive pressure, into a measure that offered substantial benefits to farmers as well as bussinessmen and allowed at least a modicum of public regulation.[24]

Government regulation of the private sector, in the Progressive Era, cannot be viewed simply as the success of public control over the excesses and abuses of

private enterprises. The regulatory approach ensured the success of large enterprises that were regulated and allowed such agencies as the ICC to interpret, at times, the public good as the railroad companies' good. The determination of the general approach to regulation and the infiltration of regulatory agencies by those enterprises which were regulated denies a simplistic interpretation of the Progressive Era's regulatory approach as a triumph of the public over the interests of the private sector.

Yet, the arguments of recent historians, such as James Weinstein and Gabriel Kolko, which claim that the regulatory movement in the Progressive Era was actually the triumph of conservatism and of corporate elites over the public and the public good are also simplistic misinterpretations.[25] Corporate interests were served by government regulation of private enterprises, but corporate interests were forced to acknowledge the existence of a public good in the establishment of regulatory agencies. Simply because government regulatory agencies have not always served the public good does not mean that the public good has lost its value as a criterion for judging the effectiveness of regulatory agencies. Rather, the symbolic value accorded to the public good in the regulatory movement

by the populace, by the government and by those enterprises that were and are regulated has forced all discussions and evaluations of the regulatory approach to include service to the public good as the primary criterion of the effectiveness of government regulation. This emphasis on the public good is not just a product of flowery after-the-fact assessments of the progressive era which ignore the benefits regulatory agencies produced, and still do produce, for regulated agencies. To suggest, as Kolko and Weinstein do, that during the Progressive Era the symbol of the public good camoulflaged the protections and benefits provided regulated enterprises by regulatory agencies is to miscalculate the insights of even the mainstream commentators of the day. In 1910, commenting on the administrative consolidation of the Hepburn Act under the Manns-Elkins Act of 1910,[26] Gustav Stickley, editor of the home improvement journal, <u>Craftsman</u>, made the following remarks about the ICC and the railroads:

> Now the government steps in and interposes the strong shield of the law. The whole railroad system is lifted into the realm of a recognized public service, and the powers of the railroad officials are clearly defined. They are in a manner regarded as trustees of property that in the last analysis belongs to the whole people, and the very laws that restrict their freedom of action in

> administering it and disposing of it, also relieve them of embarrassment and hedge them about with vastly improved economic conditions that can only result in a stronger organization. In effect, the law that regulates rates puts money into the pockets of the railroad companies to an extent that has never been obtained before, for it practically insists that they shall charge full price for services which they have been in the habit of rendering free to anybody strong enough to demand a place on the free list. Moreover, the law protects the railroad companies from one another, for it has practically established the whole system as a monopoly to be carried on under government protection as well as supervision.[27]

The paradox of the regulated self-regulating capitalist economy -- government regulation for the public good includes government insurance for vested private interests -- was evidently understood during the Progressive Era.

The failure to grasp this paradox of the regulated self-regulating capitalist economy is most evident in the seemingly contradictory interpretations offered by historians on the final progressive reform of the ICC: the Transportation Act of 1920. I. L. Sharfman, the prominent historian on the ICC, concludes that the Transportation Act "... marks the beginning of a new approach in railroad legislation."[28] Sharfman emphasizes that by granting the ICC the power to set

minimum, as well as maximum, rates and by authorizing the ICC to establish a rational and integrated national system of railroads the Congress passed a "... radically constructive measure."[29] The measure was radically constructive because the ICC was to take positive action in promoting the public good rather than simply protecting the public good through restrictive measures. By focusing on the Transportation Act's positive promotion of public responsibilty by the ICC Sharfman stresses the break between the pre-Transportation Act and the post-Transportation Act ICC.

Gabriel Kolko, in his Railroads and Regulation 1876-1916, concentrates his analysis on the government's insurance of vested private interests and concludes that the Transportation Act was not a major shift in ICC policy, but was instead the logical culmination of the federal government's guarantee of success for established railroads:

> The Transportation Act represents the final victory of the railroads under the Wilson Administration, and was the logical culmination of their more than forty years of agitation and education for comprehensive federal railroad regulation designed to provide rationalization and stability to the industry.[30]

Theodore J. Lowi's analysis of the Transportation Act in The End of Liberalism does not suffer from the

myopia that both Sharfman and Kolko share. Lowi perceives the paradox inherent in a regulated self-regulating capitalist economy and underscores the conflicting directives embodied in the Transportation Act of 1920 when it calls on the ICC to provide (a) integration of the national transportation system and (b) securement of a "fair share" for transporters.[31] Furthermore, Lowi correctly claims that the directives were ambiguous, especially when implementation of the directives was to rest on the ICC's perception of "just and reasonable" rate setting. Lowi rues this ambiguity because it forced the ICC to make decisions on a case-by-case basis rather than determining all cases by reference to clear and specified rules. However, as has been suggested, this ambiguity is a fundamental characteristic of federal regulation of private enterprises in the United States. The guarantee of commercial success for regulated enterprises entailed the sacrifice of justice (clear and specific rules that apply impersonally to all) in the search for equity (decisions determined by reference to the specific circumstances of each).

Equity-based regulation does, as Lowi argues, weaken the government's claim to authority by delegating power to make decisions to non-elected officials who

appear inconsistent in the application of privileges and who are disadvantaged in promulgating decisions where information needed to make decisions is supplied and controlled by the private enterprises. Decisions derived from singular cases also erode government authority because government must depend on the candid cooperation of private firms -- a dependence that is seldom rewarded. The control, by private enterprises, of the information necessary for case-by-case decisions provides private enterprises with a lever for the manipulation of regulatory agencies.

Kolko's calim that the Transportation Act was a victory of the railroads over the public good is not unfounded. The problem with the claim is that it ignores the concept of the public good, a concept which was and is essential to sustain an equity-based regulatory approach. By charging federal regulatory agencies with a responsibility for the public good, Congress could legitimate government decisions and actions that worked to the benefit of each established and regulated private firm. Private firms, while reaping the benefits of government regulation, could, at the same time, deplore the costs of subservience to the public good. The concept of the public good served the regulated firms by creating the appearance that there

was a contest between the interests of private enterprises and the concept of the public good. Without this appearance of continuing contest it would not have been possible to legitimate government regulatory agencies which, in many cases, so obviously pandered to the private interests of private firms.[32]

Sharfman's applause for the positive promotion of the public good inaugurated in the Transportation Act is applause for the very concept that legitimized the rather constant manipulation of regulatory agencies by regulated enterprises. The concept of the public good is a difficult concept to constrain, but constraint of the concept was (and is) possible.[33] First, federal regulatory agencies were charged with the finacial success of regulated firms (the paradox). Second, the concept of the pubic good was used to create the appearance of opposition between the concept and private interests while the public good was actually being subsumed to private interests (the appearance of continuing contest). Third, a case-by-case approach to regulation restricts the information easily available to regulators and to the public. The lack of information by regulators discourages a coherent view of the public good. Case-by-case decisions also make it more difficult for the public to ascertain the general

effects of regulatory policy. Lack of information and a plethora of speicific decisions retard the politicization, the self-reflective awareness and discussion, of regulatory policy.

Nevertheless, the concept of the public good was and is not permanently constrained by a regulatory approach. We have noted earlier the development of the public good as the primary criterion for evaluating regulatory agencies. By reaping the benefits of regulatory policy and offering up "sacrifices" to the symbol of the public good, regulated firms maintained a context in which the concept of the public good could be enlarged to provide a legitimate critique of regulatory agencies for their extreme subservience to regulated interests. Indeed, in the 1960s and the 1970s consumer advocates enlarged the concept of the public good in regulatory policy and provided the information necessary to politicized regulatory policy.[34] The response, by conservative politicians, by the Reagan Administration and by proponents of a welfare economics approach to public policy, has been to de-regulate enterprises and thus (a) to depoliticize the actions of those enterprises and of regulatory agencies and (b) to denigrate government's role in, and the possibility of, the public good.[35]

Equity-based regulation can retard politicization of regulatory policy, but once politicization has occurred equity-based regulation provides easy targets for consumer investigators. This is especially the case when, as in the United States, equity-based regulation has been so sympathetic to the interests and circumstances of each firm regulated. Furthermore, equity-based regulation depends upon the administrative discretion of the regulators, regulators who may also become politicized and acknowledge a broader concept of the pulbic good.[36]

Lowi's rejection of an equity-based regulatory policy is not founded on the "dangers" of potential politicization of regulatory policy, but instead on its lack of justice (in distinction to equity) and the subsequent loss of authority that a lack of justice implies for government.[37] Lowi's alternative to equity-based regulation, a justice-based regulation with clear and specific laws developed by Congress for strict application to all enterprises regulated, though, is not convincing. First, as we have observed, the complexity of regulatory policy is usually great. Congress has illustrated neither the inclination nor the ability to handle the specifics of regulatory policy. Second, without the insurance of success of established private

firms by the government, it was unlikely that any measure of federal regulation would have been adopted. Cooperation from the railroad industry was necessary for federal regulation to begin and to be "effective." Third, it is doubtful if the federal government could have been successful in establishing effective justice-based regulatory policy. Government planning mechanisms were sparse, particularly in Congress, and the government-induced failure of some established railroad companies, a result almost guaranteed by a justice-based regulatory approach, would have been perceived as a failure of the federal government. Even if the federal government had possessed the authority to create a justice-based regulatory approach in the regulation of railroads, such authority would have been undermined by the consequences.

The early history of the federal regulation of railroads reveals that the regulatory approach in the United States has two aspects that are joined in, what we have termed, equity-based regulatory policy. Commentators exploring the traits of only one face of this regulatory approach, have assessed federal regulation of private enterprise as a creature spawned by private enterprise for the service of private enterprise. Examination solely of the other face

results in an undeserved adulation of the federal government's role in the positive promotion of the public good. Only by the recognition of the moments of truth contained in each of these unidimensional interpretations is it possible to grasp how the concept of the pulbic good is enmeshed in the conception of regulatory policy in the United States. Federal regulation of private enterprises in the Progressive Era was dependent upon the concept of the public good. The concept was often perverted, abused and constrained under the regulatory approach to public policy, but the concept was not destroyed. Indeed, the development of the concept of the public good during the Progressive Era was crucial in laying a foundation of the claims of public responsibility that would be made in the 1930s after the regulated self-regulating capitalist economy had crashed.

The Legacy of the Pendleton Act and the Act to Regulate Commerce

Both the Pendleton Act and the Act to Regulate Commerce were legislative enactments which served private sector interests. Yet, both Acts established the concept of the public good within federal government institutions and both Acts charged the federal

government with public responsibilty. The Pendleton Act sought to place moral men in a sphere removed from partisan intrusion and private sector avarice. Such men were helpful in disguising policies that were not in the public good, but federal administrators to this day are aware and self-reflective about the moral position and public responsibility that they hold. The ICC was created to protect the pubic good and to protect the private interests of the railroad companies. The submergence of the former does not destroy its impact on the development of regulatory policy and the later enlargement of public responsibility by the federal government. Both Acts established a moral foundation for future federal government intervention in the private sector. The Acts set both the structure of future intervention and the moral claims for future intervention. It should come as no surprise that the modern welfare economics/public choice critique of public policy wishes to destroy the structure of regulatory policy in the United States in order to uproot the moral claims and demolish the concept of the public good.

ENDNOTES

1. Paul P. Van Riper, _History of the United States Civil Service_ (Evanson, Illinois: Row, Peterson and Co., 1958), p. 64.

2. Van Riper, _History of the US Civil Service_, p. 69.

3. Van Riper, _History of the US Civil Service_, p. 69.

4. Leonard D. White, _The Republican Era: 1869-1901: A Study in Administrative History_ (New York: Macmillan Co., 1958), p. 297.

5. Van Riper, _History of the US Civil Service_, p. 87.

6. White, _The Republican Era_, p. 297.

7. White, _The Republican Era_, p. 297.

8. Woodrow Wilson, "The Study of Administration," _Political Science Quarterly_ 2 (June 1887):197-220.

9. _An Act to Regulate and Improve the Civil Service of the United States_, _Statutes at Large_ 22, sec. 2 (1883).

10. White, _The Republican Era_, p. 317.

11. White, _The Republican Era_, pp. 175-231 and 254-255.

12. White, _The Republican Era_, p. 128.

13. Theodore J. Lowi, _The End of Liberalism_ (New York: W. W. Norton and Co., 1969), p. 132.

14. White, _The Republican Era_, p. 27.

15. Max Weber, "Bureaucracy," in _From Max Weber: Essays in Sociology_ ed. and trans. H. H. Gerth and C. Wright Mills (New York: Oxford University Press, 1976), pp. 196-204. Weber's construction of ideal-types was not designed to be value free, but rather to illustrate how a number of fundamental processes and structures in

a social phenomena produced and encouraged the development of certain values and the construction of certain value "packages." The construction of ideal-type presentations was predicated upon the researcher's ability to discern such value packages and allowed, in Weber's case, the researcher to emphasize those values and those value packages which the researcher found to be of historical significance. In his "Bureaucracy," Weber emphasized those aspects of bureaucracy which he felt were necessary for the management of mass society and were dangerous because these aspects would also contribute to the routinization and normalization of individuals already in anguish over the death of god. For an excellent discussion of Weber's use of the ideal-type presentation see Wolfgang J. Mommsen, The Age of Bureaucracy: Perspectives on the Political Sociology of Max Weber (New York: Harper and Row, 1977), especially pp. 1-21.

16. I. L. Sharfman, The Interstate Commerce Commission: A Study in Administrative Law and Procedure (New York: Harper and Row, 1969), pp. 25-27.

17. Sharfman, The Interstate Commerce Commission, p. 36; Gabriel Kolko, Railroads and Regulation, 1887-1916 (Princeton: New Jersey: Princeton University Press, 1965), p. 95.

18. "Talking to Senators about American and Canadian Lines,"New York Times, 7 May 1889, p. 8.

19. Martin A. Knapp, "National Regulation of Railroads," The Annals of the American Academy of Political and Social Science 26 (July-December 1905):614.

20. Sharfman, The Interstate Commerce Commission, p. 45.

21. This is the thesis of Lowi's, The End of Liberalism.

22. Gabriel Kolko, The Triumph of Conservatism: A Reinterpretation of American History, 1900-1916 (New York: The Free Press, 1963), p. 224.

23. Arthur S. Link, Woodrow Wilson and the Progressive Era: 1910-1917 (New York: Harper and Row, 1963), p. 44.

24. Link, Woodrow Wilson and the Progressive Era, p. 53.

25. Kolko, The Triumph of Conservatism; James Weinstein, The Corporate Ideal in the Liberal State: 1900-1918, (Boston: Beacon Press, 1969).

26. Kolko, The Triumph of Conservatism, p. 193.

27. Gustav Stickley, "How the Real Interests of the Railroads are Served by Restrictive Legislation," Craftsman 19 (October 1910):77.

28. Sharfman, The Interstate Commerce Commission, p. 177.

29. Sharfman, The Interstate Commerce Commission, p. 177.

30. Kolko, The Triumph of Conservatism, p. 229.

31. Lowi, The End of Liberalism, p. 150.

32. For an analysis of how various corporations abused consumers with the aid of regulatory agencies, see Mark J. Green, ed.,The Majority Makers, (New York: Grossman, 1973).

33. The concept of the public good can be redefined and/or constrained within modern societies. The concept can even be used to produce atrocities in modern states and can be used to further the will of the majority at the expense of the rights of the minority or further the will of a minority at the expense of the majority. The public good has, as does all of politics, its dark and dangerous side. The protection designed by the Founders against abuses of the concept of the public good included both the separation of powers and the large republic. The Founders understood that the danger posed by the abuse was not sufficient reason to abandon the concept nor suffucient reason to try to produce a federal government that could not pursue the public good. The Founders understood that the concept of the public good was necessary in a community of political beings. Given the political nature of humans, I doubt that any society could exist for long without attempting to promote the public good. Even when the public good is constrained for long periods of time in the United States it reappears as part of the essential experience

of being political beings.

34. This move was especially evident in the work of Ralph Nader and the many studies done by his research groups. For examples, see James S. Turner, The Chemical Feast (New York: Grossman Publishers, 1970) and Green, The Monopoly Makers.

35. The denigration of the concept of the public good during the first two years of the Reagan Administration was particularly evident in the Reagan Administration's handling of the US's natural resources. The government's method for measuring its success in promoting the public good was by the amount of money which could be made off of federal lands. This is, obviously, a rather anemic definition of the government's role in pursuing the public good.

36. The politicization of regulators was evident in the Environmental Protection Agency's response to the Reagan appointed leaders of EPA during 1981 and 1982. The Reagan Administration called the outcry against Reagan's environmental policies "bureaucratic mutiny," while the bureaucrats defended their outcry by claiming that they were following the mandate given their organization by Congress and were pursuing the public good by exposing the anti-environmental attitudes of the Reagan appointees. This episode raises serious questions about the extent of loyalty bureaucrats owe to new Administrations. Given the success of the EPA bureaucrats in securing public support for their position and in securing new leadership at EPA it seems that the bureaucrats were doing their job. For information on the perils of EPA during the tenure of Secretary Burford and for information on the role of federal bureaucrats in protecting the public good against Reagan appointees see any weekly news magazine from Febuary to April, 1983. A quick review of the problems can be found in "Reagan's Toxic Turmoil," Newsweek, 21 Febuary 1983, pp. 22-24; "EPA: Change After Burford," Newsweek, 21 March 1983, p. 23; "How Do You Spell Relief?," Newsweek, 4 April 1983, p. 22.

37. Lowi, The End of Liberalism, p. 156.

CHAPTER IV

GOVERNMENT ASSUMES RESPONSIBILITY: 1932-1940

The First Period of the New Deal: 1933-1935

The inability of the United States economy to rebound after three years of severe depression following the collapse of the regulated self-regulating economy in 1929 paved the way for a new set of relations between the federal government and the private economy. The policies adopted by Franklin D. Roosevelt's Administration, however, were not guided by any one coherent view of public policy or by any one specific conceptualization of the relations between the public sector and the private sector. Indeed, one of the greatest difficulties in understanding and evaluating the policies of the New Deal is that there were three distinguishable periods in the New Deal; and, in each period, several policy views vied for dominance. No single view comnpletely dominated any period of the New Deal, much less the entire New Deal era. Despite this lack of coherence in policy conceptualization, there did emerge in and from the New Deal a major change in the relationship between the public sector and the private sector. The federal government assumed direct

responsibility for maintaining and guiding industrial capitalism and for easing the economic burdens individuals had to bear under modern industrial capitalism. By assuming the role of "steering mechanism" for industrial capitalism and the role of the legitimator of the social order -- a role previously filled by the private economy under the "Horatio Alger" myth -- the federal government vastly enlarged the size and functions of the public sphere.[1] Put most simply, the New Deal politicized society.

The first period of the New Deal -- March 1933 to June 1935 -- did not indicate a course toward the politicization of society that would later develop. In this period the Roosevelt Administration pursued three distinct approaches to federal policy. Each approach aimed at producing economic recovery but each was guided by different basic assumptions. One of these approaches was founded on the assumption that the federal government's expenditures were responsible for the Depression and this approach called for a reduction of such expenditures. Another approach blamed "cut-throat" competition for the Depression and focused on the need for government to act as a mediator and a conduit for cooperation among industries. The third approach found fault with big business and high finance in their lack

of public concern and in their inability to plan production to fit pattterns of consumption and demanded that the federal government become an active partner in the planning of a new industrial society.

The "budget-cutting" approach to the economic crisis of the 1930s was not abandoned when FDR took office on 5 March 1933. FDR fulfilled, at least initially, the campaign promises that he made in the fall of 1932.

> He [FDR] would increase aid to the unemployed, but he would slash federal spending. On this one point he was specific: he would cut government spending 25 per cent. At Sioux City, Iowa, in September, Governor Roosevelt stated: "I accuse the present Administration of being the greatest spending Administration in peace times in all our history. It is an Administration that has piled bureau on bureau, commission on commission, and has failed to anticipate the dire needs and reduced earning power of the people." In Pittsburgh the next month, he declared: "I would regard reduction in Federal spending as one of the most important issues in this campaign. In my opinion, it is the most direct and effective contribution that Government can make to business."[2]

In order to placate business, to appease the "arch-conservative du Pont wing of the Democratic Party," to make good his campaign promises and to effect his own beliefs that government could be run just as efficiently

with greater economy, FDR submitted a bill to Congress on 10 March 1933 that granted the President the authority "... to slice $400 million from payments to veterans and to slash the pay of federal employees another $100 million."[3] Congress quickly granted FDR this authority over the budget and FDR took the task seriously. Throughout the spring of 1933, FDR was confident that the twenty-five percent cut could be made; and all of the major federal departments were required to come in with budget proposals substantially lower than the allocations made under Hoover's budget.[4]

The budget-cutting approach did not survive for long in the New Deal, but its devotees did not disappear altogether. After Lewis Douglas resigned as Director of the Budget in September 1934, Henry J. Morgenthau, the Secretary of the Treasury, became the advocate for budget-cutting and budget balancing. While Morgenthau was rarely successful in his attempts to cut the budget, he maintained influence with FDR who used Morgenthau to hatchet unsuccessful programs, to be the voice of orthodox finance and to reassure the business community of FDR's sanity.

A second approach to healing the ills of the economy was launched on 17 May 1933 when FDR presented

the Congress a proposal for the National Industrial Recovery Act (NIRA). The NIRA itself contained enough different parts to avoid a single label. The National Recovery Administration (NRA), a component of NIRA, began the Blue Eagle Campaign and exempted from anti-trust laws businesses that were willing to draft code agreements for their industries. Labor was guaranteed the right to collective bargaining, and standards were set for minimum wages and for maximum hours. The planning advocates in the Administration were appeased by the government's new role in the licensing of businesses and the opportunity to spend $3.3 billion for public works.[5] Even though the NIRA was many things to many people and almost everyone could find some aspect of NIRA to applaud, there was a coherence to the policies of the NRA as they were carried out under the leadership of General Johnson. The policies of the NRA cohered around a vision of the federal government as the arbitrator among big businesses and between big business and big labor unions. Indeed, William Appleman Williams, emphasizing this particular approach in the New Deal, has interpreted the New Deal as a restructuring of the political-economy of the United States into a functionalist-syndicalist framework.[6] While Williams overemphasizes the completeness of the

framework under the New Deal, the NRA represented, in a very unsubtle way, the syndicalist approach to public policy that did exist in the New Deal.

The NRA represented a syndicalist approach, as opposed to a planning approach, because the government was not to be a planner but rather a vehicle through which big businesses could plan their futures. Under the NRA, businesses were allowed to form trade associations and draft their own code agreements over production and pricing.[7] The NRA codes were never standardized and each trade association became a private economic government.[8] Rather than increasing the federal government's authority over the private sphere, the NRA set up a series of economic feifdoms. What the NRA shared with the planning approach in the New Deal was an explicit rejection of the "individualistic organization of economic activity."[9] As commentators in 1934 noted:

> The NRA is not intended as the beginning of a steady encroachment by governmental authority over the field of production and distribution. It is intended mainly to eliminate those competitive practices to which the business community generally has strenuously objected for many years, and which, in its jargon is designated as "cut-throat, destructive, uneconomic competition."[10]

The NRA was similar to the regulatory approach we examined in the last chapter in two ways. First the NRA was used to protect those businesses that were already large and established enterprises. Second, the trade associations provided a system for maintaining prices that had not been achievable through voluntary agreements between businesses. In fact, the trade associations legalized and institutionalized price-fixing agreements that hampered the entry of new businesses and insured the success of established firms. The NRA even provided a better guide to long-term planning by big business than did the regulatory approach by creating an institutionalized arrangement for dealing with labor through legalized collective bargaining. However, the NRA departed from the legacy of the regulatory approach to public policy in a much more fundamental way. While the regulatory approach charged the independent commissions with responsibility to the public good, the NRA left this responsibility to the private enterprises that framed the "codes of fair competition" and controlled the trade associations. One might assume that, given such control and given an economic crisis that called into question the capitalist economic system, private enterprises would rise above pure and narrow self-interest if only to perpetuate a

system conducive to their long-term stability and profitability. This did not occur. While each code of fair competition contained the obligatory denouncement of monopoly, each code erected controls that insured monopolistic practices and that enlarged those enterprises astute enough to take part in the formulation of the codes.[11]

The NRA was a syndicalist approach to public policy because the government provided a legalized and institutionalized framework within which the competitive practices of individualistic capitalism could be deterred and the confrontational and violent tactics that big businesses and labor unions practiced on each other could be abated. Furthermore, the NRA was a syndicalist approach because the federal government maintained little or no control over the actors in the framework which the government established. The trade associations, and, to a small degree, the legally recognized agents of the labor movement, became important actors in establishing the definition of the public welfare.[12] The NRA, then, was not a vehicle for enlarging the pulbic sphere, but was rather an approach that institutionalized the privatization of public issues and political questions.

The syndicalist elements that emerged from the NRA

from May 1933 into the spring of 1934 did not avoid resistance despite the anti-monopoly rhetoric in the codes of fair competition. Price-setting control by the trade associations became price-raising power, and the control over production became a means to restrict production. Rather than speed economic recovery, the NRA's policies retarded recovery. Consumers blamed the NRA for high prices; small businesses accused the NRA of creating monopolies; workers found the labor provisions of the NRA to be anemic, and private enterprises, sensing an end to economic and social crisis, deplored the NRA framework that held them accountable for the unselfless actions they had taken. By 1934, FDR showed growing concern over the leeway businesses had been allowed in drawing up the codes of fair competition.[13] After 1934, the NRA was restructured into an organization that renounced the use of price and production controls and that promoted the competitive ideal.[14] Not that this change was successful, for

> ... most of the major codes had been written, and the market restorers were never able to apply their policy to codes already approved. The chief effect of their efforts to do so was to antagonize businessmen and to complicate the difficulties of enforcing the code provisions that were out of line with announced policy.[15]

The rather quick demise of the NRA after 1934 marked the end of a full-fledged functional-syndicalist approach in the New Deal.

The third approach to public policy in the first period of the New Deal was a planning approach. The planning approach differed from the syndicalist vision most profoundly in the role the federal government would assume in relation to the private sector. The planning advocates, most notably Harold Ickes, Rexford G. Tugwell and Charles E. Merriam, agreed with the syndicalist assumption that individualistic competitive capitalism was an outdated form. The planners also shared with the syndicalists the belief that the private economy must be maintained. However, the planners envisioned the federal government as something more than a simple expeditor for corporate-controlled planning of production and distribution. Planning assumed that government would (a) take an active role in the establishment of standards for business activity, (b) serve to ensure that big business served public goals, (c) protect the natural resources (the public domain) of the country and (d) produce those necessary goods and services that the private economy could not or would not produce in sufficient quantity or with sufficient equity. The planning advocates espoused such a role for

the federal government not on the basis of economy or efficiency, but rather on the basis of ethical and moral ends.[16] Government would become the guarantor of justice and fairness and only secondarily the generator of economic prosperity. It was the planners who laid a foundation within the New Deal for the assumption of social and economic responsibilities by the federal government.

In considering the role of the planning advocates in the first period of the New Deal it is imperative to heed the distinction William E. Leuchtenburg has made between the shadow of planning and the substance of planning.[17] It is certainly true that a fully developed planned economy directed by the federal government was never a likely possibility during the New Deal. FDR never took the idea seriously, nor did the planners presume that such an idea could be realized to such a full extent. Even Tugwell, the most avid advocate of national economic planning by the federal government, did not wish to challenge the private ownership of established corporations, but rather he wished to control abuses made possible by the increased size and power of corporations:

> Collectivization was here to stay; the only question was whether it could be made to work in the public

> interest without actually being publicly owned. We contended that it could. Most of the abuses charged to it could be eliminated by mutual agreement, all conforming to established standards: but these standards must be set, or at least approved, by representatives of the public, and restraint must be applied to those who might seek profit from others' compliance.[18]

Other advocates of the planning approach to public policy, including Ickes and Charles Merriam, did not even share Tugwell's rather optimistic opinion that a mechanism of planning through the control of prices and distribution could be installed in the United States.[19] The planning approach in the first period of the New Deal did not envision a society mapped out and controlled by levers of power accessible to the federal government (or some combination of government, business, labor and consumers). Neither did it envision the submergence of political questions by empirical data and macro-economic tools that would assure an ever growing-economic pie.[20] Dreams of a technological Shangri-la did not flirt before the eyes of the New Deal planners.

The planners, though, did lay a rudimentary foundation for later planning in the New Deal and beyond. Within specific agencies, planning mechanisms were established. In the Public Works Administration

(PWA), Ickes put together a staff that could plan construction, cost out the price of construction, estimate labor costs, procure equipment and materials, and supervise completion of projects. The PWA also created a tough internal procedure for assuring honesty and legality during the course of the construction of projects.[21] Similar planning mechanisms were also established for the Civilian Conservation Corps (CCC) in the first period of the New Deal as the National Park Service acquired more than twice the area of land previously purchased by the federal government for national protection. Indeed, Leuchtenburg has written that, "Of all the forest planning, public and private, in the history of the nation, more than half was done by the C.C.C."[22] With the enactment of the Agricultural Adjustment Act of 1933 the Department of Agriculture became a planner of prime importance. Not only was a national perspective necessary to plan acreage reductions in planted farmlands, but the county agents had to become experts in gathering and presenting data for effective national planning. In the Agricultural Adjustment Administration, the focus of activity and the center of information was the Program Planning Division.[23] Within specific agencies, then, planning imperatives led to changes in what administrators did

and to changes in the lines of communication among administrators. These changes did not represent the substance of complete national planning by the federal government, but they had more substance than shadow.

The Tennessee Valley Authority (TVA), signed into law on 18 May 1933, was also an artifact of the planning approach in the New Deal. The TVA, a public corporation, was designed to produce hydroelectric power, control floods, manufacture fertilizer and aid in soil conservation and reforestation. The TVA was also to engage in social experiments with state and local governments.[24] Planning in the TVA was not national or comprehensive planning, for it had a geographically-defined jurisdiction as well as functionally specific planning responsibilities, but it was planning that had a direct and substantial effect. Furthermore, the TVA was not a syndicalist solution, but was a purely public corporation that was "... to serve as a 'yardstick' to measure what would be reasonable rates for a power company to charge."[25] The TVA was not a shadow, but it did cast a shadow across private utility companies in the country. By assuming new standards for public responsibility and public accountability, the TVA satisfied the demands of the planning advocates.

Another component of the planning approach in the

New Deal was the National Planning Board (NPB) established in 1933. The NPB enlarged the concept of planning during the New Deal because, as Barry Dean Karl has argued, the NPB "... provided the possibility for important utilization of a kind of planning which was not specifically oriented toward either the budget or toward such specific interests as transportation, conservation and natural resources, or industry."[26] The focus of the NPB was not on the administration of planning or the management of planning, but on research and education. The NPB's research arm, the National Resources Planning Board (NRPB), produced large volumes of social science research on a wide variety of topics to present a picture from which the priorities for national planning could be selected. The research was also intended to educate the public about the necessity of federal government activity in the private sphere.[27] The NPB was not an effective management agency, and its recommendations for policy changes were not accompanied by "... detailed programs of administrative action."[28] The NPB was not a centralized planning agency nor was it a mechanism for the operationalization of planning in the New Deal. Nevertheless, the NPB extended the concept of planning, improved the process of data gathering for social

phenomena and educated the public about the social ills that were a consequence of the regulated self-regulating economy of the United States. The NPB made these contributions not from academic enclaves, but from within the federal government with the sanction of the Chief Executive.

With the establishment of the NPB, a scientific method of planning had been inaugurated in the New Deal. This scientific method had not yet penetrated the administrative structure of the federal government (although it had made certain thrusts in specific agencies) nor had it yet reached a level of self-deception where science governed politics. Karl emphasizes this latter point in his discussion of Charles Merriam:

> This idea -- that in the relation between science and politics it was politics which governed and science which served -- was, from the beginning of Merriam's interest in a science of politics and throughout his life, the key to his fundamental position. He supported the supremacy of politics, the view that the information recieved from research was only information, only material for use in the making of political decisions, the "commands."[29]

The planning approach to public policy in the first period of the New Deal was more than a shadow of planning. A comprehensive national system of planning

for the production and distribution of goods based on a rational, planning-directed administration did not emerge at this time, but the planning advocates did create some substance of planning and they did much to enlarge and legitimate the role of the federal government as a national planner.

The existence of three distinct and contradictory approaches to public policy in the first period of the New Deal was a result of the administrative style FDR practiced as Chief Executive. FDR's administrative style is important because it illustrates how disparate policy approaches could co-exist in the White House and how major shifts in the configuration of disparate policy approaches were possible. FDR's administrative style has been characterized accurately by Richard Tanner Johnson as "competitive."

> Several themes underlay FDR's competitive methods. The first was his appetite for diverse ideas. The second was his choice of advisers of clashing temperaments and values to supply the diversity of outlooks he sought. Roosevelt sharpened these clashes by virtue of a third attribute of his management style: he granted overlapping delegations of authority.[30]

FDR did not seek policy coherence, and his Administration did not produce it. FDR would often assign two men, with different policy philosophies and

with independent power bases, to the same task. Both men would be assured by FDR of their primacy in this policy area; and, during the ensuing months (or years), FDR would provide both men with sufficient political and administrative rope to hang themselves.[31] FDR's administrative style did provide for a diversity of policy ideas, an invigorating rivalry between administrative agencies and a centralized authority where diverse analyses of problems and projects could be surveyed and evaluated: FDR.

But, FDR's administrative style also had its drawbacks. The administration of the federal government was far from a rationalized structure under the hierarchical control of the Chief Executive. The Chief Executive could not be the sole focus of decision-making and planning because he could not control the entire federal administration as it was structured, and he could not possibly handle the pressure or absorb the information necessary to control the administration single-handedly even if the administration were restructured. These problems were to be addressed later in the New Deal with the Brownlow Report (The President's Committee on Administrative Management); and, as we shall see, the Brownlow Report underscores the connection fused during the New Deal between policy,

planning and administration. No restructuring of the federal admninistration, though, could have addressed another disadvantage of FDR's administrative style, the loss of experienced and intelligent advisers who could not stand the strain of institutional "competition" in the White House or who could not abide the ruthlessness of FDR when he would finally dump the less successful of his two primary policy activists.

Roosevelt's administrative tactics did, of course, have political advantages. By keeping a few philosophies and a few agencies in each policy fire, FDR could keep a variety of critics satisfied that their interests were being heeded and served. By delaying decisions until plans had been put into effect, FDR could test and evaluate not only the administrative efficacy of alternatives, but also the political reactions from prominent persons and from the pulbic. As Paul K. Conkin has argued, one should refrain from dubbing FDR's style as pragmatic for it is not the pragmatism proffered by the two American philosophers of pragmatism, Dewey and Pierce.[32] Rather, FDR's style reflects a politically practical approach that guards political power at the expense of administrative economy (as opposed to efficiency) and of a coherent conceptualization of policy.

FDR's administrative style, with its encouragement of diverse opinions and tactics and with its sudden shifts in policy approaches, is partly responsible for the variety of interpretations that have been made of the policy precepts and policy effects during the New Deal. Simply put, the diversity of approaches and the shifts in approaches make it possible to find some evidence to support diverse, even contradictory, views of the New Deal. If one emphasizes the orthodox financial push in the first period of the New Deal, one can certainly make the claim that the early New Deal was a continuation of the conservative politics of FDR's predecessors and that FDR's attack on big business from 1935 to 1940 was a move toward the radical left.[33] If, as William Appleman Williams does, one focuses on the NRA and the New Deal attempt to bring labor into a permanent bargaining arrangement with business, then it is possible to assert that the New Deal, in general, was the completion of a functional-syndicalist framework that was initiated during the Progressive Era.[34] Williams' interpretation minimizes the shift of 1935 by discounting FDR's attack on big business as the rhetoric of a campaigning politician. Rexford G. Tugwell emphasizes the planning possibilites available in the AAA, the PWA and the CCC, and Tugwell views FDR's

assault on big business in 1935 as a sideshow which diverted attention from a major shift in public policy, a shift that rejected planning approaches and embraced a conservative economic philosophy.[35]

While I do not dispute that elements of orthodox finance and syndicalism were important during the early New Deal and that elements of both of these approaches were maintained throughout the New Deal, the shift in 1935 can neither be dismissed as a purely rhetorical shift nor can it be interpreted as a move to the radical left. Tugwell's interpretation overemphasizes the rejection of planning from 1935 to 1940, but his analysis that the 1935 shift by FDR concealed a conservative economic philosophy is, in general, correct.

The Second Period of the New Deal: 1935-38

The second period of the New Deal -- June 1935 to the spring of 1938 -- was a time of ascendance for the Brandeis-Frankfurter group. After the abuse showered on FDR's Administration at the annual meeting of the United States Chamber of Commerce in May 1935, FDR found the policy approach of the Brandeis-Frankfurter group to be personally and politically satisfying.[36] Louis D.

Brandeis and Felix A. Frankfurter did not view the large corporation as an essential feature of the modern age. Large corporations, with their vast economic, social and political power, undermined the classical model of the market and endangered the democracy which Brandeis and Frankfurter viewed as dependent upon that model. The role of government was to maintain competitive capitalism by dismantling economic enterprises which dominated markets and thus prevented the efficient, honest, but unplanned, distribution of goods in society. Government intervention in the private sphere was necessary, but only to prevent the aberrations of monopoly or oligopoly. The policy approach of the Brandeis-Frankfurter group offered FDR the chance to (a) reduce the management demands imposed by planning, (b) reduce government involvement in the private economy, especially the NRA, and (c) develop a campaign theme for the 1936 election.[37] Furthermore, the Brandeis-Frankfurter approach tapped a traditional base of the reformist movement in the United States -- the opposition to large economic units and a fundamental belief in the benefits of open competition -- which FDR could embrace without flinching.

The idea that individual freedom, political rights and social justice were accessible only in a competitive

capitalist economy was, of course, not new. Nor was the belief that government regulation was necessary to prevent monopolies and to maintain standards of honesty in business a fresh idea. During the Progressive Era there had been a split between progressives over the role of large corporations in society. This split was most obvious in the 1911 Presidential campaign in the rhetoric of Woodrow Wilson and Theodore Roosevelt.[38] Wilson's "New Freedom" campaign was an appeal to the progressives who distrusted the large corporations. Theodore Roosevelt's "New Nationalism" campaign accepted the large corporations as a given and promised a closer relation between the federal government and big business. The conflict between the Brandeisians and the planners during the second period of the New Deal was a rematch of this earlier row.

To the planners, the Brandeis-Frankfurter approach to the private sphere diminished the role of planning and reduced the government's reponsibility for social justice. By concentrating on an anti-trust method of regulating the economy, the Brandeisians were ignoring three points that the planners deemed crucial. First, economic prosperity was possible only if, in certain industries, large corporations prospered. Second, the failure of the market system to distribute goods

effectively and efficiently when large corporations dominated markets made government control and planning essential for a prosperous economy. Third, government control and planning could allow the government to insure economic security for individuals and to redistribute wealth to provide for equality of opportunity -- the planners' ideal of social justice.[39] The planners saw the Brandeisians as advocates of a conservative economic philosophy because the Brandeisians would limit government to limiting the development of large corporations. The public sphere would not be expanded and social justice would be left to the machinations of the private economy.

The Brandeisians were not opposed to government employment and government relief during economic emergencies. They were opposed to the permanent establishment of such government agencies, though, and they encouraged reliance on private enterprise as the solution to the economic crisis even as they railed against the dangers of large corporations. The legislative enactments of 1935 did create government responsiblity for the economic conditions of citizens, but the responsibility was diluted in the case of Social Security legislation and it was qualified in the case of federal employment of the unemployed, the Works Progress

Administration.

The Social Security Act of 1935 established a permanent role for the federal government in protecting individuals from one of the "side-effects" of competitive capitalism: the poverty of the elderly who had worked during most of their lives. The Act expanded the concept of federal government responsibility for the welfare of individuals and expanded the federal government's intervention in the private economy at the expense of private insurance and retirement plans. The Social Security Act, though, was far from a comprehensive package of protection for the individual or family that was suffering from the systemic crises encountered in the economy. Indeed, the Committee on Economic Security, the drafters of the Social Security Act, worked independently of the Federal Emergency Relief Administration (FERA) which was engaged during 1934 in planning for a works program. Although there were contacts between the Committee on Economic Security and the planners in FERA, attempts at coordination between the two were not successful. Institutional rivalries between the two planning agencies were fueled by FDR's competitive management style, and the rift between the two agencies was deepened by the distinct policy views held in each agency.[40] The Committee on

Economic Security, chaired by Francis Perkins (a member of the Brandeis group), did not wish to become affiliated with an organization advocating a permanent structure of federally supported work relief.[41] The planners at FERA accepted the importance of social security legislation, but they did not believe that it addressed the more pressing issue of the unemployed employable.[42] Thus, it was not only political considerations that produced the piecemeal approach to social welfare initiated by the Social Security Act. The piecemeal approach was due to a difference between policy approaches and grand visions of the good society within FDR's Administration. The Social Security Act was a victory for the Brandeisians because it expanded the concept of social responsiblity without offering a comprehensive package of protection for citizens that would demand a vast expansion of the federal government.[43]

The failure of the Social Security Act to secure more comprehensive protection for the economic fortunes of citizens was not the only factor which served to dilute the expanded concept of social welfare. The funding for Social Security was drawn from payments by workers with matching payments by employers.[44] This taxation on the workers was highly regressive because

all wages were taxed proportionally under a low ceiling figure. Furthermore, the Act was not even comprehensive in its coverage of workers.

> The law denied coverage to numerous classes of workers, including those who needed security most: notably farm laborers and domestics. Sickness, in normal times the major cause of joblessness, was disregarded. The act not only failed to set up a national system of unemployment compensation but it did not even provide adequate national standards.[45]

The Social Security Act was conservative social legislation. It fit comfortably within the designs of the Brandeisian view of the good society. Government would regulate and maintain competitive capitalism while treating the side-effects of competitive capitalism with programs that would minimize (a) the cost of the treatment, (b) government intervention in the private sector, (c) expansion of federal administration and (d) the discretionary powers of federal administrators.

The Works Progress Administration (WPA), the product of FERA planning in 1934, was also a setback for the planning advocates in the New Deal. The WPA was offered as a means to get the federal government out of direct relief for the unemployed. Previous attempts at government employment of the unemployed had been subject to several types of criticism. The PWA was accused of

moving too slowly in the planning of projects and also was accused of competing with private contractors when plans were accepted. The Civil Works Administration (CWA) had developed a reputation for providing useless "leaf-raking" work.[46] Both the PWA and the CWA were criticized for paying salaries to workers based on the local prevailing wage. Businessmen objected to this practice because it did not encourage workers to seek private employment. The WPA was designed to address these criticisms by spending funds rapidly, building projects that did not deprive private contractors of work and developing pay scales that were below the local prevailing wage.[47] The WPA, to assure private enterprise that this was an emergency program, was funded in two year increments. The WPA was a recognition by the federal government that it did have some responsibility for the economic fortunes of citizens, but this reponsibility was extremely limited.

The WPA employed 2.9 million workers in 1936, 1.5 million workers in 1937 and 3 million workers in 1938.[48] However, there were still over 7 million unemployed in each of these years. The WPA turned out to be an important gesture and a godsend for many millions of workers, but it was not a comprehensive program effective in solving the unemployment situation

in the United States. Instead, the WPA was a short-term cure for what was viewed as a temporary illness of the economy. The federal government was in the business of production and construction, but it was conducting this business at the fringes of the private economy. Unlike the TVA, the WPA projects could not become actors in the economy. Rather, WPA projects would be designed to stimulate heavy industry and, thus, the entire private economy.[49] The emphasis on the success of private enterprises was further illustrated in the wage-scale adopted by the WPA. The WPA's low wages were to serve as an inducement for workers actively to seek jobs within the private sector.[50] The WPA was not a project in which the planning advocates could take delight. The WPA served the interests of private enterprises by improving transportation, by diminishing labor violence and by creating a labor pool that kept workers healthy in preparation for their return to the private economy.[51] The federal government would assume some responsibility for social welfare during economic emergencies, but the federal government would not be an active planner, or senior partner, in the production and distribution of goods in society. The WPA left the Brandeis vision of the good society intact.

Despite the success the Brandeis group enjoyed from

1935 to 1937, the planning advocates had not been completely ousted from the federal government. The planners did not design any of the large scale public programs during the second period of the New Deal, but they were successful in specific areas in promoting the centralization and rationalization of administration. In November 1934, Marriner Eccles was appointed as Governor of the Federal Reserve Board; and by February 1935, he had drafted and had introduced to Congress banking legislation.[52] The Banking Act of 1935, based largely on Eccles's draft, provided the federal government with the powers to control currency and credit and, thus, established the mechanisms necessary for the employment of the fiscal techniques being advocated by John Maynard Keynes.[53] Senator Carter Glass, the self-proclaimed founder of the Federal Reserve System, claimed that he had reduced substantially the amount of government control over private finance that was envisioned in Eccles's draft, but the deletions by Glass were not as important as he suggested.

> What Congress conspicuously deleted was a statement of policy Eccles had attached to the bill. In it he argued that the Federal Reserve Board should adopt policies to maintain business stability and to mitigate unstabilizing influences on

> production, trade, prices and employment by monetary action and credit administration. This looked toward the Employment Act of 1946 and toward avowed policy of today. In actual practice the Board, by open market operations, shifts in the rediscount rate and rare changes in the reserve requirements, did just this, finally bringing the supply of money and the cost of credit almost completely into the area of public policy.[54]

The Banking Act did not provide the government with complete control over the banking system or over monetary policy, but the act did provide sufficient control for the enactment of Keynesian techniques by the federal government. The policies advocated by Keynes were suitable for FDR's administration because the policies did not require extensive planning or expansive administration. The federal government could guide the general direction of the economy without threatening the system of private enterprise and without entering into an explicit partnership with private finance. The policies of Keynes would require planning and they would necessitate occasional government action in the private sector to prime the economic pump during recessions, but these policies did not require the extent of planning and the continuous activity of government in the private sector envisioned by the planning advocates during the first period of the New Deal. The federal government

could steer the economy without having to man the engines of the economy.

The Third Period of the New Deal: 1937-1940

The Banking Act created the mechanisms of control necessary for Keynesian policies to be put into practice, but the mechanisms of control remained idle until the 1937-1938 recession. Planning advocates, though, did not remain idle. They attempted to resurrect the planning approach through the restructuring of the entire Executive branch. The planners had grasped the influence of administration on policy and their proposals for the reorganization of the federal administration were to influence the course of future policy approaches for the next thirty-five years. The distinction between politics and administration could never again be made with the clarity that had been possible at the turn of the century.

On 20 March 1936 FDR created the President's Committee on Administrative Management (PCAM) to propose a reorganization of the federal administration that would give the President greater control over the federal bureaucracy. The three men appointed to the Committee by FDR were Louis Brownlow, Charles E. Merriam

and Luther Gulick.[56] The final report of the PCAM, submitted to the President in January 1937 and submitted to Congress the same month, became a center of controversy between the Executive and a Congress that was beginning to assert its independence.[57] The PCAM's report called for a restructuring of the federal administration that sought clear lines of hierarchy under the President, presidential control over the plethora of independent commissions, a permanent national planning board and an expanded White House staff. The report was designed to increase Executive control over a bureaucracy that had expanded in a piecemeal fashion and at a rapid rate since 1932.[58] However, by the spring of 1938, when FDR presented the PCAM report in a legislative package to the Congress, many members of the Congress believed that the "rationalization of administration" was simply a rationalization for an increase in Executive power at the expense of Congress.[59] The proposals of the PCAM did envision an increase in the power of the Executive, but the Committee viewed this increase in power as essential if there was to be responsibility and accountability for the actions of the federal administration. The explicit battle over the PCAM's report was waged as a constitutional struggle between

the Executive branch and Congress, but the implicit battle was between two views of the role of the federal government in society. Those who drafted the PCAM's report were committed to government action in the private sector to control the economy and to effect social justice. Opponents of the report placed their faith in a private economy free from the interference and direction of government.

The PCAM's report did not advocate a system of planning that would control the production and distribution of goods in society nor did it enter the fray between the Brandeisians and the planners over the issues of big business and monopoly. What the report did advocate was a centralized administration that would take responsibility for economic stability and for the enrichment of the lives of citizens.[60] This social responsibility by government would be possible only if planning and scientific study became fused with an administrative structure that was accountable to the people by being under the supervision of a single elected representative, the President. The PCAM's report is filled with a compassion for the social and economic rights of individuals and with a recognition of the government's role in pursuing the public good.

> Your Committee fully appreciates that there is no magic in management alone. Management is a servant, not a master -- a means, not an end, a tool in the hands and for the purposes of the Nation. Public service is service of the common good in peace or war and will be judged by this standard. Not merely lower unit costs but higher human happiness and values are the supreme ends of our national life, and by these terms this and every other system must finally be tested. Good management will promote in the fullest measure the conservation and utilization of our national resources, and spell this out plainly in social justice, security, order, liberty, prosperity, in material benefits, and in higher values of life. The adjustments and arrangements we suggest have no other purpose or justification than better public service for our people through better administrative management.[61]

The PCAM's report represents a transition from the second to the third period of the New Deal. The PCAM's report espoused planning by the federal government for economic stability and the economic and social fortunes of individuals. The federal government's role in planning was not to entail the penetration of the private sphere advocated by the planners in the first period of the New Deal, but the government's role would be greater than that advocated by the Brandeisians. The PCAM's report also broke from the Brandeisian vision because the report called for the centralization of administration that guaranteed a large federal

government. The federal government would not be as large as would be necessary if the government assumed responsibility for the production and distribution of goods in society, but it would still be large enough to arouse the fears of those opposed to bigness in government and business.

The ascendance of the Brandeisians in the second period of the New Deal did not prevent planning mechanisms from being established, nor did it prevent a greater expansion of the concept of social responsibility. The Brandeisians were able, though, to prevent planning advocates from entrenching the government deeply within the private economy. The Brandeisians did not allow the planners to become the controllers of private enterprise or to become partners with private enterprise. Just as regulation could be carried out at a distance from the private sphere (within a neutral sphere charged with the public good), so too could planning be carried out a distance. The Brandeisian influence helped create a relationship between the public sphere and the private sphere that made the federal government responsible for economic stability and for the social welfare of citizens and, yet, left the federal government at such a distance from the machinations of the private economy that the

government had neither the information nor the control commensurate with the responsibility.

Indeed, in 1938 the conservative coalition in Congress rejected legislation drawn from the PCAM's report and, thus, denied the Executive effective control over the distanced federal administration. FDR, not to be denied, put into place in September 1939 most of the recommendations of the PCAM's report with Executive Order 8248. This Executive Order created the Executive Office of the President which was to be staffed with six administrative assistants and moved the Bureau of the Budget to the Executive Office from the Department of the Treasury.[62] The creation of the Executive Office secured the President's position as the head of the federal administration and made the Executive the center of the federal government as the government assumed responsibility for economic stability and social welfare.

The transition to the third period of the New Deal was completed in April 1938 when Roosevelt finally accepted a Keynesian response to the 1937-38 recession. During 1937 Secretary of the Treasury Henry Morgenthau had convinced FDR that the cure for the recession could be found in the principles of orthodox finance. Government spending was reduced and the rolls of the WPA

were slashed. Finally, in April 1938 FDR decided to accept the advice of Eccles and to use federal spending as a means to economic recovery. Eccles's approach was straightforward.

> The government must be the compensatory agent in this economy; it must unbalance its budget during deflation and create surpluses in periods of great business activity.[63]

The appeal of the Keynesian approach to the economic fluctuations of capitalism, as we have noted, is that it allows the government some control over the direction of the economy while still allowing the federal government distance from the operations of the private market. The Keynesian approach fits within the policy model that emerged in the conflict between the Brandeisians and the planners. Planning would be essential and centralization of administration would be necessary, but planning would be done from a safe distance and the centralization of administration would not demand the consolidation or the control of private markets.

The Keynesian approach was in accord with the vision of the good society proffered by members of the PCAM. The problems of information gathering and of control of private sector aberrations could be solved by the fusion of planning mechanisms and administrative

management. A profound faith in scientific study and administrative techniques was exhibited by members of the PCAM.

> It is important, however, to see to it that our arrangements for making use of the finest and soundest American experience and judgement in planning for the American future are the best that can be set up, and further that they are meshed with the machinery, first of administrative management and finally of policy determination. We confidently believe that the universal aspiration for economic security and the increasing enrichment of human lives may be forwarded by substituting the results of careful scientific study for uninformed judgement and political expediency as the basis for the formulation of governmental plans.[64]

This profound faith was also evidenced in the writings of Keynesians.

> The relationship between the Roosevelt administration and Keynesian doctrine, then, was at best one of tepid affection. On the longer run what counted more than the 1937-38 fiscal episode was the growth to academic power, even to academic dominance of an indigenous Keynesian school. The conversion of Keynesian public policy into administrative routine which has been the achievement of the Kennedy-Johnson years was based upon the training of a generation of economists and students in a new set of techniques and a new set of practical consequences.[65]

Science and the scientific tools available to administration would overcome the distance between the public sphere and the private sphere and ensure an enlarged concept of social responsiblity.

The third period of the New Deal was a profession of faith in science and scientific techniques. Scientific administration and scientific techniques could be harnessed for the benefit of both private enterprise and the public. The political liberties derived from an open, competitive economy could be maintained because the government was to exercise control only from the perimeter of the private sphere. The threat of bureaucratic tyranny from a large central government was abated because (a) the federal administration would be guided by the neutral principles of science and (b) the selection of appropriate techniques by administrators would be guided by elected representatives and would be limited by scientific certainty.

The confidence in a scientific approach to public policy in the third period of the New Deal was certianly not shared by many in the federal government. Nor was the establishment of scientific administration and the perfection of scientific techniques completed during FDR's tenure as President. A structure for scientific

administration had been proffered, though, and the acceptance of Keynesian techniques in both government and higher education spread the faith in scientific tools. World War II would provide the situation in which scientific approaches and scientific administration would flourish. The federal government, during World War II, would engage actively in the planning of the production and distribution of goods, increasing the opportunities for scientific experiments in planning, but the federal government after World War II would quickly return to the perimeter of the private sphere.[66]

The accommodation reached during the third period of the New Deal between the Brandeisian vision of the good society and the planners' vision of the good society determined the relationship between the public sphere and the private sphere for the next thirty-five years. Even the issues omitted in the accommodation between the two policy approaches would remain issues of contention far into the future. The issue of bigness in private enterprises was not resolved in the accommodation, and this resulted in an anti-trust program that can be characterized, at best, as schizophrenic.

The accord reached in the third period of the New

Deal -- the scientifc approach to public policy -- was crucial in establishing a federal government that could assume responsiblity for the machinations of the private economy even as the government kept its distance from the private sphere. The federal government accepted the responsibility for maintaining the private economy and, at the same time, for protecting citizens from the worst side-effects of the private economy. The federal government became the steering mechanism for the economy and the legitimator of the social order. Success in either one of these roles would be difficult enough from the perimeter of the private sphere. Success in both roles at once, even with science, would be, at best, a tightrope act. The scramble for scientific solutions was on.

ENDNOTES

1. For an excellent analysis of the state as a steering mechanism see Jurgen Habermas, *Legitimation Crisis* (Boston: Beacon Press, 1973), pp. 1-94.

2. William E. Leuchtenburg, *Franklin D. Roosevelt and the New Deal: 1932-1940* (New York: Harper and Row, 1963), p. 11.

3. Leuchtenburg, *FDR and the New Deal*, p. 45.

4. Harold L. Ickes, *The Secret Diary of Harold Ickes: The First Thousand Days 1933-1936* (New York: Simon and Schuster, 1953), pp. 11, 14, 16 and 41.

5. Leuchtenburg, *FDR and the New Deal*, p. 57.

6. William Appleman Williams, *The Contours of American History* (Chicago: Quadrangle Books Inc., 1966), p. 448.

7. Leuchtenburg, *FDR and the New Deal*, p. 69.

8. For a discussion of the lack of standardization of rates see Rexford G. Tugwell, *Roosevelt's Revolution: The First Year -- A Personal Perspective* (New York: Macmillan Publishing Co., 1977), p. 235. For an analysis of the NRA's creation of private economic governments, see Leuchtenburg, *FDR and the New Deal*, p. 69.

9. Charles L. Dearing et al., *The ABC of the NRA* (Washington D.C.: Judd and Detweiler Inc., 1934), p. 37. This was a Brookings Institution report.

10. Willard E. Atkins, A. A. Friederich and Viola Wyckoff, *Economic Problems of the New Deal* (New York: F. S. Crofts and Co., 1934), p. 12.

11. Ellis W. Hawley, "The New Deal and the Problem of Monopoly," in *The New Deal: Analysis and Interpretation*, ed. Alonzo L. Hamby (New York: Weybright and Talley, 1969), p. 78.

12. Williams, *The Contours of American History*, p. 448.

13. Francis Fox Piven and Richard A. Cloward, *Regulating the Poor: The Functions of Public Welfare* (New York: Vintage Books, 1971), p. 85.

14. Hawley, "The New Deal and the Problem of Monopoly," p. 79.

15. Hawley, "The New Deal and the Problem of Monopoly," p. 80.

16. Paul K. Conkin, *The New Deal* (New York: Thomas Y. Cromwell Co., 1967), p. 44.

17. Leuchtenburg, *FDR and the New Deal*, p. 164.

18. Tugwell, *Roosevelt's Revolution*, p. 286.

19. A good summary of Tugwell's views is presented in Conkin, *The New Deal*, p. 39.

20. A very good summary of Merriam's views is presented in Barry Dean Karl, *Executive Reorganization and Reform in the New Deal: The Genesis of Administrative Management, 1900-1939* (Cambridge, Massachusetts: Harvard University Press, 1963), pp. 56-57.

21. Ickes, *The Secret Diary*, pp. 370-640.

22. Leuchtenburg, *FDR and the New Deal*, p. 174.

23. Tugwell, *Roosevelt's Revolution*, p. 70.

24. Leuchtenburg, *FDR and the New Deal*, p. 55.

25. Leuchtenburg, *FDR and the New Deal*, p. 55.

26. Karl, *Executive Reorganization*, pp. 201-202.

27. John D. Millet, *The Process and Organization of Government Planning* (New York: Columbia University Press, 1947), p. 158.

28. Millet, *The Process and Organization of Government Planning*, p. 57.

29. Karl, *Executive Reorganization*, p. 57.

30. Richard Tanner Johnson, Managing the White House: An Intimate Study of the Presidency (New York: Harper and Row, 1974), p. 11.

31. The best example of FDR's "gift" at playing off subordinates against each other was the seven year fray between Secretary of Interior Harold Ickes and Secretary of Agriculture Henry Wallace. The almost constant jockeying between the Secretaries over control of the national park system and soil conservation agencies is described in Ickes, The Secret Diary, pp. 417-418, 601, 604-606.

32. Conkin,The New Deal, pp. 10-11.

33. Leuchtenburg, FDR and the New Deal, pp. 162-163.

34. Williams, The Contours of American History, p. 448.

35. Conkin, The New Deal, p. 71.

36. For FDR's reaction to the speeches given at the May meeting of the United States Chamber of Commerce, see Ickes, The Secret Diary, pp. 358-359.

37. FDR's meeting wiht old-line Progressives and his decision to use an anti-big business campaign theme are discussed in Ickes, The Secret Diary, pp. 358-359.

38. Arthur S. Link, Woodrow Wilson and the Progressive Era: 1910-1917 (New York: Harper and Row, 1954), pp. 18-24.

39. The planners' ideal of social justice is best presented during the New Deal in The Report of the President's Committee on Administrative Management (Washington D.C.: United States Government Printing Office, 1937), p. 53.

40. Arthur W. Macmahon, John D. Millet and Gladys Ogden, The Administration of Federal Work Relief (New York: DeCapo Press, 1971), p. 26. This piece was written in 1941 under the auspices of the Public Administration Service at Chicago.

41. Bruce Murphy, The Brandeis-Frankfurter Connection (Oxford: Oxford University Press, 1981), pp. 165-178.

42. Macmahon, The Administration of Federal Work Relief, pp. 26-27.

43. Although the Social Security Act was a victory for Brandeis, -- he had done much both in advocating legislation and in placing administrators sympathetic to the legislation on government -- Brandeis did believe that the Act created too much centralization of power at the federal level. He would have preferred for the state to have more control. Murphy, The Brandeis-Frankfurter Connection, pp. 165-178.

44. FDR did understand the regressive nature of Social Security payments, but he argued that the payment structure was necessary for political reasons:

> "I guess you're right on the economics." Roosevelt conceded when told the employee contributions were a mistake, "but those taxes were never a problem of economics. They are politics all the way through. We put those payroll contributions there so as to give contributors a legal, moral, and political right to collect their pensions and their unemployment benefits. With those taxes in there, no damn politician can ever scrap my social security program."

Leuchtenburg, FDR and the New Deal, pp. 132-133.

45. Leuchtenburg, FDR and the New Deal, p. 132.

46. Macmahon, The Administration of Federal Work Relief, pp. 19-24.

47. Macmahon, The Administration of Federal Work Relief, pp. 19-24. This is an excellent discussion of the errors the WPA was designed to avoid.

48. Piven, Regulating the Poor, p. 112.

49. Macmahon, The Administration of Federal Work Relief, p. 384.

50. Piven, Regulating the Poor, p. 112.

51. Piven, Regulating the Poor. The use of welfare and work relief to control the poor during recessions and to force the poor into low-paying jobs in the private economy during booms is the thesis of this insightful work.

52. Leuchtenburg, FDR and the New Deal, p. 158.

53. While Eccles held Keynesian views, he did so before he had read Keynes's works or had met Keynes.

54. Conkin, The New Deal, pp. 67-68.

55. For a brief summary of Eccles's economic views, see Leuchtenburg, FDR and the New Deal, p. 245.

56. The Report of the President's Committee on Administrative Management, p. vii.

57. For a description and analysis of the resurgence of Congressional independence during the New Deal, see James T. Patterson, Congressional Conservatism and the New Deal: The Growth of the Conservative Coalition in Congress, 1933-1939 (Lexington, Kentucky: University of Kentucky Press, 1967).

58. The number of Executive branch employees in June 1932 was 578,231 persons. By June 1936 the Executive branch employed 824,259 persons. The Report of the President's Committee on Administrative Management, p. 8.

59. Leuchtenburg, FDR and the New Deal, p. 277.

60. The Report of the President's Committee on Administrative Management, p. 28.

61. The Report of the President's Committee on Administrative Management, p. 53.

62. Leuchtenburg, FDR and the New Deal, pp. 327-328.

63. Leuchtenburg, FDR and the New Deal, p. 245.

64. The Report of the President's Committee on Administrative Management, p. 28.

65. Robert Lekachman, The Age of Keynes (New York: Random House, 1966), p. 125.

66. The importance of World War II in establishing the use of scientific administration and techniques is not a focus of this work or of any book although its importance is regularly acknowledged. The best discussion of operational planning and scientific administration during World War II is John D. Millet's comparison of the National Resources Planning Board and the Office of Mobilization and Reconversion in Millet, The Process and Organization of Government Planning, especially pp. 157-159.

CHAPTER V

THE SCIENTIFIC APPROACH TO PLANNING: 1946-1969

The Dilemma Posed by the Employment Act of 1946

The Employment Act of 1946 was both a cogent articulation of the public policy model that emerged in the last two years of the New Deal and of the institutionalization of a scientific-planning approach destined to undermine its own integrity. The Employment Act embraced the late New Deal vision of government planning on the periphery of the private sphere. The federal government would be both the steering mechanism for the private sector and the guarantor of basic needs for the citizenry while maintaining its distance from the basic economic decisions which private enterprise made. Keynesian fiscal and monetary policies would make planned economic growth a science that need not penetrate into the core of the private sphere. The science of economic planning offered the promise of a federal government able to foster and promote free competitive enterprise <u>and</u> the general welfare.

The Employment Act institutionalized this science of economic planning by creating the Council of Economic Advisers (CEA).[1] The CEA was to be composed of three

members appointed by the President and approved by the Senate. The CEA was placed in the Executive Office, further acknowledging the role of the President in national (economic) planning. The function of the CEA was to provide (a) long term forecasts of economic developments, (b) policy choices and (c) evaluations of current policies to the President. Furthermore, the CEA was to furnish the President with the information necessary to present Economic Reports to the Congress.[2]

The dual, but far from compatible, mandate established for all CEA activities -- the promotion of free competitive enterprise <u>and</u> of maximum employment, production and purchasing power -- was apparent even during the legislative battle over the Employment Act. The House bill emphasized the promotion of free enterprise while the Senate Bill stressed maximum employment, production and purchasing power.[3] The result, not surprisingly, was an Act that promoted both goals equally and never addressed the question whether both goals were compatible with economic planning. The CEA was to hurdle the issue of how much intervention by the federal government is necessary to achieve maximum employment, production and purchasing power without allowing that intervention to undermine the promotion of

free competitive enterprise with the use of four strategies.

First, each member of the CEA was "... to be a person who, as a result of his training, experience, and attainments, is exceptionally qualified to analyze and interpret economic developments, to appraise programs and activities of the Government in the light of the policy declared in section 2, and to formulate and recommend national economic policy to promote employment, production, and purchasing power under free competitive enterprise."[4] Economic expertise would allow the CEA to remain above the dilemma posed by the Employment Act. Furthermore, this science of economics could avoid the obvious political and partisan explosions sure to follow government plans calling for increased intervention into the private sphere and the private economy. Edward S. Flash Jr., in his Economic Advice and Presidential Leadership: The Council of Economic Advisers, has described well the distance from politics which scientific expertise was to purchase for the CEA:

> From its Olympian perch the Council could dispense expert advice with objectivity, perspective and independence. The implication of the qualification for holding office was essentially that of non-political expertise. The Council would not

> become enmeshed in the passion of advocacy and operation. Moreover, expertise would reveal _the_ answers, lead to the setting of correct goals, and provide economic standards for judging specific policies. Truth would harness, perhaps even overcome, but never succumb to partisanship. True to the public administration views of the day, economics, like administration would be separated from politics.[5] (original emphasis)

Expertise, of course, was to be expertise in the economics of planning at the periphery of the private sphere: Keynesian economics.

Second, the CEA would overcome the dilemma posed by the Employment Act by advocating the pan-partisan economic philosophy of fast and vast growth. Economic growth would (or, at least might) create a private economy that, although still regulated in some areas, provided a free space for competitive capitalism. Economic growth would also relieve the government of the responsibility for procuring the basic economic needs of those who suffered during depressions and recessions. A thriving economy could produce a low tax rate combined with increasing expenditures for domestic policies designed to aid those who remained unemployed in times of plenty. Most importantly though, a booming economy could allow the CEA and the government to avoid the nastiest and most precocious issues which confront

society in the United States: redistribution of income and wealth.[6] Sustained economic growth could sate the citizenry and mute the issues of redistribution of income and wealth. Indeed, Leon H. Keyserling, appointed as Chairman of the CEA in May 1950, summed up this perspective in a 1948 article which preached the merits of planned, sustained economic growth: "There can be so much for all that the removal of unmerited poverty will remove the threat to merited wealth."[7]

Third, the CEA could enact the social programs and produce the social benefits most Keynesian economists in the United States supported. This could be done without an explicit redistribution program or a government planning system intervening directly in the choices of private enterprises because the periodic expansion of social programs and services was one of the accepted scientific techniques in the Keynesian counter-cyclical arsenal. Social programs that lived up to the promises of the federal government during the New Deal -- "low-cost housing, social insurance, education, resource development"[8] -- could be funded by economic growth and could be expanded as a technical response to periods of economic stagnation. Scientific neutrality in the pursuit of planning for the good society was to exist within the CEA, as it had in the National Resources

Planning Board during the New Deal, as a protective armor for "scientific integrity."[9] "Scientific integrity," of course, was synonymous with a view of society that can be best described as "moderately liberal." This is not to suggest that critics of planning and of Keynesianism did not penetrate this neutral facade and realize the social responsibilities government could eventually assume under the guise of counter-cyclical techniques designed for a growth economy.[10] Nevertheless, scientific techniques and the promise of a booming economy could still the naysayers and offer opportunities for social programs that might promote the general welfare <u>and</u> might not infringe on free competitive enterprise.

Fourth, the ambiguity of the langauge in the Employment Act provided political shelters for both the CEA and the Congress. To empower the CEA to "promote free competitive enterprise" and to "promote maximum employment, production, and purchasing power" in accord with the general welfare was <u>to promote</u> executive discretion and administrative discretion. Congress attempted to pass on particularly troublesome and dangerous economic issues to the Executive branch by delegating authority on a grand basis. Accountability for CEA proposals and policies was to result from the

CEA's inclusion within the Executive branch and from the faculty of economic science to limit discretion by limiting the number of rational choices to one. By stressing the economic expertise necessary for qualified CEA members, the Congress intended a CEA that would be above politics and, thus, above discretion.[11] The ambiguity of the language in the Employment Act did give the CEA room to manuever. It was possible to place emphasis on either the mandate to promote free competitive enterprise or on the mandate to promote maximum full employment. However, discretion to slight the former mandate was more limited than the discretion to slight the latter mandate. Federal policies that subvert free competitive enterprise (or, at least, the ideal of free competitive enterprise) are always easier to identify than policies that undermine maximum employment. Indeed, since the Employment Act there has been a continuing debate over what level of employment can be considered maximum (or full) employment.[12] Consequently, the CEA's discretion is bounded on the one side by the vision of a market economy that has existed in no mass society. Explorations by the CEA past this boundary are sure to bring indignant comments from Congressmen accusing the CEA of transgressing its authority.

These four strategies -- scientific economics, rapid and continuous economic growth, hidden social benefits, ambiguity of the mandates -- were employed by the federal government after World War II to bypass the dilemma posed by the responsibility of government for both steering the private economy and maintaining the basic needs of the citizenry. The institutionalization of these strategies within the Executive branch in the CEA marked the beginning of an approach to public policy by the federal government that was grounded in scientific planning. This scientific planning, though, was to be denied access to the information about the decisions, costs and plans of private enterprise which *might* have allowed the federal government to plan successfully for economic growth and maximum employment. Scientific planning might give the government a fair chance to manipulate the proper fiscal and monetary levers, and thus a fair chance to abet prosperous times and to curtail recessions. Nevertheless, the macro-economic tools available to the federal government would not be able to address all the responsibilities government had accepted for the general welfare of the populace nor for the specific groups within society whose economic situations did not improve even during the most prosperous periods. This scientific planning

era in public policy in the United States -- marked by the scientization of economics and, thus, the depoliticization of economic issues[13] -- was slowly, unevenly, but progressively, to bring about the rationalization of the federal government's administrative structure, budgeting procedures and evaluation processes. In not one of these areas would rationalization for scientific planning come close to completion, but each area would realize enough rationalization to make apparent by the 1960s that planning on the periphery was not going to be a complete success.

The acknowledgement that scientific planning on the perimeter of the private sphere would not be a final answer to the dilemma created by the Employment Act of 1946 was made only after scientific planning had been tried for almost two decades and its own partial success had exposed its deficiencies. We turn now to an exploration of those decades focusing on the responsibilities accepted by the federal government and on the rationalization of structures and procedures that were to make possible the performance of those responsibilities.

Scientific Planning in the Truman Administration

Harry S. Truman made clear, soon after his elevation to the presidency, that the federal government would not disregard the responsibilities it had assumed before World War II. In messages to Congress in September and November of 1945, President Truman asked for legislation on employment and health.[14] The First message called for both unemployment compensation and for full-employment legislation. Truman's emphasis on the role of government in assisting in the maintenance of a "full production peace time economy" to create full employment parallels the thinking behind the Employment Act. Truman's November message to Congress asked for a comprehensive health program founded on the Fair Deal's "Economic Bill of Rights." Truman stated:

> Our new Economic Bill of Rights should mean health security for all regardless of residence, station, or race -- everywhere in the United States.
>
> We should resolve now that the health of this Nation is a national concern; that financial barriers in the way of attaining health shall be removed; that the health of all its citizens deserves the help of the nation ... [15]

While Truman was committed to the role of government as the underwriter of an economic bill of rights, he was wary of budget deficits and of Keynesian

explanations of the acceptability of deficits. Truman's fear of deficits and unease with Keynesians was reflected in his appointment of the first Chairman of the CEA, Edwin G. Nourse. Nourse, an advocate of orthodox economics, was far more conservative than the other two members Truman selected for the CEA, Leon H. Keyserling and John D. Clark.[16] Nourse not only disagreed with the policy views of the other members, he felt that they abused their positions within the CEA by making political statements and judgements.[17] Nourse took seriously the claim that the CEA was to be a repository for non-partisan experts, and his belief that the CEA was to refrain from political debates made him appear to the other members to be naive. The lack of harmony in the CEA, Nourse's view of a passive CEA and an increasingly poor relationship with Truman led to Nourse's resignation in October 1949. Prior to Nourse's resignation, Truman had begun to rely on the advice of Leon H. Keyserling. Keyserling offered an economic view and a political stance that afforded Truman the opportunity to mitigate his fear of deficits, to support the provision of essential social services and, yet, to retain his apprehension about that element in Keynesianism which seemed to question the importance of private enterprise and to inflate the government's role

in the production of goods and services. Influenced by Keyserling's thought, Truman could claim in his July 1949 midyear Economic Report that a balanced budget during a recession was not a top priority:

> We cannot expect to achieve a budget surplus in a declining economy. There are economic and social deficits that would be far more serious than a temporary deficit in the Federal Budget.[18]

Keyserling's ability to influence Truman's economic views (and to garner the position of Chairman of the CEA after Nourse's resignation)[19] rested on Keyserling's ability to combine an abiding faith in the virtue of capitalism <u>and</u> in the rightness of big government. Keyserling's critique of the New Deal did not find fault with the government's use of fiscal and regulatory policies.[20] Rather, Keyserling argued that the greatest fault of the New Deal was that it had lost faith in capitalism. The New Deal had forgotten that the private sector was the sector responsible for economic growth and that the government's social responsibilities could be afforded (and expanded) only because of economic growth.[21] The New Deal had relied too extensively on a coercive relationship with private enterprise and had taken a dogmatic view on anti-trust policy, weakening businessmen's faith in government and

dampening their willingness to invest in a "hampered" private sector. The government should trust private enterprise to establish wage-price-profit policies that will enhance the chances for maximum production and (thus) maximum employment. Private enterprise should have faith in the government's ability to enforce regulatory policies and to employ fiscal policies that will also enhance the chances for maximum production and employment.[22] This mutual trust can only be instilled if there is a clearer separation of the responsibilities of each sphere than occurred during the New Deal.

Keyserling's criticisms of the New Deal are, of course, open to contention. In Chapter IV we saw how FDR's anti-business rhetoric was only rarely coupled with legislation which could be deemed anti-business. Indeed, the relief policies of the New Deal (a) paid heed to the opinions of business leaders, (b) helped diminish anti-capitalist sentiment among workers and the unemployed and (c) supported a labor pool for private enterprise.[23] Nevertheless, Keyserling's critique of the New Deal remained compelling for two reasons. First, maximum production and employment were dependent upon a booming private economy.[24] Second, a booming private economy was possible only if private entrepeneurs retained faith in the prospects for a

healthy investment environment in the future; for entrepeneurs such an environment entailed limited government intervention in the private sector. Keyserling saw the government's role in enhancing investment prospects as dependent upon the curtailment of Executive branch criticisms of big business and upon an increase in Executive branch reliance on the goodwill and farsightedness of big business.

Keyserling's reliance on voluntarism in dealings with the private economy was essential to the framework of government planning at the perimeter of the private sphere. Government policies designed to combat recessions in the business cycle must not weaken entrepeneurs' confidence in the economy and, thus, exacerbate the recession. By avoiding direct controls over wages-prices-profits and direct coordination of private production, Keyserling sought the confidence of businessmen. The voluntary cooperation of business and labor would be possible because the goal of government planning (at a distance) was what Keyserling termed "expansion economics." Expansion economics would render voluntary cooperation from all members of society because economic growth would provide economic largess for all without posing threats to "merited wealth."[25] The productive potential of the economy would be

harnessed (or unleashed) by reliance upon "... (1) the indirect controls of taxation, credit restraints, and allocations and (2) voluntary adjustments by business, labor and consumer."[26]

Keyserling's views on expansion economics and on voluntarism were important because his views shaped Executive branch policy under Truman and established a boundary between the government and the private sector that future administrations did not violate (without overwhelmingly compelling reasons). Keyserling was instrumental in postponing wage and price controls in 1950 and 1951. During this period of recession and United States' involvement in Korea, the Office of Price Stabilization (OPS) argued for wage and price controls to reduce inflationary pressures. Keyserling's approach to the problem of inflation was to impose a price freeze. OPS wanted to go beyond a price freeze and enact a system of price roll-backs to prevent unfair profits from being taken by companies that had raised their prices in expectation of a freeze and a system of roll-forwards to reward companies that had refrained from opportunistic price-gouging and that were now making unsatisfactory profits.[27] Keyserling opposed price roll-backs because they would be difficult for the government to administer effectively and he opposed

roll-forwards because they would increase prices.[28] Keyserling's view, of course, rested on his concept of government planning at a distance, a distance that would be threatened by government attempts to intervene more directly in the private economy to secure an equitable price freeze. OPS action to set price roll-backs and roll-forwards would place the government in the wage-price-profit domain which was to be Keyserling's sanctuary for private (enterprise) decisions. By late April 1951, though, OPS had won its battle with Keyserling and a price roll-forward policy was enacted.[29] OPS's moment of success was short-lived, however, as Keyserling managed a long-term, but rather strange, victory.

OPS calculation of price roll-backs and roll-forwards was made on the basis of industry's own calculation of cost-price data (yet another example of planning at the perimeter of the private sphere). Industry calculations were presented in formats designed to retard equitable decisions and to maximize short-term profits.[30] The failure of OPS to provide equitable price-cost adjustments undermined the use of wage and price controls as a technique for government control of the economy for almost thirty years.[31] Keyserling could point to the failure of coercive action by the

federal government in its relationship with private enterprise. Keyserling's claim was strange both because price controls were a response to the failure of voluntary profit restraint by private enterprises and because the failure of OPS price-cost policy was, in part, a failure of private enterprise to live up to the integrity they were supposed to illustrate in a voluntaristic framework. Keyserling lost a battle with OPS only to prove the final victor in establishing a separation of roles for the federal government and the private economy which would keep scientific planning at a distance from the private sphere.

Keyserling's ability to maitain government planning at the perimeter of the private sphere as prescribed in the last two years of the New Deal was also evident in the Truman Administration's role in the steel ordeal of 1951 and 1952. In November 1951, Keyserling's CEA presented two confidential reports to the President on the course government action should follow if collective bargaining between the steel industry and the unions did not produce a contract before the 31 December strike deadline. Grant McConnell, in his excellent monograph, The Steel Seizure of 1952, summarizes the CEA's advice:

> The Council argued that "any remotely reasonable wage increase" would be absorbable without any price

> increase. Hence, although some wage increases should probably be allowed, the government should stand against any policy of simultaneous wage and price increases. To do anything else would be to encourage irresistable collusion between labor and industry. And as a part of such a stand, the government should avoid being drawn into bargaining itself. Finally, the government should not await the outcome of bargaining between the two parties to make its own position known. The CEA's reports constituted a fairly forceful argument both for separating price and wage controls and for the active participation of government (in the role of neutral) in dispute settlements.[32]

Three important facets of Keyserling's domestic policy approach shine through this summary. First, the government's responsibility to make its own general wage and price position known to the public reflects Keyserling's belief that expert knowledge can serve as a tool for consensus politics.[33] If both parties to a dispute (and the general public) are aware of the "facts," and the consequences that will emerge from those facts, then reasonable people will reason to consensus. Keyserling's faith in voluntarism is at root a faith in experts' knowledge and in the general rationality of citizens.[34] The federal government can maintain its distance from the private economy because rational proposals by the government will command the attention and consensus due to the authority of

rationality.

Second, the separation of the federal government's wage control decisions and price control decisions reveals a problem inherent in planning in the United States. Wage controls and price controls were the domain of two distinct administrative units, because if wage and price controls were decided upon by one agency, then wage and price controls for any one industry would have to be adjusted simultaneously.[35] Simultaneous adjustment of wages and prices was to be avoided to prevent management/labor collusion for wage and price increases at the expense of consumers. Separation of wage and price decisions, though, is not without its own problems. This separation of decisions assumes that the proper wage levels and satisfactory profit levels can be determined empirically. The issue of redistribution of corporate earnings can be silenced under such a schema because a proper wage-to-profit ratio can be "empirically" established, but the data from which the empirical ratio is derived is always skewed in favor of management and, thus, in favor of rising prices. This result is not due to pro-business government administrators, rather it is the result of relying on data provided to government by private enterprises. The steel companies refused to provide their operating

figures to the OPS and the OPS staff had to rely on published industry figures in deciding upon a price increase.[36] One can imagine the public outcry if wage controls were to be determined on the basis of a union's estimate of workers' wages. Even if an empirical wage-to-profit ratio could be determined for government economic planning, it could not be determined with the management data available to OPS. Government planning on the perimeter must prevent management/labor collusion, but it must also impede its own planning abilities (however limited) to prevent its penetration into the sphere of private enterprise.

Third, the federal government can be an active participant in the private sphere, but it must be a neutral participant. Neutral participation results not so much from the neutral ethical sphere established by the Pendleton Act, but rather from the neutrality secured through scientific and economic expertise.[37] Federal administration, in response to the post-New Deal role in society, justified its decisions and actions as the proper scientific decisions and actions. Prior to the New Deal, administrative discretion was to be limited by specific statutory authorization of administrative duties. After the New Deal, the federal government's responsibilities were more difficult for

the Congress to specify precisely (e.g., the language of the Employment Act) and administrative discretion was to be limited by expertise. Scientific neutrality could side-step potentially disruptive political issues by emphasizing the "reasonable" results of rational action.

Even Truman's decision to seize the steel industry on 8 April 1952, after the failure of collective bargaining and the rejection of the Wage Board's recommendation by steel management, cannot be seen as a gross violation of the private sphere by the federal government. The steel seizure by Truman actually amounted to little more than the refusal to allow managers and workers to leave their jobs during the Korean War. The government did not fire, hire, take profits or even examine the operating figures of the steel industry. When the Supreme Court declared on 2 June 1952 that the seizure was unconstitutional, Truman immediately revoked the seizure. The steel workers went on strike and they did not return to work until collective bargaining had produced (with White House guarantees to the industry of price increases) a settlement on 24 July 1952. Thus, although the strike took place during wartime in a key industry, the federal government remained at a distance from the private sector fray -- a distance that had been endorsed by the

Keyserling CEA.

The Keyserling Chairmanship established the CEA as a vital actor in domestic politics. The Keyserling CEA set a precedent for an active CEA, whose activity would be justified by expert knowledge. Furthermore, the Keyserling CEA established boundaries for government activity in the private sector. These boundaries had been suggested during the last two years of the New Deal, but the Keyserling CEA was able to congeal these boundaries. Even the critiques of the Keyserling CEA made by commentators on the left did not admonish the CEA for failure to take a more active role within the private sector. Rather, the criticism was that the Keyserling CEA had placed "... insufficient emphasis on the monetary, tax and expenditure policies of the federal government as stabilizing devices."[38] The Keyserling CEA was criticized for insufficient use of the economic tools available to a government at the perimeter of the private sector, not for the limited options available at the perimeter.

The Keyserling CEA was also responsible for adding expansion economics -- a philosophy of rapid and continuous growth with the federal government as the controller of the stabilizing devices -- to the list of acceptable options for public policy. Expansion

economics was never fully embraced by the Truman Administration, nor was it to be the guiding economic theory of the Eisenhower Administration. Nevertheless, the theory of expansion economics was accepted by the moderate-to-left wing of the Democratic Party and was to regain access to the Executive branch in 1961. Even those opposed to the government activity inherent in expansion economics were forced to (a) rely on and deploy the macro-economic tools prescribed by expansion economics and (b) to measure the success of other economic approaches by the indices developed by advocates of expansion economics (e.g., growth). As we shall see, expansion economics would exert influence even during an Administration that viewed expansion economics with disfavor.

The recourse to federal government planning after World War II required a further rationalization of the Executive branch. During the Truman Administration, attempts were made to increase Executive control over the federal administration, to develop budgeting techniques which could evaluate the new programs government would now undertake and to create planning staffs within domestic agencies

Increased Executive control over the federal administration was a goal of the First Hoover Commission

(1949).[39] Following the tradition of the President's Commission on Administrative Management (1937), the First Hoover Commission recommended that: (a) the three member Civil Service Commission be headed by one Chairman who would also be a staff adviser to the President; (b) the number of staff units be expanded under the hierarchical control of the Executive Office; and (c) administrative assistant secretaries to the Commerce, Justice, Labor and Treasury Departments be selected from the career civil service. The latter two recommendations reflected the pervasive view that planning was now essential to good government and that planning was an Executive, not legislative, responsibility. Scientific planning could be held in check by the technical application of knowledge and by the unity of command under the President. While the first recommendation did not prove satisfactory when it was pursued during the Eisenhower Administration, the latter two recommendations were enacted without major disruptions. The increase in the number of staff units provided more hierarchical control over the expanded administrative state and made possible a distinction among staff units. As Hugh Heclo has argued: "Over time, even the staff concept became differentiated between pure staff (such as planners and personal

advisers) and auxiliary staff services (organizational maintenance functions such as supplies, personnel, and so on)."[40] The First Hoover Commission Report was a proposal for the rationalization of the planning approach to public policy in the United States.

Executive control over the federal budget and Executive Office evaluation of domestic programs were extended during the Truman Administration with the sophistication of "performance" budgeting. Allen Schick, in a 1966 article outlining the three stages of budget reform in the twentieth century, characterizes performance budgeting by its emphasis on management control:

> In the first stage, dating roughly from 1920 to 1935, the dominant emphasis was on developing an adequate system of expenditure control. Although planning and management considerations were not altogether absent (and indeed occupied a prominent role in the debates leading to the Budget and Accounting Act of 1921), they were pushed to the side by what was regarded as the first priority, a reliable system of expenditure accounts. <u>The second stage came into the open during the New Deal and reached its zenith more than a decade later in the movement for performance budgeting. The management orientation, paramount during this period, made its mark in the reform of the appropriation structure, development of management improvement and work measurement programs, and</u>

> the focusing of budget preparation on the work activities of the agencies. The third stage, the full emergence of which must await the institutionalization of PPB (Planning-Programming-Budgeting), can be traced to earlier efforts to link planning and budgeting as well as to the analytic criteria of welfare economics, but its recent development is a product of modern informational and decisional technologies such as those pioneered in the Department of Defense.[41] (emphasis added)

Performance budgeting was a response to the same problem addressed by the First Hoover Commission Report: inadequate Executive control over an expanded federal administration. Performance budgeting provided for greater agency accountability to the Executive Office and installed performance evaluation techniques which would produce data for future planning proposals. Performance budgeting aided in establishing a system of rational evaluation of government programs which would make possible a greater emphasis on long-term planning.

Long-term planning by domestic agencies was accentuated during the heyday of performance budgeting by the creation of planning staffs within the agencies. In the Department of Interior, a Program Staff with committees in the field was created in 1947. The Program Staff was to design a system for the clarification of the Department's short-term and long-

term goals and to improve the means for departmental coordination of activities.[42] The Program Staff proved particularly adept at defining and clarifying short-term goals. Which is not surprising given the emphasis and techniques of performance budgeting. Long-term planning, though, posed greater problems for the Program Staff.

The Program Staff did produce a five year plan (1955-1960) in 1953, but the planning reports suffered from those three banes of domestic long-term planning: imprecise statement of program goals, inadequate quantitative techniques and insufficient research. Precise articulation of program goals is never easy in domestic policy and Congress has manifested little willingness to hone the goals of domestic legislation. As was suggested earlier, oblique social legislation is part of the political fare in a society where government plans at the periphery of the private sphere. The problem of inadequate quantitative techniques for domestic long-term planning is inherent in any society which permits open debate over the value of human products and human activities, and holds values that cannot be quantified by the market. This does not mean that the quantification of agency activities and goals is useless or that techniques cannot be improved. The

introduction of systems analysis in the 1960s offered an analytical framework that did provide planners with more success in long-term predictions and that produced a plethora of information for decision-makers. More sophisticated analytical techniques would not solve the problems endemic to government planning at a distance. However, the planners within the Truman Administration had faith in the ability of scientific techniques to solve the problems of government planning and they experimented with the integration of planning structures into domestic federal agencies. Their experiments came to a temporary conclusion with Eisenhower's election, but their contributions would not be lost to the Democratic administrations of the 1960s.

Scientific Planning in the Eisenhower Administration

The Eisenhower Administration did not follow the same path toward the rationalization of the federal administration for improved government planning that the Truman Administration had begun clearing. The Eisenhower Administration took a slower, but still parallel path. The slower pace was due to a greater belief in (a) the self-sustaining power of free enterprise, (b) the dangers of big government and (c)

the role of Congress in making public policy. The inability to stake out a different direction from the one chosen by the Fair Deal was the result of a basic acceptance by Eisenhower of the federal government's responsibility for private sector growth and for social welfare. The Eisenhower Administration would underscore the Employment Act's mandate for the promotion of free enterprise, but the mandate for maximum employment and for securing the general welfare (with its implications for social welfare programs) would not be rejected.

Eisenhower's economic philosophy and the role of government in his philosophy has been summarized well by Elmo Richardson in his The Presidency of Dwight D. Eisenhower:

> Eisenhower's yardstick in measuring the public good was economy -- what he liked to refer to as "fiscal responsibility." A sound economy was the shortest distance to the solution of any domestic problem, he asserted, and it was the nation's best defense. The federal government's role in every subject before the Congress should be based, Eisenhower said, on "the plain workings of economic law," that is on the common sense philosophy of production capitalism. He did not wholly embrace the laissez-faire economics of the nineteenth century, but he did believe that the nation's commerce and industry needed encouragement to venture ever further. Business mergers, in that context, were deemed necessary and proper.[43]

Eisenhower praised the virtue of a permanently balanced budget and forsook Keynesian economics because it advocated government deficits during economic downturns and it placed government too close to the activities of the private sector.

The federal government could reduce its size and could remove itself farther from the machinations of the private economy, Eisenhower assumed, because state and local governments would be able to control the worst effects arising from free(d) enterprise. The federal government would stimulate the economy by exhibiting fiscal responsibility and by promoting a stable economy conducive to private investment. The states and local governments would be responsible for regulating private enterprise in a manner conducive to regional and local interests.[44] This separation of responsibilities between the federal government and state/local governments seems to be a reasonable modern rendition of the division of powers envisioned by the Founding Fathers. However, the Eisenhower Administration never examined the possiblity that private capital might prove too powerful for state and local governments nor did it ever develop clear guidelines for the separation of responsibilities. The federal government removed itself farther from the private sector, justifying this move by

a "new federalism" that was never produced.

The relative inactivity of the Eisenhower Administration was also a product of Eisenhower's belief that the constitutional separation of powers between the Executive and the Congress was not to be ignored. Eisenhower wished to redress what he perceived as excessive aggrandizement of Executive power. A greater reliance on Congress for public policy initiation and legislation would also, of course, relieve the Executive of long-term domestic planning responsibilities and distribute the accountability for the results of remaining social programs.[45] It is unfair to claim that Eisenhower's belief in a more equal distribution of power between the Executive and the Congress did not rest upon his appreciation of the constitution, but it would also be an underestimation of his intellect to assert that Eisenhower did not gauge the political leanings of the dominant Congressional bloc of the late 1940s and the 1950s.[46] The conservative bloc -- composed of Republicans and southern Democrats -- which controlled the legislative locks during Eisenhower's two terms shared Eisenhower's convictions that the federal government should prune its size and its responsibilities. Congress placed little pressure on the Eisenhower Administration to extend its role in

domestic long-term planning.

Despite the restraint of Executive branch activity these three components of Eisenhower's political thought implied, the Eisenhower Administration could not divorce itself from the techniques employed by its predecessor. When the Eisenhower Administration did eschew the fiscal techniques advocated by the Keyserling CEA, the economic growth necessary to diminish the political tempest between rich and poor did not occur. The Eisenhower Administration finally faltered in its balancing act between the mandates of the Employment Act (a tough enough act, in itself) and the goals of orthodox economics. The problems encountered can be exposed by an examination of the Burns CEA.

Arthur Burns, a professional economist who shared Eisenhower's view of government/private economy relations, was Eisenhower's selection for the Chairman of the CEA. Burns combined a belief in orthodox economics with a conviction that the science of economics could transcend partisan debates. Burns saw himself as a professional economist who could, therefore, fill the role prescribed for the CEA by the Employment Act. Burns stated that the Employment Act "... expresses the plain intent of Congress that members of the Council should function as professional

economists, giving their views on economic problems and policies in an objective, non-partisan manner."[47] Unintentionally, perhaps, Burns helped maintain the illusion conjured by Keyserling: economics was a science (beyond the din of politics) which could guarantee the promises of the Employment Act without resorting to the dangerous politics of redistribution.

To promote the idea of a science of economics, Burns insisted on a distinction between framing policy and justifying policy.[48] The Burns CEA would frame policy, but it would not offer political justifications for its policy. A science needed no political justification. The illusion of one right scientific answer to each economic problem was also to be maintained by a change in the CEA's organizational structure. On 1 June 1953, the Eisenhower Administration proposed to Congress "Reorganization Plan No. 9."[49] This plan brought about a centralization of power in the CEA conferring new powers to the Chairman of the CEA: (a) operating head of the CEA; (b) sole reporter to the President of CEA findings; and (c) responsibility for staff appointments. The disharmony that thwarted the Nourse CEA and, thus, revealed the lack of scientific agreement on economic issues was to be avoided by ensuring harmony through the firm

leadership of the Chairman of the CEA.

Government planning by the Burns CEA was based on the belief that long-term planning was unnecessary, because short-term plans to stimulate the economy would be sufficient to accelerate economic growth. Keynesian fiscal tools would be used sparingly and only to provide economic stability, rather than to generate the expansive economic growth Keyserling advocated.[50] Nevertheless, the Burns CEA retained the services of a Keynesian economist to analyze economnic indicators and during the recession of 1954 to draw up plans for a large public works program.[51] The public works program was never enacted, but its consideration by the Eisenhower Administration is testimony to the influence of the Employment Act and of Keynesian economics on even the most diligent subscribers of orthodox economics.

The Eisenhower Administration's reliance on a balanced federal budget to promote a stable, favorable economic environment did not entail an abandonment of established social programs to secure a balanced federal budget. In 1956 and 1957, the only two years of Eisenhower's presidency in which the federal budget was balanced, federal domestic spending increased slightly each year. The "fiscal responsiblity" demonstrated by the Eisenhower Administration in 1956 and 1957 did

little to prevent a recession in 1957 and 1958. This experience, combined with a growing commitment by the Burns CEA to ride out economic upturns and downturns with minimal government activity, was not to be lost on the policy advisers in the Kennedy Administration. Increased funding for social programs would be possible only if government would more directly control the macro-economic tools at its disposal and create rapid and sustained economic growth. The Eisenhower Administration, though, had no commitment to an expansion of social programs and was unwilling to employ fiscal policy to manufacture rapid economic growth. The result was a holding pattern on social programs, a sluggish economy and a federal government seeking greater distance from the private sphere.

Two indices of the Eisenhower Administration's strides for a greater distance from the private sphere were the Second Hoover Commission Report of 1955 and Eisenhower's call for a Goals Commission in January 1959. Analysis of the Second Hoover Commission Report has usually emphasized the Report's contribution to a clearer understanding of the distinction between political positions and administrative positions in the Executive branch.[52] The increase in the number of political appointees recommended by the Report was, in

part, a recognition of the problems the first Republican administration in twenty years might face in controlling administrators brought to the upper echelons of government during the New and Fair Deals. The Report's recommendation for the creation of a Senior Civil Service composed of three thousand high ranking career administrators was based, however, on a notion that such experts could remain politically neutral.[53] The best that can be said of the Report's clarification of the politics/administration distinction is that it recognized the need for political control over the Executive branch (which its predecessors had also recognized) and that it opened no Pandora's box by claiming the intrinsic neutrality of career administrators. The more important contribution of the Second Hoover Commission Report (at least, to the Eisenhower Administration) was the Report's attempt to fulfill the mandate outlined by the Eisenhower Administration in 1953: "... eliminating nonessential services, functions, and activities which are competitive with private enterprise."[54] The Report was, in fact, an attack on the social policies of the New Deal and a justification of the economic philosophy of the Eisenhower Administration. The Report was a series of guidelines for removing the federal government

even farther from the private sphere.

The final contribution of the Eisenhower Administration to federal planning was the establishment of a Goals Commission in 1959. The Goals Commission was to prepare a report outlining national goals for health, education, welfare and living standards.[55] To ensure that the setting of such goals would not be based on an active federal government, Eisenhower stipulated that the Goals Commission was to be (a) composed only of members drawn from the private sector and (b) funded entirely by the private sector.[56] Eisenhower's version of planning placed the federal government at a distance from the private sphere where it could still be beckoned in times of domestic crisis, but where the expansion of government's responsibilities could not be the result of government's advocating more government. The extension of federal government programs into the private sector would be solely a reactive extension premised on the neutrality (and "objective" distance) of the federal government.

With the exception of the Second Hoover Commission Report, the Eisenhower Administration made no lasting contributions to scientific planning by the federal government. Further rationalization of the budgeting procedures and of evaluation techniques, and the

institutionalization of planning staffs within domestic agencies would await the New Frontier and the Great Society.

Scientific Planning in the Kennedy and Johnson Administrations

The election of John F. Kennedy marked the return of Keynesians to the federal government and the return of the federal government to the prescribed Keynesian location at the perimeter of the private sphere. The Kennedy Administration's reliance on and endorsement of the Keynesian brand of scientific planning produced two important results during the 1960s. First, the Kennedy Administration successfully deployed Keynesian tools to bring about expansion economics. The 1964 tax cut, during a business upturn, placed the federal government directly behind the wheel that was to steer the economy. The success of the 1964 tax cut invigorated the Keynesians in the federal government and made possible the extension of the social services always promised by expansion economics. The celebration of the science of economics following the 1964 tax cut increased both the government's confidence in its ability to address and redress social problems in a scientific, efficient and neutral manner, and thus, the government's willingness

to accept more and more social responsibilities. In the remainder of this chapter we will examine the relationship between the private sphere and the public sphere which was articulated during this heyday of scientific planning. The second important result, which we shall give closer scrutiny to in the next chapter, was the realization that expansion economics based on the scientific tools employed at the perimeter of the private sphere was not adequate to the task of fulfilling completely the social promises of the Employment Act. Expansion economics would have little effect on those citizens suffering from structural unemployment or from the newly discovered "cycle of poverty" (the Kennedy Administration's code word for institutionalized racism). Consequently, expansion economics would come to be supplemented with a "scientific" approach to community participation.

Kennedy's interest in Keynesian economics prior to his election in 1960 was, at most, slight. Kennedy's appointments for his two top economic advisers, Walter Heller for Chairman of the CEA and Douglas Dillon for Secretary of the Treasury, reflected the ambiguity of Kennedy's view of Keynesianism, as well as the dilemma facing all post-New Deal Democratic presidents. Walter Heller was a respected economist of the Keynesian

variety and Douglas Dillon was a Republican who advocated orthodox economics. Both men, though, did share a common characteristic of vital importance to effective service in Kennedy's Executive Office: and ability to shed (or, at least, alter the hue of) their ideological trappings with changes in the politicial surroundings. Kennedy was to find Heller the more persuasive adviser, but Dillon was important for calming the anxieties businessmen always evince at the election of a post-New Deal Democratic president.

Kennedy's reliance on orthodox economics when he became President was evident in the Kennedy Administration's tax policy in 1961. The tax package provided no cuts for individuals and for small reductions in corporate taxes.[57] Private enterprises, through the enactment of an investment incentive credit, were to trigger a period of faster economic growth. The reliance on investment, rather than consumption, was an indication that the Kennedy Administration was not yet prepared to break away from the assumptions that guided the Eisenhower Administration. Not that Kennedy's Keynesian advisers pushed hard for a change in policy. In January 1961, President Kennedy's Task Force on the Economy, a choice selection of Keynesian economists including Paul Samuelson, Seymour Harris, James Tobin

and Walter Heller, reported to Kennedy that their advice was to go slowly on public expenditures, to postpone any tax cuts unless the economy remained sluggish and to minimize reliance on monetary policy.[58] Their advice was not difficult for Kennedy to accept.

Kennedy's conversion to expansion economics was the result of (a) an interest in increasing public expenditures for the military and (b) a battle among three competing economic views advocated by Kennedy's advisers. The argument for expansion economics during the Truman Administration was strengthened by the infamous NSC-68 document and the Korean War.[59] Expansion economics in the 1960s was appealing because of the renewed heat of the Cold War (especially the Berlin Crisis) and Kennedy's promise to close the (non-existent) missle gap. Since 1946, the promise of more butter has always been accompanied by the acquisition of more guns. In the 1960s protests and riots by welfare recipients were not disconnected from the similar activities of the anti-war movement. Given Kennedy's commitment to a military build-up, it was not difficult to disarm the arguments of Federal Reserve Board Chairman Martin that deficits were unacceptable. Nor were the arguments of John Kenneth Galbraith, in favor of public spending for domestic goods and services to

spur a consumption-based recovery, convincing to the President. The Heller CEA after 1961, though, offered a recovery package that promised more military expenditures and provided a rationale for a tax cut without a cut in government expenditures.

The Heller CEA was able to propose such "voodoo economics" because they believed that a reduction in taxes during a business upturn would maintian or increase the upturn and create the economic growth necessary to decrease unemployment and to increase tax revenues despite the tax reduction.[60] Government deficits during the downturns in the economy would be acceptable because government spending would shorten the downturn and deficits would be recouped during the prolonged economic booms. The appeal, then, of the Heller CEA version of expansion economics is not difficult to deduce: there was something for almost everyone in the recovery package. The military could continue to build-up. Existing social programs could be maintained. Big business and small business supported the tax cut and the populace did not object to reductions in personal income tax rates.[61] The tax cut of 1964 was a proposal that generated a vast array of political support for the President's fiscal policies.

The domestic economics of the Heller CEA were acceptable to Kennedy for many of the same reasons Keyserling's views were acceptable to Truman. First, Kennedy could placate private sector fears of big government by stimulating the economy without large public expenditures on domestic programs. Fiscal policy would be deployed, but the emphasis would be on tax policy rather than on public spending. Second, Kennedy could still make the standard Democratic claim that a balanced economy was more important than a balanced budget. This, of course, is a claim that pays homage to the Employment Act's mandate for maximum employment and the Democratic party's commitment to decent living standards for all citizens. Third, a balanced economy with due regard for the economic conditions of citizens was possible if economic growth was rapid and sustained. Kennedy's conversion to the economics of the Heller CEA (the first signs of the conversion are usually traced to Kennedy's speech at Yale on 11 June 1962),[62] was, in part, based on Kennedy's belief that economic growth would depoliticize the issues of redistribution. Class conflict would be mitigated by overwhelming abundance.[63]

All this was possible because Kennedy believed that a science of public finance was possible. Kennedy, more

than any other modern president, was convinced that rational and reasonable policy was the result of objective facts, neutral management techniques and technological sophistication. Just as Robert McNamara was able to become the top adviser to Kennedy on Viet Nam because of McNamara's ability to overwhelm with statistics and "objective" accounts, the Heller CEA was to gain predominance in domestic economic policy because they were able to provide a steady stream of quantitative, and therefore "true," material.[64] This faith in the objectifiable was not, as some commentators have argued, a sign of Kennedy's pragmatism. Rather Kennedy combined a fairly conservative view of domestic politics with a scientific approach to policy formulation. The business of the United States was business, and the federal government would act in a manner calculated to foster economic growth first and social goods later.

The Revenue Act of 1964 was deemed a success by almost every observer. The tax cut was partially responsible for an increase in revenues and a decrease in unemployment. The fiscal policies of the Heller CEA had apparently fueled faster economic growth. There were several morals that were drawn from this success story. First, the federal government had been too timid

in the use of fiscal policy during the 1950s and the early 1960s.[65] The federal government's distance from the private sphere and reluctance to deploy the fiscal arsenal had become too great to insure the goal of economic growth.

Second, government management of a growth economy could be (a) based on economic tools that were neutral tools, (b) sustained permanently if the political structure of the United States would provide the Executive branch with enough flexibility and (c) lifted from the partisan and moral quagmires into the lofty realm of pure science. In 1966 Robert Lekachman concluded that:

> The effects of the victory will be felt for a long time, but the continued expansion of the economy during 1964 and 1965, the steady downward drift of unemployment, and the gratifying increase of sales and profits gave immediate support to the claims of the new public finance and justified the slash in excise taxes in June 1965. It is as certain as such things can be that never again will an American government profess helplessness in the face of unemployment, recession, and lagging economic growth. Rational fiscal policy expressed in the use of taxes as stabilizing agents and the acceptance of deficits without guilt may be a belated achievement but not the less treasurable because it comes a generation after the birth of the doctrine which justifies the public action.[66]

Even the usually restrained prose of James L. Sundquist flowered before the scientific achievements made evident in the 1964 tax cut:

> To put it in other terms, the Revenue Act of 1964 may have marked the point at which the discussion of fiscal policy in the nation crossed the threshhold from the realm of morals to the realm of economics. Fiscal policy may have come at last to be molded primarily by a cool assessment of its impact upon the various indices that reflect the economic well-being of the people -- the rate of national growth, levels of employment and unemployment, the stability of prices -- rather than by the force of moral absolutes. But assuming that "the Puritan ethic," as Heller once termed it, has faded, and assuming further that economic science has advanced to the point that the economists, at any moment in time, can devise the right antirecession measures, what then? Will the institutional structure of the government permit the effective execution of well-designed antirecession measures?[67]

The science of economics had arrived. The solutions were at hand; the sole question remaining was whether the constitutional separation of powers would allow the hand to played.

The third moral of the tax cut was that government management of the economy was dependent on government's long-range planning abilities. Effective economic management precluded reliance on only short-term

reactive planning:

> In fact, the jump from relatively specific, emergency, and short-term programming to more comprehensive planning of governmental programs received perhaps its biggest boost in the acceptance, during the Kennedy administration, of the basic policy objective of accelerated economic growth. By Administration interpretation, growth involved projections into the future in terms of potential, the anticipatory nature of which required forward planning.[68]

The federal government must return to the location on the perimeter of the private sphere which was prescribed by Keyserling in the 1940s. The "perfection" of macro-economic tools made possible government planning that would not have to interfere directly with the price, wage and profit decisions of the private sector. This was not a type of planning that pushed government into the private sector in the pursuit of specific policy goals, but rather it was plannning at a distance that permitted the government to anticipate the needs that could be addressed through macro-economic leverage.

Fourth, social programs would not be the result of firm ideological commitments; they would be the logical extension of a neutral fiscal policy. Education and job training programs would offer "equality of opportunity" and still serve the interests of the private sector.

Increased funding for these programs would not be so much a political choice; rather, funding would be a scientific response to anticipated needs in the private sector.

The federal government had accepted the role of steering mechanism for the private economy and legitimator of the social order in the 1930s. In the 1960s the federal government had "perfected" the techniques which would make it possible to fulfill both roles without substantial penetration of the private sphere. Scientific planning by the government would produce abundance, would still political debate over economics and would make rational the policies of the federal government. At least, these were the claims made. A failure to obtain these results would no longer generate an attack aimed directly at the private economy. The target for discontent, if it somehow emerged, would be the federal government. An economic crisis would now be understood as a rationality crisis -- a crisis in the scientific planning functions of the federal government. The distance from which the federal government was to plan would be inadequate to secure the results promised, but the distance was not so far as to blur the target of citizens' disenchantment.

The promise of scientific and rational planning by

the federal government continued to precede the institutionalization of planning processes and structures during both the Kennedy and Johnson Administrations. However, rationalization of the Executive branch did continue during the 1960s. Centralized coordination of domestic programs under the guidance of the Executive branch became a major concern of the Johnson Administration in 1966 and 1967. The proliferation of domestic programs at the beginning of the Great Society had created a dispersal of control over the programs. In October 1966, Charles L. Schultze, Director of the Bureau of the Budget, sent a memo to Johnson on the dilemma facing Great Society programs:

> Their success or failure hinges upon establishing new and effective mechanisms for coordinating planning, evaluation and execution quite different from any currently available.[69]

In response to Schultze's concerns, Johnson established the Heineman Task Force on Government Organization. By September 1967, the Heineman Task Force had prepared two major recommendations for enhanced Executive control of domestic programs. The first recommendation was for increased planning staff within the Executive Office and within domestic agencies:

> In partial summary, it can be seen that the task force envisaged a need for strengthening presidential program development and coordination, to be achieved primarily by the expansion of institutionalized staff aid at the presidential level -- reducing somewhat the need for personal staff aid, but supported by stronger planning and direction at the departmental level. There was no discussion in the report of whether Great Society programs could be successfully administered without policy change -- such as grant consolidation or transfer of some programs to financially aided state governments. Instead, there was an assumption that institutionalized staff aid to the president and the departments -- aided by field decentralization -- could provide coordinated program and policy development.[70]

This recommendation hardly represented a departure from the established mechanisms for coordinating planning, evaluation and execution. The Heineman Task Force was simply calling for an extension of the Executive coordinating mechanisms proposed by those two earlier reports that also based government planning (on the perimeter) on a belief in Executive Office control and accountability: the PCAM report and the First Hoover Commission Report. The Heineman Task Force accepted the relationship between the public sphere and the private sphere which had been articulated during the last years of the New Deal.

The second recommendation of the Heineman Task Force was for the consolidation of the Departments of Commerce and Labor into a new Department of the Economy. The Task Force stated that:

> We continue to feel that the major organizational problem in the area of economic affairs is the existence of several special interest executive departments, each holding a stake in only part of the national economy, and none now capable of serving as a neutral, Presidential instrument of program or policy on broad-gauged economic issues on problems that affect "their" interest or clientele. ... As President Johnson has recognized, the President and the public interest would be served better by a Department of the Economy, especially including activities of the departments of Commerce and Labor.[71] (original emphasis)

This recommendation illuminates the path upon which the advocates of scientific planning wished to trod. The neutrality of economic policy, with its consequent neutralization of political issues, was being thwarted by the institutionalization of two clientele departments which were created to press specific economic interests and which regarded the other as a rival. The consolidation of the Departments of Commerce and Labor did not occur, but the proposal reveals the degree to which intelligent citizens subscribed to a view of neutral economic policy.

Government planning at the periphery of the private sphere was also further rationalized in the introduction of a new budgeting approach in the 1960s. Performance budgeting, with its emphasis on management control, was replaced with "Planning, Programming, Budgeting System" (PPBS). PPBS was an approach designed to address the three basic functions of budgeting: (a) operational control -- the efficient use of money to carry out assigned tasks, (b) management control -- the efficient and accountable use of resources, and (c) strategic planning -- the designation of plans and objectives to be funded.[72] PPBS would force all departments to engage in a clearer articulation of program objectives and to make planning part of the departmental routine.

PPBS's contribution to comprehensive planning in the federal government was limited by a number of factors. First, PPBS assumed a comprehensive review of funding beyond the capabilities of administrative agencies. Lindblom has testified to the incremental nature of bureaucracies and the incremental nature of the human mind.[73] Nevertheless, long-term planning need not be completely comprehensive to be effective. The crucial point in Lindblom's defense of incrementalism against comprehensive planning is that

comprehensive planning places too great a political burden on policy makers. Comprehensive planning assumes decisions are made free from the pressures of political groups and free of past political commitments. It assumes a rationality untainted by political considerations. More importantly, PPBS is based on the proposition that goals can be stated with clarity and specificity, and that indices can be developed that will provide a sound determination of progress toward stated goals. In social programs, the development of quantifiable goals and indices is notoriously difficult.

In the Department of Health, Education and Welfare (HEW), analysts, during the 1960s, had an abundance of statistics but a dearth of useful indices for evaluation and planning.[74] Evaluation of agencies engaged in public activities is intrinsically difficult because public agencies must not only be efficient in delivering goods and services, they must also be fair, open and honest. Planning by such agencies is made more arduous by their lack of control over their political environment.

When indicators of social progress are developed by public agencies, the results may be even more troublesome. In March 1966, Johnson requested a report from HEW on the nation's social progress during the last

decade.[75] This "social progress report" was to supplement the economic report prepared by the CEA for the President. The document prepared by the HEW was a voluminous indictment of American society which concluded that little, if any, progress had been made in ensuring the social welfare of large groups of citizens. The result was an Executive Office condemnation and suppression of the report. In response, HEW prepared a very short paper entitled "Toward a Social Report" which omitted all sections on racial issues and which suggested how future indices <u>might</u> be developed. Comprehensive planning could not function without social indices and, yet, it could not prepare indices without illustrating that many social programs were beyond the grasp of "comprehensive" planning at the perimeter of the private sphere.

The scientific approach to government's economic and social responsibilities reached its culmination in the Kennedy and Johnson Administrations. Despite some successes, this approach to public policy was finally a failure. The federal government had assumed responsibilities that it did not have the power to fulfill. Keynesian fiscal policy could accelerate economic growth under certain conditions, but it could not guarantee that growth because the federal government

did not control the price, wage and profit decisions of private enterprises.

ENDNOTES

1. Employment Act of 1946, Statutes at Large 60, sec. 4, 24 (1946).

2. Employment Act of 1946, sec. 3(b), 24.

3. Edward S. Flash, Jr., Economic Advice and Presidential Leadership: The Council of Economic Advisers (New York: Columbia University Press, 1965), pp. 10-11.

4. Employment Act of 1946, sec. 4(c), 24-25.

5. Flash, Economic Advice and Presidential Leadership, p. 15.

6. Indeed, Madison's design for a large republic was, in part, an attempt to restrict the question of redistribution. See Federalist #10 in Alexander Hamilton, James Madison and John Jay, The Federalist Papers with an Introduction by Clinton Rossiter (New York: Mentor, 1961), pp. 77-84.

7. Leon H. Keyserling, "Deficiencies of Past Programs and Nature of New Needs," in Saving American Capitalism, ed. Seymour E. Harris (New York: Alfred A. Knopf, 1948), p. 91.

8. Alonzo L. Hamby, Beyond the New Deal: Harry S. Truman and American Liberalism (New York: Columbia University Press, 1973), pp. 300-301.

9. See endnote #20 in Chapter IV.

10. For a description of Arthur Burns' understanding of this issue, see Flash, Economic Advice and Presidential Leadership, p. 62.

11. Flash, Economic Advice and Presidential Leadership, p. 18.

12. For a brief, but cogent description of the problem of identifying what level of unemployment is full employment, see Richard A. Musgrave and Peggy B. Musgrave, Public Finance in Theory and Practice (New York: McGraw-Hill, 1976), p. 518.

13. Of course, I would argue that total depoliticization of economic issues is not possible given the political nature and language of humans. This does not mean that the goal cannot be sought, though.

14. Barton J. Bernstein and Allen J. Matusow, eds., The Truman Administration: A Documentary History (New York: Harper and Row, 1968), pp. 89 and 115.

15. Bernstein and Matusow, eds., The Truman Administration, p. 115.

16. Flash, Economic Advice and Presidential Leadership, p. 18.

17. Flash, Economic Advice and Presidential Leadership, p. 26.

18. Quoted in Hamby, Beyond the New Deal, p. 332.

19. Hamby, Beyond the New Deal, p. 297.

20. Hamby, Beyond the New Deal, pp. 300-301.

21. Keyserling, "Deficiencies in Past Programs," p. 93; Hamby, Beyond the New Deal, pp. 297-299.

22. Keyserling, "Deficiencies in Past Programs," p. 92.

23. Frances Fox Piven and Richard A. Cloward, Regulating the Poor: The Functions of Public Welfare (New York: Vintage Books, 1971), pp. 45-77.

24. The government, given its position on the perimeter of the private sphere, was not going to become involved in producing goods and services for a profit. Thus, a booming private economy was necessary for the government's coffers.

25. See endnote #10, above.

26. From the Council of Economic Advisers Midyear Report of 1950, quoted in Flash, Economic Advice and Presidential Leadership, p. 41.

27. Flash, Economic Advice and Presidential Leadership, pp. 73-76.

28. Flash, Economic Advice and Presidential Leadership, p. 75.

29. Flash, Economic Advice and Presidential Leadership, p. 76.

30. Flash, Economic Advice and Presidential Leadership, p. 74.

31. Wage and price controls were used by the Nixon Administration in 1970 and 1971.

32. Grant McConnel, The Steel Seizure of 1952 (University, Alabama: University of Alabama Press, 1955), p. 15.

33. Keyserling, "Deficiencies of Past Programs," p. 93.

34. This strange fusion was possible, I think, because Keyserling held a conviction in enlightened leadership which could honestly and openly sway a public which did possess inherent (or latent) rationality.

35. For a brief description of the development of these two agencies -- one for wages and one for prices -- see Richard E. Neustadt, Presidential Power: The Politics of Leadership with Reflections on Johnson and Nixon (New York: John Riley and Sons, 1976), pp. 81-83.

36. McConnel, The Steel Seizure of 1952, p. 20.

37. See Chapter III.

38. Richard A. Lester, "Truman Economics -- 1950 Model," New Republic, 23 January 1950, pp. 11-13.

39. First Report of the Commission on Organization of the Executive Branch of Government, H. Doc. 55, 81st Cong., 1st sess., 1949.

40. Hugh Heclo, A Government of Strangers: Executive Politics in Washington (Washington D.C.: The Brookings Institution, 1977), p. 61.

41. Allen Schick, "The Road to PPB: The Stages of Budget Reform," Public Administration Review 26 (December 1966):245.

42. Norman Wengert and John C. Henry, "Program Planning in the U.S. Department of the Interior, 1946-1953," Public Administration Review 14 (Summer 1954):201.

43. Elmo Richardson, The Presidency of Dwight D. Eisenhower (Lawrence, Kansas: The Regents Press of Kansas, 1979), pp. 42-43.

44. Richardson, The Presidency of Dwight D. Eisenhower, p. 43.

45. Of course, Congressional accountability has been weak in the twentieth century even when the Senate and the House were led by men such as Lyndon B. Johnson and Samuel Rayburn. For an excellent analysis of why Congress has failed to be an accountable partner in public policy see Lawrence C. Dodd, "Congress and the Quest for Power," in Congress Reconsidered, eds. Lawrence C. Dodd and Bruce I. Oppenheimer (New York: Praeger, 1977), pp. 269-307.

46. The more important critique of President Eisenhower was his inability to present his view of government to the public.

47. Quoted in Flash, Economic Advice and Presidential Leadership, p. 106.

48. Flash, Economic Advice and Presidential Leadership, p. 106.

49. Flash, Economic Advice and Presidential Leadership, p. 105.

50. Flash, Economic Advice and Presidential Leadership, p. 140.

51. James L. Sundquist, Politics and Policy: The Eisenhower, Kennedy and Johnson Years (Washington D.C.: The Brookings Institution, 1968), p. 17.

52. Frederick C. Mosher, Democracy and the Public Service (New York: Oxford University Press, 1968), pp. 86-88.

53. This recommendation was finally adopted in 1978 during the Carter Administration in the Civil Service Reform Act of 1978.

54. William R. Divine, "The Second Hoover Commission Reports: An Analysis," Public Administration Review 14 (Autumn 1955):264.

55. Glen Gordon, The Legislative Process and Divided Government: A Case Study of the 86th Congress (Amherst, Massachusetts: Bureau of Government Research at the University of Massachusetts, 1966), p. 32.

56. Gordon, The Legislative Process and Divided Government, pp. 34-35.

57. Flash, Economic Advice and Presidential Leadership, p. 198.

58. Seymour E. Harris, Economics of the Kennedy Years and a Look Ahead (New York: Harper and Row, 1964), p. 59.

59. Flash, Economic Advice and Presidential Leadership, pp. 38-39.

60. Harris, Economics of the Kennedy Years, pp. 220-221.

61. Sundquist, Politics and Policy, pp. 47-48.

62. Bruce Miroff, Pragmatic Illusions: The Presidential Politics of John F. Kennedy (New York: David McKay Co., 1976), pp. 185-186.

63. Miroff, Pragmatic Illusions, pp. 185-186.

64. Sundquist, Politics and Policy, p. 38.

65. Robert Lekachman, The Age of Keynes (New York: Random House, 1966), pp. 269-270.

66. Lekachman, The Age of Keynes, pp. 269-270.

67. Sundquist, Politics and Policy, p. 54.

68. Flash, Economic Advice and Presidential Leadership, p. 288.

69. Emmette S. Redford and Marlan Blisset, Organizing the Executive Branch: The Johnson Presidency (Chicago: University of Chicago Press, 1981), p. 192.

70. Redford and Blisset, _Organizing the Executive Branch_, p. 200.

71. Redford and Blisset, _Organizing the Executive Branch_, p. 202.

72. Schick, "The Road to PPBS," p. 244.

73. Charles E. Lindblom, "The Science of Muddling Through," _Public Administration Review_ 19 (Spring 1959):79-88.

74. Arthur Levin, _The Satisficers_ (New York: McCall Publishing Co., 1970), pp. 97-118.

75. Levin, _The Satisficers_, p. 138.

CHAPTER VI

THE PARTICIPATION MOVEMENT: 1963-1969

The Importance of the Participation Movement

Even as the scientific planning approach to public policy was reaching its culmination in the Kennedy and Johnson Administrations, a new approach to public policy was being unleashed: the participation approach. The participation approach, realized most fully in the Community Action Programs (CAPs) administered by the Office of Economic Opportunity (OEO), is of crucial importance in the history of public policy in the United States for three reasons. First, the participation movement was established because the scientific planners realized, as early as 1963, that the rapid and sustained economic growth promised by scientific planning would not lift all citizens out of poverty. Citizens unfortunate enough to suffer from the consequences of stuctural unemployment and citizens mired in the cycle of poverty (the Kennedy Administration's code word for institutionalized racism) would not be able to partake of the promised abundance.[1] The attempt to depoliticize society by the technical provision of abundance would have to await specific policies which

weighed political and economic gains and losses, and which addressed questions of equity that were beyond the domain of science and technique.

Second, the dominant evaluation of the participation movement concludes that the participation movement was a failure and that the failure can be attributed to an inconsistent conception of the movement and to the accidental construction of the movement.[2] The dominant evaluation stresses the dangers of a participation movement and, therefore, discourages further exploration of, and experimentation, with structures for democratic participation in the United States. I will illustrate in this chapter that (a) the CAPs were not accidental, (b) the CAPs were far from an unmitigated failure, especially given the goals set for the CAPs, and (c) the CAPs embodied a concept of participation that was not structured democratic participation, but instead participation in interest group politics. The history of CAPs may be an indictment of interest group politics, but it is not an indictment of structured and responsible democratic participation.

Third, the participation movement politicized citizens and, thus, hastened the demise of the scientific planning approach to public policy.[3] The

participation movement gave voice to the urban poor, especially the urban black poor, and also politicized those citizens who responded to, and reacted to, this new voice. The CAPs did more than politicize the urban poor; they politicized the bureaucrats who administered the programs for the poor and they politicized the populace by forcing issues of equity and ethics into the public domain. The result was the rejection not only of the participation movement, but also of the scientific planning approach and the very premises which had guided the scientific planning approach. Indeed, the estrangement from government declared by both the left and the right in the late 1960s, and the discord experienced by all citizens during this time, caused some commentators to suggest that the United States was experiencing a legitimation crisis.[4] Hostility toward the government and toward the society for which the government was responsible did not, though, produce a new government. Rather, the crisis of the 1960s, precipitated by the CAPs and the politicization of scientific planning, brought about a search for a policy approach that would pay lip-service to citizen participation and that would remove the government from the perimeter of the private sphere as the government discarded the social responsibilities it had assumed

during the New Deal.

The history of CAPs, then, is the history of the demise of the idea of government planning at the periphery of the private sphere and of the ideals which motivated this approach. The inability of scientific planning (even with the supplement of CAPs) to attain the objectives framed in the Employment Act of 1946 engendered a crisis in citizenship and a crisis in scientific rationality. The response by some policy scholars would be a redefinition of citizenship and a restructuring of the relationship between the public sphere and the private sphere that would redefine the concept of the public good. To trace the political reasons for this new public policy model -- a welfare economics/public choice approach -- we must first examine the history of the participation movement and dismiss the present myths which surround it.

The Political Appeal of the Community Action Programs

The war on poverty did not begin with the creation of the OEO and the CAPs in 1964. By 1963 three distinct approaches to urban poverty had developed:

> One, exemplified by the Ford Projects, sought to work through existing institutions -- the local government, the school system, the

> private social agencies -- with the hope that they would be influenced by coordinated planning.
>
> Another, of which Mobilization for Youth was the prototype, went behind the "power structure" to organize the poor themselves to assert and defend their own interests ...
>
> The third strategy, adopted by the President's Committee on Juvenile Delinquency and Youth Crime, put its faith in the application of knowledge, through comprehensive planning, with the risk that planning might never lead to action.[5]

Mobilization for Youth and the President's Committee on Juvenile Delinquency and Youth Crime were two of the Kennedy Administration's early attempts to deal with the problems caused by urban poverty. Both programs were premised on the recognition that urban poverty (and the problems associated with it) would not be cured by the economic abundance promised by Kennedy's Keynesian economists. The meager results these programs achieved, combined with data from the Council of Economic Advisers showing that between 1956 and 1961 the absolute number of families living in poverty had increased, convinced Kennedy in the spring of 1963 that the problem of poverty in the United States must be addressed in a new and comprehensive fashion.[6]

Kennedy was assassinated before the new design for this new and comprehensive anti-poverty program was

completed. The responsiblity for supporting and executing the war on poverty fell into the hands of Lyndon Baines Johnson. Johnson's support for this new program, which would create the OEO and establish the CAPs, was strong because it appealed to his vision of the presidency and because it was politically appealing. The Economic Opportunity Act of 1964 was politically appealing because it appeared that everyone was to gain and that no one was to lose. The Act did not create a massive program based on the transfer of income. An income transfer program raises equity considerations which scientific planning was supposed to obviate. The OEO anti-poverty program would not be caught in the political turmoil and ethical quagmire an income transfer program would produce.

A second virtue of the CAPs was that this anti-poverty program would not be foisted on local communities, but would await community demand before the services were offered. Furthermore, responsibility for the success of the community programs would not rest on the federal government, but on the local communities.

A third benefit of the CAPs was that its design satisfied the planning agencies within the Executive Office: the Council of Economic Advisers and the Bureau of the Budget. The programs would provide flexibility

at the local level, coordination of service delivery within the communities and a variety of data bases from which planners could evaluate the success of programs. Social experimentation could now be practiced by the planners within the Kennedy Administration.[7] The OEO programs could serve as a ready data base because, unlike Mobilization for Youth which was mired in intricate planning details, the CAPs would be launched with minimal centralized planning by allowing communities to plan as they developed. This "building block" conception of planning made possible the rapid extension of CAPs to a variety of localities in a manner consistent with Johnson's claim that his Administration was now ready to fight an "unconditional war" on poverty.[8]

A fourth virtue of the CAPs was that the legislation creating the OEO did not specify the nature of participation in the CAPs. Legislators could, and did, embrace an anti-poverty program which depended on local initiative, and they did ignore the possibility that CAPs might provide an organizational structure for new and powerful minority interest groups.

> One can search the hearings and debates in their entirety and find no reference to the language -- which became so controversial later -- regarding the participation of the

> poor in community action. The whole novel concept of community action -- the definition of the community, the nature of the community action agency, the content of its program, all of which were to have a profound impact on federal-state-local relations and on the social and governmental structures of participating communities -- was left to the Office of Economic Opportunity in an exceptionally broad grant of discretion.[9]

That legislators did not understand the nature of participation to be employed by CAPs, though, does not mean that planners within the Executive Office deployed CAPs casually, unreflectively or accidentally. Daniel Patrick Moynihan's claim in Maximum Feasible Misunderstanding that the CAPs were not designed to create participation by the poor in organized political pressure groups simply does not wash.

In Moynihan's retrospective apology for his involvement in a program which he later considered to pose dangers to the legitimacy of the welfare state, Moynihan avers that:

> The community action title, which established the one portion of the program that would not be directly monitored from Washington, should provide for the "maximum feasible participation of the residents of the areas and the members of the groups" involved in the local programs. Subsequently this phrase was taken to sanction a specific theory of social change, and there were those present

> in Washington at the time who would have drafted just such language with precisely that object. But the record, such as can be had, and recollection indicate that it was intended to do no more than ensure that persons excluded from the political process in the South and elsewhere would nonetheless participate in the benefits of the community action programs of the new legislation. It was taken as a matter beneath notice that such programs would be dominated by the local political structure.[10] (original emphasis)

There are several problems with this argument.

First, as was noted earlier, the Kennedy Administration had already created poverty programs based on the theory that poverty engendered political powerlessness which, in turn, promoted the continuance of poverty. Mobilization for Youth was based on this explanation of the "cycle of poverty." Participation only in the benefits of poverty programs would not solve the core of the problem: powerlessness. Maximum feasible participation by "the residents of the areas and the members of the groups involved in the local programs" was absolutely essential in creating community power structures which could address the problem of powerlessness. To assume that participation in the OEO's anti-poverty programs was to be simply participation in the benefits of the programs, Moynihan

has to ignore the setting in which the term "maximum feasible participation" came into use.

Second, even the distribution of benefits to the poor depended in many cases on the creation of local community organizations which would not be dominated by the local political structure. This point was recognized by federal planners and is documented in Moynihan's work.

> On Febuary 3, 1964, the CAP advocates once more put forth their proposal. Charles Schultze explained that projects would be initiated at the local level, with a measure of federal prodding, and approved at the federal level. William Capron touched on the problem of local leadership in the South, especially, and noted that CAP's could be used to bypass the local "power structure" with the use of Federal funds.[11]

Domination of CAPs by local governments would not only fail to alleviate the powerlessness of the poor, domination would perpetuate the problem of local governments' misdirecting federal funds targeted for the urban poor. The CAPs were to provide an alternate route for federal funds that previously had been waylaid by existing local racist political structures. These local political structures could hardly be bypassed if they were to dominate CAPs and if CAPs were to be staffed, not by the poor, but by members of these local political

structures.

Third, CAPs were designed to do more than provide an alternate route for federal grants to the poor: CAPs were to create organizations capable of forcing local agencies to provide funds for the poor which had been authorized for the poor by the federal government. I am not suggesting that the federal planners in the Kennedy Administration knew that CAPs would create warfare between federally sponsored programs and local governments. The confrontational tactics deployed by some community action groups -- sit-in protests, mass demonstrations and riots[12] -- surely exceeded the expectations of the federal planners, including Jack Conway the Director of the OEO.[13] However, confrontational tactics of a more moderate nature were certainly expected and even encouraged. The attempt to bypass local governments and create a competition between political organizations for federal funds was sure to create confrontation among these organizations. The provision of legal talent to the CAPs and to citizens in poverty with the creation of the Legal Services Organization was a clear indication that the prevailing power structures would be challenged.[14] The refusal of some participants in CAPs to pursue only legally and socially acceptable tactics in confronting

local governments may have surprised federal planners, but confrontational tactics by community programs populated by residents of the area was the not-so-accidental goal of the Kennedy and Johnson Administrations.

Community Action Programs and the Politicization of Citizens

CAPs did develop in ways not always anticipated precisely by federal planners. The broad grant of discretion given to OEO officials by the Congress was followed by broad grants of discretion by OEO to federal field administrators and to local community action programs. The variety of program structures and the differences in program priorities among the CAPs, though, was a stated goal of the federal planners.[15] The "building block" planning approach to the CAPs proved compelling in two ways. The variety of designs and program priorities provided federal planners with the opportunity to discover the most successful structures, procedures and agendas for future community programs. Social experimentation could be practiced with a large number of available cases -- a highly desirable result for those imbued with, and engaged in, scientific planning.

The "building block" approach also allowed OEO to institute community action programs quickly and the immediate participation of disgruntled citizens. This flexibility made CAPs the perfect instrument for anticipatory federal programming. Potential urban "hot spots" could be identified and then funding and federal officials could be poured in to douse potential violence. In their case study of Oakland, Implementation, Jeffrey L. Pressman and Aaron B. Wildavsky castigate federal officials for poor planning and poor politics.[16] The latter accusation is made because federal officials, on their arrival in Oakland, met first with local black leaders rather than with the Mayor and his staff. Pressman and Wildavsky fail to mention that it was not the Mayor and his white constituents who posed an immediate threat to urban tranquility. Federal officials knew whom they could afford to bypass more conveniently in a no-win situation. Members of city government may have felt slighted, but they could be expected to illustrate their displeasure through legal and socially acceptable forums. The lack of action based on sophisticated planning was far less important than the lack of (some kind of) action.

The CAPs did provide action and they did provide

participation by the poor and by representatives of the poor. By 1965, the poor constituted, on average, 27 percent of the community action boards.[17] By 1966, participation by the poor on community action boards had risen to 30 percent, and the 1966 amendments to the OEO legislation mandated that a base of 33 percent be reached by all community action boards by 1967. Congress may not have considered the nature of participation in CAPs in 1964, but by 1966 Congress had endorsed the direction taken by federal administrators in the OEO programs. That this direction was successful is evident from two results. First, CAPs, and the welfare organizations they helped develop, did increase the flow of funds to urban poverty areas. The threat of litigation and the acts of demonstration by CAPs and by welfare rights organizations forced local relief agencies to make available funds to the poor which the poor were entitled to under federal legislation.[18] No longer were local agencies able to hold down allocations to the poor because the poor were no longer ignorant of their rights or powerless in the political structures of urban America. The increase in welfare benefits to the poor during the middle and late 1960s was not so much the result of increased benefit levels, but rather the result of two other developments: (a) an increased

knowledge by the poor of their rights and privileges in the welfare state and (b) the destigmatization of welfare which encouraged more of the poor to apply for funds for which they had always been qualified.[19]

The success of CAPs in confronting local governments and in establishing interest group representation for the urban poor was also evident in the 1967 Green Amendment to the OEO legislation. By 1967, CAPs had placed local governments under such pressure that mayors began to lobby for control of the programs. The confrontations between CAPs and local governments forced mayors to push their claims for control over community power structures to the federal level. Congress responded with the Green Amendment which, for the first time, placed CAPs under the control of city governments.[20] This backlash against the developing power structures of the urban poor did little to slow the momentum of welfare rights organizations or to diminish the growing political astuteness and awareness of the urban poor, especially the black urban poor. It did, however, signal the decline of CAPs as an effective agent for social change. Even Moynihan admits that prior to 1967 the CAPs which had fallen under the control of local governments were ineffective.[21] The purpose of the Green Amendment was to render all

community action programs ineffective and, thus, to slow the changes being rendered in urban areas. It is curious that Moynihan reveals that if CAPs had been enacted in a manner designed only to secure benefits, and not to develop participation outside the prevailing power structures, they would not have been able to secure those benefits.

A reevaluation of the success of the CAPs, then, is certainly in order. A fair evaluation has not been, and cannot be, made as long as the illusion that the CAPs were designed accidentally and enacted arbitrarily is accepted. Federal control of the CAPs did, at times, elude OEO administrators, but the general direction taken by the CAPs was plotted by the federal government. If we judge CAPs by the goals established by OEO planners, the experiment with CAPs is far from an unmitigated failure. CAPs did bypass local governments and establish direct links between the urban poor and the federal government. CAPs did confront local governments and they did increase the delivery of goods and services by local governments to the poor. CAPs did increase opportunities for blacks to participate in mainstream local and state politics, and, over time, CAPs helped legitimate black interest groups in urban politics. It can be argued that CAPs did, by

politicizing blacks and by encouraging confrontation with local governments, increase urban violence during the late 1960s. However, such a view underestimates the ability of CAPs to coopt black leaders who might have chosen more violent tactics if CAPs had not been deployed by the federal government. In retrospect, the legitimation of black political structures and the integration, albeit limited, of black political issues into the political agenda of the United States were extremely smooth given the racism and the inflexibility of white political structures prior to the 1960s.

While the successes enumerated above -- and these were not unintended consequences -- were largely ignored by social commentators, both the left and right in the United States railed against the participation movement as it was embodied in the CAPs.[22] The right criticized the participation movement for placing an overload on the administrative systems of local, state and federal government.[23] The increased demands of the poor placed an extra burden on already overextended and overloaded governments. The left, in a seemingly contradictory criticism, railed against the participation movement as a government perpetrated hoax.[24] The left claimed that citizen participation never occurred in the formulation, execution or

evaluation of federal programs. I deem both of these criticisms correct. Such an interpretation is possible if one examines the administrative structure of governments at the three levels of this nation's federal system. The administrative structure of local, state and federal government in the United States is characterized by centralized control within each level and by the construction of agencies which formulate and enact policy within limited and specific avenues for constituency input. Interest group participation is usually limited to formulation and evaluation within congressional (or council) committees or subcommittees. Constituency participation in agency decisions and actions is most pronounced only when the constituents have a monopoly on the information necessary for the agency to fulfill its legislative mandate. Thus, constituency participation in administrative activities is a characteristic of regulatory agencies. While it is certainly true that welfare policy in the United States has been designed to regulate the poor, the poor have not been viewed as legitimate partners in welfare policy.[25] The attempt by CAPs to create interest groups for the urban poor resulted in an overload on a system not designed to engage in intercourse with the poor. An overload on the system emerged even at the

same time as participation by the poor was rejected by those in the administrative systems. Institutions designed to mitigate and structure interest group representation in welfare policy did not exist, and the CAPs were not designed to provide them. Such unstructured conflict promoted unfair and unjust understandings by participants of their adversaries. Poor persons engaged in conflict with local relief administrators viewed the administrators as heartless and malintentioned guardians of relief funds.[26] Local administrators viewed their adversaries as persons who, because of their poverty, were obviously unable to engage in effective participation and planning.[27] Not all local activists or local administrators succumbed to these misinterpretations, but the very structure (or, precisely, the lack of a structure) of the conflict made such misinterpretations convenient and compelling.

The CAPs, then, generated an overload on administrations not designed or accustomed to participation (even interest group participation), and also failed to provide participation by the poor in the planning, execution and evaluation of welfare policy. One can conclude from the history of CAPs that they did fail to institute CAPs as a meaningful and permanent interest group structure for the urban poor.[28] One

cannot conclude from their history, though, that citizen participation failed, because responsible democratic participation by citizens in the decisions by governments that affect their communities was never tried. The CAPs were not an experiment in democratic participation, but rather an experiment in creating interest groups for the poor and the black poor which could engage in the everyday scramble for goods and services in an interest group-dominated political economy. Why then, did the CAPs provoke so much criticism from social commentators, even those who usually defended interest group politics?

Almost all criticisms of CAPs center on the failure of CAPs to subdue the issue of equity. The CAPs, through their organizational and informational functions, "hyper-politicized" the urban poor in the United States. The CAPs helped legitimate a critique aimed at the systemic failure of a political economy dependent upon the scientific planning approach to public policy. The claims made in the Employment Act of 1946 were stripped of the scientific facade which had protected the federal government as it struggled in a structural bind. The assault by hyper-politicized citizens was aimed not at the private economy, but at the federal government and its scientific planning

approach. The failure of the political economy to secure equity, or even a decent standard of living for all citizens, was a failure of the federal government.

Compounding this systemic critique, and this new political awareness by poor citizens living in a land of economic abundance, was the creation by CAPs of urban black interest groups which were gaining political clout. In the past, the urban poor, and especially the black urban poor, had been the disorganized losers in economic zero-sum transactions.[29] The abundant society which scientific planners had promised was supposed to prevent such zero-sum transactions with the provision of plentitude. Nevertheless, economic choices were made which benfited the middle and upper income groups in the United States at the expense of the poor.[30] Once the urban poor had developed their own interest groups to play interest group politics in the United States, they could force governments to live up to the obligations accepted by these governments.

The urban black poor, though, were not the only citizens politicized by the participation movement. Once the issue of equity was unleashed in a political economy dominated by interest group politics, the protection and extension on everyone's fair share was possible only by the creation and action of a multitude

of citizen interest groups. A pluralist society which had served the general interests of the wealthy and of large corporations, and had claimed responsiblity for the general populace now was faced with organized interests representing a large number of diverse and conflicting interests. Hispanics, women, environmentalists, the elderly and a host of other interest groups emerged to make claims on the administrative state. Pluralist politics, which was supposed to defuse class consciousness, was successful in creating cleavages among groups which had been consistent losers in economic transactions, but pluralist politics could not forestall a multi-pronged attack on the upper class groups which had been the consistent winners in economic transactions. The claims made on the federal government by these previous losers undermined the possibility of the federal government's, which was dominated by a scientific planning approach, remaining on the periphery of the private sphere.

The proliferation of citizen interest groups threatened scientific planning on the periphery of the private sphere for two reasons. First, many of the claims pressed on federal government could not be addressed simply by rapid and sustained economic growth. The claims made by minorities and women extended beyond

economic fair shares. Equal treatment in the private economy and equal access to government funds required changes in social patterns and mores. Equal treatment entailed federal laws both to mandate fair treatment and, in the name of equity, to redress past injustices. To provide these, the federal government would have to penetrate the private sphere and intervene in the wage and hiring policies of private sector actors. Equity would not be achieved by economic abundance alone.

Economic abundance would also fail to satisfy the claims of interest groups concerned with consumer safety and with the environmental degradation perpetrated by the private economy. These concerns could only be satisfied with the extension of government interference in the decisions and actions of private sector actors. The federal government found itself in a situation where the periphery would not hold.

Second, although the CAPs did not institute democratic participation, the rhetoric of participation provided a focus for interest groups' pressing claims on the federal government. These new interest groups claimed the right to install representatives within the decision making structure of government agencies which affected their interests.[31] This, of course, posed the threat that scientific planning structures would be

penetrated by "non-expert" citizens who would not be "objective." This penetration also threatened the standard defense of scientific planning that decisions were based on scientific neutrality. "Non-expert" citizens would still have the acumen to realize that "scientific decisions" were not neutral, and that those who made the decisions were not objective. Furthermore, participation in agency decisions by citizen advocates would foul the gears of administrative machines designed for efficiency.[32]

The assault on the federal government by citizen interest groups and the hyper-politicization of citizens was a result that seems inevitable given the contradictions embodied in the promises made and in the position held by scientific planning at the periphery of the private sphere. The legitimacy of such a public policy approach and of the federal government which embraced that approach were called into question. The left, the right and, even, the liberals who had endorsed the federal government's role in American society, perceived that the federal government was, in the late 1960s, in a crisis of legitimacy.[33] The left called for a socialist cure, while the right prescribed its standard medication of a return to orthodox economics combined with a massive reduction in the federal

government's size and responsibilities. The liberals either endorsed a continuation of present policies or a search for a new policy approach which could end the crisis and provide permanent stability by reducing the responsibilities of the federal government and yet appease (and anasthetize) the "hyper-politicized" citizenry. The new public policy approach finally endorsed by many of the distraught liberals was a welfare economics/public choice approach to public policy. This approach has now become the mainstream ideology of policy scientists in the United States. It is an approach designed to redefine the role of government and the role of citizens in the United States. It is a pernicious approach to a "dangerous," but soon to be defused, situation.

ENDNOTES

1. Structural unemployment is unemployment caused by changes in consumer tastes, technological innovation, relocation of industries or depletion of natural resources whcih cause workers' skills to be unneeded. Such unemployment does not respond to normal upswings in the economy.

2. For example, see Daniel Patrick Moynihan, Maximum Feasible Misunderstanding: Community Action in the War on Poverty (New York: The Free Press, 1969). Even John H. Strange, in one of the most balanced evaluations of CAPs, accepts the accidental nature of the formulation and execution of CAPs: John H. Strange, "Citizen Participation in Community Action and Model Cities Programs," Public Administration Review 32 (October 1972):656.

3. I use the term "politicized" to denote an awareness by citizens of the power relations which shape their lives in the political economy. Such an awareness allows citizens to define the conflicts within the political economy of the society, and to plan and to adapt strategies (designed in a reflective manner) to pursue their interests. Full politicization (combined with institutional structures) may afford the opportunity for citizens to rise above narrow self-interest and to move toward an articulation of the public good. In the United States, politicization usually remains imperfect or partial, and, thus, encourages the pursuit of self or group interests. For a further discussion of the politicization in the political economy of the United States see Michael H. Best and William E. Connolly, The Politicized Economy (Lexington, Massachusetts: D. C. Heath and Co., 1982), especially pp. 8-11.

4. The critique from the left is well-represented by Jurgen Habermas, Legitimation Crisis (Boston: Beacon Press, 1975). For a critique from the right see Edward C. Banfield, "Comments in a Symposium on Nixon, the Great Society and the Future of Social Policy," Commentary, May 1973, pp. 31-34. For a belated critique from the "center" see Charles L. Schultze, The Public Use of Private Interest (Washington D.C.: The Brookings Institution, 1977), especially pp. 28-29.

5. James L. Sundquist, Politics and Policy: The Eisenhower, Kennedy and Johnson Years (Washington D.C.: The Brookings Institution, 1968), p. 140.

6. Sundquist, Politics and Policy, p. 135.

7. As Moynihan explains:

> "It would appear that in the community action agency a number of leading budget exxaminers in the Bureau [Bureau of the Budget] perceived the alluring, intoxicating possibility of doing it from the bottom. Moreover, the President's committee approach had many other features that were remarkably attractive to the Bureau. It was as if someone were finally listening to them: the emphasis on planning (recall that Mobilization for Youth took four and one-half years just to draw up the proposal) and on coordinating services: the insistence on the interrelationship of things; an probably not least, the determination to keep track of what happened, to measure results, and to learn from experience, had the strongest appeal to the Bureau. "Evaluation" was a central concern of all the delinquency programs." (original emphasis)

Moynihan, Maximum Feasible Misunderstanding, p. 78.

8. Sundquist, Politics and Policy, p. 142.

9. Sundquist, Politics and Policy, p. 151.

10. Moynihan, Maximum Feasible Misunderstanding, p. 87.

11. Moynihan, Maximum Feasible Misunderstanding, p. 83.

12. Frances Fox Piven and Richard A. Cloward, Regulating the Poor: The Functions of Public Welfare (New York: Vintage Books, 1971), pp. 227-282.

13. Jack Conway did expect confrontation between CAPs and local governments. John G. Wofford, "The Politics of Local Responsibility: Administration of the Community Action Program - 1964-1966," in <u>On Fighting Poverty</u>, ed. James L. Sundquist (New York: Basic Books, 1969), p. 77.

14. Piven and Cloward, <u>Regulating the Poor</u>, pp. 306-320.

15. Wofford, "The Politics of Local Responsibility," p. 84.

16. Jeffrey L. Pressman and Aaron B. Wildavsky, <u>Implementation</u>, (Berkeley: University of California Press, 1973). While they are not critiquing the CAPs, their target, the Economic Development Administration, is based on the CAP approach and their critique is typical of the failure to judge federal programs during the 1960s on their ability to defuse urban violence.

17. This percentage included representatives of the poor who were not always themselves destitute. Wofford, "The Politics of Local Responsibility," pp. 83-84.

18. Piven and Cloward, <u>Regulating the Poor</u>, pp. 306-340.

19. The destigmatization of welfare is detailed in Piven and Cloward, <u>Regulating the Poor</u>, pp. 285-338.

20. William C. Selover, "The View from Capitol Hill: Harassment and Survival," in <u>On Fighting Poverty</u>, ed. James L. Sundquist (New York: Basic Books, 1969), p. 164.

21. Moynihan, <u>Maximum Feasible Misunderstanding</u>, p. 131.

22. Major exceptions to this myopia include: John H. Strange, "The Impact of Citizen Participation on Public Administration," <u>Public Administration Review</u> 32 (September 1972):457-470; Piven and Cloward, <u>Regulating the Poor</u>.

23. For an example, see Banfield, "Comments in a Symposium on Nixon, the Great Society and the Future of Social Policy."

24. For an example, see the comments of CAPs participants in an article prepared by Sherry R. Arnstein, "Maximum Feasible Manipulation," Public Administration Review (September 1972):377-389.

25. For examples of administrative approaches designed to humiliate the poor and to distance the poor from welfare policy making see Piven and Cloward, Regulating the Poor, pp. 147-177.

26. Arnstein, "Maximum Feasible Manipulation," pp. 377-389.

27. Arthur Levin, The Satisficers (New York: McCall Publishing Co., 1970), p. 73.

28. The backlash against the CAPs was strong enough by 1967 to pass the Green Amendment which placed the CAPs under the control of city governments and which limited their usefulness as alternative power structures.

29. Lester C. Thurow, The Zero-Sum Society: Distribution and the Possibilities for Economic Change (New York: Penguin, 1981).

30. This point is made well by Michael Harrington:

> "Between 1960 and 1970, there was a $44.3 billion rise in the funds spent on Social Security and on Medicare ($33.9 billion for pensions, $10.4 billion for health). That was three times as much as all the increased expenditures on public assistance (welfare, Medicaid, food stamps, housing subsidies, and student aid). Therefore, the overwhelming bulk of the 60s increments came, not in radical innovation, but in providing money for one program which was a generation old and inadequate (Social Security) and in achieving a very limited installment of a proposal (national health insurance) which had first been seriously urged by Harry S. Truman in 1949. Moreover, both of these expenditures were, and are, overwhelmingly popular precisely

among those white working-class voters who are said to be the chief critics of the liberal prodigality of the 60s. ...

The point is that the Great Society rhetoric often concealed corporate priorities. Thus, there was tremendous talk of great strides forward in housing for the poor, including the 1968 Housing and Urban Development Act's target of 26 million new units for the nation in ten years, 10 per cent of them for low-income people. But the actual outlays were small -- a recent estimate has us 45 per cent behind the pace -- while the subsidies for the rich were enormous. A Joint Economic Committee staff study last year estimated that tax expenditures for the homes of the (primarily) affluent were worth more than $12 billion a year. That is a radical housing program; it is also, one might add, a conservative and anti-social, one." (original emphasis)

Michael Harrington, "Comments in a Symposium on Nixon, the Great Society and the Future of Social Policy," Commentary, May 1973, pp. 39-40.

31. These claims were, of course, strengthened by the precedents set in regulatory policies. See Chapter III.

32. The domination of efficiency (the most "output" for the least "input") over effectiveness (the provision of goods and services in the light of representative values, and of open and fair procedures) is a consequence of the scientific planning approach and of American scholars' reliance upon the monocratic models of France and Germany in developing goals for public administration in the United States. As I argued in Chapters IV and V, the value of effectiveness was to be preserved by the integrity of scientific planners, not by institutional arrangements. After the narrow-minded treatise of Herbert A. Simon in the late 1940s, even the personal quest for effectiveness was foresaken by many scientific planners in their desire for administrative structures that would make efficiency the

sole criterion of administrative action. See Herbert A. Simon, Administrative Behavior: A Study of Decision-Making Processes in Administrative Organizations, 3rd ed. (New York: The Free Press, 1976). Simon's text was first published in 1947.

34. See endnote #4, above.

CHAPTER VII

THE WHY OF A WELFARE ECONOMICS/PUBLIC CHOICE APPROACH TO PUBLIC POLICY

The Search for Political Stability

The 1970s witnessed the emergence of a new "paradigm" in public policy models in the United States.[1] The new approach to policy was a welfare economics/public choice model. This model was not born in the 1970s; in the 1950s welfare economics had articulated its presuppositions and the 1960s public choice theory had been developed in the economic framework established by, among others, Buchanan and Tullock.[2] The quantitative rigor and theoretical elegance of this approach, though, were not sufficient to displace the theoretical premises and the institutionalization of either the regulatory approach or the scientific planning approach. Only with the crisis of legitimacy that occurred during the late 1960s and the consequent pan-ideological barrage against the federal government's role in society did the space open up for the welfare economics/public choice model to be embraced by a wide variety of influential policy scholars and policy analysts.

The reasons for the embrace of this policy approach were, and are, primarily political. A welfare economics/public choice approach to public policy can, its advocates hope, depoliticize citizens and, thus, render both citizens and the crisis of legitimacy quiescent. In addition, this approach may reduce the fiscal commitments the federal government assumed during the scientific planning approach, especially the Great Society, and thus may solve the fiscal crisis of federal government. The political appeal of a welfare economics approach is grounded, then, in the goal of political and social stability. Political and social stability, though, is to be purchased at an extremely high price. The price includes (a) a rejection of democratic politics, (b) a redefinition of good citizenship and (c) a denial of the public good as a goal of, and a criterion for, good public policy.

In the next chapter we will examine the high political and social costs of a welfare economics/public choice approach. First, though we need to lay out specifically the allure of this new approach and to reveal its moments of insight in its critique of and "solutions" to the past policy approaches we have examined in previous chapters. A welfare economics/public choice framework does more than offer

political stability; it provides coherent answers to the deficiencies of all of the public policy approaches which characterize the modern welfare state in the United States.

Solving the Problems Created by the Regulatory Approach

Governmental regulation of private enterprises in the twentieth century has been prone to five basic faults. First, regulatory agencies have often been coopted by the private enterprises which regulatory agencies were designed to regulate. Second, the lack of clear and specific statutory guidelines by Congress has allowed excessive discretion to fall into the hands of regulatory administrators. Excessive discretion, combined with cooptation, provides regulated enterprises with a regulatory atmosphere in which the public good is often defined in terms of the private interests of regulated enterprises. Third, regulatory agencies must make decisions which are equitable to each firm in their domain of authority, and this creates both excessive information demands for regulatory agencies and creates ever-increasing regulatory staffs. Fourth, statutory and administrative guidelines in regulatory policy are subject to long delays by challenges from regulated

enterprises in administrative hearings and in court trials. Fifth, regulated enterprises are protected from market-place competition and thus neither competitive pricing nor technological innovation are promoted.

A welfare economics approach to the goals of regulatory policy appears to solve each of these problems. To illustrate the solutions proffered to regulatory policy, we turn to a regulatory area where a welfare economics approach has developed its most detailed scenario: water pollution.[3] From a welfare economics perspective, industrial pollution of water resources is a case where the economic benefits to the polluting enterprise, and the social costs resulting from the pollution, escape the pricing mechanisms of the market-place. Each polluting company on a lake, for example, receives the benefits of disposing of their wastes with minimal cost (the unpleasantness of polluted water near their facility), and each user of the lake bears some of the costs associated with polluted water even if they do not pollute the water themselves. As long as the pollution can be absorbed by the body of water without damaging the water quality, then the absence of pricing mechanisms is not important. However, if water pollution does alter the quality for users, then we encounter, because of the absence of

pricing mechanisms, Hardin's scenario in "The Tragedy of the Commons."[4]

The correct governmental response to water pollution, according to welfare economists, is the creation of effluent fee systems. Water quality standards for the water resource would be established and then all polluters would have their discharges of pollution, their effluents, monitored at the discharge point. Effluent fee scales would be established for each type of pollutant discharged, and fees would be based on the costs required to maintain the desired water quality. This procedure would force polluters to pay the price of their polluting and, thus, to pass on the costs of pollution in the manufacturing process to consumers. Prices would reflect the true costs of production. Obviously, some toxic wastes would still be regulated -- no discharge of these wastes would be allowed. Also, obviously, the effluent fee approach would still present difficult technical problems for those administrators in charge of developing effluent fee scales.[5] Nevertheless, an effluent fee approach does appear to avoid the pitfalls of the regulatory approach.

An effluent fee system would curtail cooptation of regulators by the enterprises regulated and would limit

the discretion of regulatory administrators. Water quality standards would be established by Congress and administrators would be bound, by technical expertise, to arrive at the correct effluent fee scales. Administrators, under the regulatory approach to pollution control, were open to cooptation because: (a) regulation demanded intimate knowledge of the manufacturing processes of each regulated firm; (b) intimate knowledge of the manufacturing processes depended, in large part, on the willingness of the regulated firms to share openly with administrators their manufacturing secrets and their profit margins, and, thus, depended on goodwill between administrators and regulated firms; and (c) regulatory agencies were expected to insure the commercial success of all regulated firms.[6] An effluent fee approach reduces the chances for the cooptation by keeping at a minimum the interaction between effluent fee experts and regulated copmpanies. Administrative discretion at the federal level would be constrained by the one-right-effluent-fee-schedule which would produce Congressionally mandated results. At the local level, administrative discretion would be removed entirely. Administrators would maintain effluent monitors, report the discharge of new and uncovered discharges, read the

effluent meters, and enforce strictly the payment of effluent fees by polluting companies. It, of course, would still be possible for local administrators to engage in misfeasance or malfeasance, but these are also possible under a regulatory approach and should not be confused with administrative discretion -- choice within legal bounds.

An effluent fee system might also reduce the excessive information demands encountered under a regulatory approach. A regulatory approach to pollution control demands that administrators know the production processes of each company regulated, the profit margins of each company regulated and the current best pollution abatement technology compatible with each company's manufacturing processes. As new pollution abatement technology becomes available, administrators must recalculate regulatory guidelines for each company. Administrators are thus faced with an incredible information burden. Under an effluent fee approach, administrators will still be faced with vast information demands in calculating effluent fee schedules, particularly as new effluents are produced, but administrators will not have to concern themselves with either the various manufacturing processes employed by each company or the latest technological developments in

pollution abatement equipment.[7] The reduction in information demands, combined with the reduction in demands placed on state and federal inspectors, may make it possible to reduce the size of state and federal agencies involved in pollution control, and thus reduce government expenditures on regulatory policy.

An effluent fee system would not guarantee a reduction in legal challenges by regulated companies dissatisfied with statutory guidelines or administrative fee schedules. However, an effluent fee system would allow charges to be levied during litigation and would (a) encourage technical innovation during litigation and (b) discourage protracted legal battles in which the plaintiff saw little chance for victory. Under the regulatory approach, regulated firms seek protracted legal suits in order to postpone the purchase and the use of new technology. An effluent fee system would encourage self-maximizing private firms to seek new methods for pollution abatement even as the private firms sought legal redress.

An effluent fee approach would also encourage, rather than discourage, competitive pricing among private firms which are now regulated. The regulatory approach to pollution control must protect all established enterprises which adhere to regulatory

guidelines, and which purchase and use the suggested best available pollution abatement technology. If regulated companies fail in the "market-place," then the blame must fall on regulatory policy and on regulatory agencies. Rather than pursue new pollution abatement technologies, private firms now have incentives to maintain old standards and old technologies in the quest to reduce production costs. New firms must be able to meet, immediately, pollution guidelines which older companies have had years in which to adapt, and new firms must have the capital to purchase, immediately, the adopted best available technology used by the regulated industry. The results of regulatory policies are minimal price competition and minimal technological innovation in pollution abatement by regulated firms. An effluent fee system mandates neither the success of each enterprise monitored nor the type of technology used to reduce pollution.[8] The onus for success of regulated enterprises moves from the government regulatory agencies to the amorphous regime of the market-place (and to the economic shrewdness of company managers). If a private firm decides to forego pollution abatement technology, then their costs of production will be much higher than those of firms devising inexpensive methods to reduce their effluents

and their effluent charges. Assuming, of course, that a market is operating for these goods, companies able to reduce their effluent fees/pollution abatement technology costs will drive companies with prolific pollution production costs out of business. New companies entering the industry will be encouraged to find innovative new techniques to reduce polllution costs and will not be saddled with requirements to purchase specific, and usually expensive, pollution abatement technology. Competitive pricing and technological innovation will be the products of an effluent fee system, because an effluent fee system reinstitutes market conditions.

The solutions offered to the faults of the regulatory approach to water pollution are impressive and can be applied equally as well to air pollution control and, some even argue, to workplace safety control.[9] In the area of car passenger safety, an incentive/disincentive approach could be used to prevent auto makers from further delay of airbag installation. Each car without an airbag system (or a restraint system capable of equalling the safety capabilities of an airbag system) would be taxed at such a high level that comparable cars with airbag systems would be much less expensive. Consumers would be given a "choice," auto

makers would be given a "choice," and the technological development of alternative restraint systems with safety capabilities equal to or better than the airbag systems would be encouraged. Of course, most welfare economists would give short shrift to this example, because personal safety is not a collective good. Rather, safety information on cars should be provided by the federal government, and persons who value safety highly would be willing to pay the costs of expensive and effective systems. Persons who did not value safety systems (trusting in their own driving abilities or in fate, or having a death wish) would forego safety systems and the price of such systems. This would leave the buyer "free to choose" in an area deemed by welfare economists not to be a "commons" situation.

Solving the Problems Created by Government's Assumption of Responsibilities During the New Deal

A welfare economics/public choice approach to regulatory policy provides remedies for the maladies of the traditional regulatory approach. The treatment does not end here. A welfare economics/public choice approach also provides cures for the ills caused by two related policy approaches which emerged after the formulation of the regulatory approach: the New Deal

provision of goods and services, and the scientific planning approach. The scientific planning approach was guided, as we saw in Chapters IV and V, by the assumption of social and economic responsibilties by the federal government during the New Deal. The provision of goods and services by the government during and after the New Deal, though, did not necessitate the particular characteristics we have associated with scientific planning. Planning at the perimeter of the private sphere -- the hallmark of the scientific planning approach -- was not the only method which might have been pursued in the provision of goods and services. A syndicalist approach, or even, government planning which penetrated the private sphere and decided and coordinated the production, the prices and the wages of private enterprises were possible, if unlikely, methods for delivering on the social and economic promises of the New Deal. A welfare economics/public choice approach to public policy supplies both (a) methods for retaining the ambience of "the responsible New Deal government" without having to assume the social, economic and political burdens of that responsibility, and (b) answers to the social, economic and political problems encountered by a scientific planning approach to New Deal promises.

Thus, while it is not always easy to distinguish clearly between the problems associated with the New Deal assumption of social and economic responsibilities and the problems associated with the scientific planning approach to those responsibilities, the best case for a welfare economics/public choice approach to public policy in the United States can be made if we do distinguish between the two sets of problems.

Two major problems, obviously related, of the New Deal assumption of social and economic responsibilities are (a) the increasing demands placed on government in a society that fosters constantly rising economic expectations of what constitutes "minimal decent living standards" and (b) the fiscal bind created for government as it attempts to meet rising needs. In neither case is the scientific planning approach directly responsible for these problems. Rising expectations over what constitutes minimal guarantees of decent living standards are not simply a case of giving the poor (and the middle class) an inch and their subsequent request for a mile. Rather, rising expectations are a realistic response in a political economy which generates ever increasing needs, even, to maintain one's economic standing. Michael H. Best and William E. Connolly have pointed out this predicament

vividly in an insightful discussion of the burdens of inequality in the political economy of the United States.

> The shift from the icebox to the refrigerator merely symbolizes, of course, the changed social and economic context in which today's consumers must make choices. If cheap cuts of meat are no longer available in the supermarket (perhaps they are not profitable enough), I must buy the more expensive cuts. If the "consumer durables" of today, such as television sets, washing machines, hot water heaters, refrigerators, automobiles, and even houses, wear out faster than in a previous period, I must simply replace them more often at the going prices. If public transportation is unavailable, I must purchase a car to drive to work and to shop. If the risks and costs of automobile accidents are growing, I must purchase more expensive automobile insurance. If cars are more complicated than in the past, I must pay to have them repaired rather than fixing them myself. If building codes, plumbing regulations, and the electrical specifications required by law are too complicated for the handyman of yesterday to understand, I must hire specialists to install and repair these household systems. If the breakdown of extended kinship ties threatens to leave my offspring unprotected in the event of death or injury, I must buy life and disability insurance to provide for their security. If home heating costs are going up, I must buy home insulation. If crime is increasing, I must buy locks and police dogs and alarm systems to protect my family. If my children today must go to

> college in order to attain positions equivalent to the one I took as a high school graduate, I must try to pay their way through college.
>
> These are just some of the ways in which systems of health care, transportation, schooling, security, food distribution, and household repair, which were introduced initially to meet the desires and budgets of middle- and high-income groups, can become the necessities of lower-income groups living in the same society. What is for the affluent a new and better social service is often for the poor a new and costly regulation or necessity of life.[10]

The ever increasing demands by citizens on government for more goods and services are irrational only in the sense that they are rational and reasonable responses to an irrational political economy.

Escalating demands by citizens do not have to be met with escalation in the provision of goods and services by government. However, in the United States, the representative assemblies have been unable to avert a fiscal crisis and to fend off the demands of business, citizens or the defense establishment. At the federal level, Congresspersons' quests for reelection and for personal power within the assemblies have created both: (a) a decentralization of power which gives each Congressperson power within one or two issue areas and, thus, contributes to porkbarrel legislation, and (b) a

break between appropriation, authorization and revenue functions within the House of Representatives which encourages expenditures to exceed revenues and which makes coherent budget planning in the House of Representatives impossible.[11] At all levels of the federal system, representative assemblies produce social programs which cater to the interests of specific minorities and which, many times, create services which are neither cost-effective nor consistent with the user preferences of the individuals within the service population.

These problems -- rising expectations by citizens of government provision of goods and services, and the fiscal crisis these expectations create -- can be countered with a welfare economics/public choice approach. Four steps must be followed to arrive at the solution. First, the provision of goods and services must be decentralized, with local and state governments taking more fiscal responsibility for goods and services. State and local governments can assume this burden because the second step is to make the provision of goods and services dependent upon the market success of delivery agencies. Charles L. Schultze, in his The Public Use of Private Interest, describes how these first two steps can be taken in the area of health care:

> First, removing financial barriers to medical care for the poor can be accomplished by a system of medical insurance, either as a reform of the current Medicaid program or as a part of a broader national health insurance system. Second, after providing the seed money to help new institutions like neighborhood health centers get started, the federal government could gradually withdraw the operating funds and require the institutions to charge fees covering costs. This would be no hardship for the poor, since their medical bills would be covered by federally supported insurance. But the neighborhood health centers would then have to stand the test of the marketplace, since potential clients would have the means to choose between them and other sources of medical care. Moreover, it would not be necessary to limit the centers' services to the poor, since everyone would be paying fees covering the costs.[12]

The federal government will still bear some of the costs of health care for the poor with the creation of a national health insurance, but the federal government can remove its commitments for operating costs -- costs which are substantial and persistent. The federal government will simply provide the capital for the poor to enter the same health care "market" as all other citizens. State and local governments need only supply the services which are cost-effective (i.e., do not take more from local budgets than they return to local coffers).

The third step to be taken is the privatization of many services now being provided by public agencies. Local governments would reduce the number of public employees (and the number of pensions to be paid later), and would serve as contract agents between the public and privately owned and managed businesses. Local governments would learn which services to seek by polling residents individually on their willingness to pay for a particular service. Ideally, each resident would be asked to state how much he/she would be willing to pay for each year of service. Each resident must be isolated from other citizens when stating his/her personal use value for each service, or else, the problem of "free-riding" will occur.[13] All of the residents' preferences (willingness to pay $n for a service) would be summed. If this figure could purchase the service, then the local government would contract with a private business. The fourth step, then, is the provision of a method for aggregating individual preferences.

These four steps could reduce the rising costs of governments and force citizens to see the direct connection between the expansion of services and increased taxation. If, for example, residents in a local community expressed a desire for ambulance

service, the role of the local government under a welfare economics/public choice approach would be to poll citizens to see if they were willing to finance the service. If such a willingness was expressed, then the local community would take bids from private businesses willing to provide ambulance service. The local government could decide whether it wished to pay a flat rate to the company and avoid charging residents for each trip, to subsidize part of each trip or to allow the company to charge individual users the full cost of the ride. The first two options would, of course, redistribute tax money to the sick and the unlucky and would force non-users to share the costs -- not an ideal scenario in a welfare economics/public choice framework. If no private firm was willing to provide the service, then the local government would operate the ambulance service as a public enterprise. If the public enterprise did not break even or make a profit, and citizens were no longer willing to provide operating funds, then the service would be discontinued. Of course, ideally, several ambulance services would have appeared in the community because of the consumer needs, and the local government would not have to act at all -- competition between services would guarantee low prices and adequate service. Indeed, the success of a public

enterprise should encourage private firms to enter the ambulance service market and, thus, allow the local government to discontinue its service in favor of competitive businesses in the private sector.

The privatization of public services, the cost-effectiveness criterion for remaining public services and the decentralization of the provision of goods and services to local governments constituted primarily to serve as contract agents can reduce federal, state and local government expenditures. Rising expectations about the provision of goods and services by government will be thwarted as individuals are forced to see the direct link between services and the costs of services. Public agencies will be streamlined as they compete with private firms for clientele. Another, less mentioned but obvious, benefit of this policy approach is that powerful public unions, which increase the costs of services, can be busted. If public unions demand high wages and generous benefit packages, then they can be dropped by a local government which will now purchase the service from a private company. If a powerful private union then emerges in the new private company providing the service, the local government can recontract if the private union's demands cause future price increases in service delivery. The appeal of

public union busting extends, though, beyond price advantages; public unions have always evoked, at best, a mixed reaction both by the public and by Public Administration scholars. The idea that unions, as adversaries of management, should have a place in the public sphere where the government is the manager, remains troublesome.[14] The trouble would be settled if public unions could be disarmed.

Solving the Problems Created by the Scientific Planning Approach

The scientific planning approach to public policy exacerbated the problems associated with regulatory policy and with the New Deal provision of goods and services. In the attempt to meet the responsibilities assumed by government, the scientific planning approach overextended the reach of government, overburdened government planners with information and placed the government in the position of being responsible for almost all social and economic maladies experienced by citizens. According to the welfare economics/public choice paradigm, the problems engendered by the scientific planning approach revolve centrally around the failure to grasp the miracle of the market. First, government is overextended because scientific planners

placed too little faith in the proficiency of decentralized market structures and too much faith in the planning abilities of both people and institutions. The comprehensive planning required by government during the 1960s was incompatible with individual abilities and with the incremental nature of bureaucratic decision structures.[15] As administrative intervention in the private sector increased in the attempt to control more and more of the consequences of the planning variables and to relieve more and more of the consequences of past actions, government took on too many responsibilites which it could not handle. The proliferation of administrative agencies, at all levels of the federal system, was the product of a planning mentality guided by an overemphasis on individual equity and on coercive control of private sector actors. Charles L. Schultze has described cogently his view of why the scientific planning approach failed.

> First, a satisfactory method of sorting out the frivolous from the important occasions for intervention has not been developed, and thus much social effort is spent to achieve such goals as having all fire extinguishers in industrial workplaces painted red. Second, we have a propensity to intervene in resource-allocation decisions in order to achieve equity and income-distribution goals that might better be handled by some form of tax or

> monetary-transfer arrangements. Finally, and perhaps most important, we usually tend to see only one way of intervening -- namely, removing a set of decisions from the decentralized and incentive-oriented private market and transferring them to the command-and-control techniques of government bureaucracy.[16]

Second, the scientific planning approach placed an information overload on government planners. Too much information is needed to make the elaborate decisions necessary within a planning framework. The demand for decisions based on equity exacerbates this information overload because it forces administrators to decide each case on its particular merits (e.g., Is this person eligible for welfare? Should we fine this polluting company?). Even if administrators could handle the information burden imposed by scientific planning, it is unlikely that administrators would be able to plan effectively. Scientific planning at the perimeter of the private sphere does not allow access to, or control of, important economic variables within the private economy. Private firms still control production, price and wage decisions, and cannot be relied upon for accurate reporting of their decisions and results.[17] The informational burden on administrators cannot be resolved in the framework of a scientific planning approach.

Third, the scientific planning approach has made evident the dangers of placing responsibility for economic and social conditions on the limelighted shoulders of government. This is, indeed, the condition welfare economics/public choice advocates abhor most strongly. The crisis in confidence and the strain on the political and social fabric of the United States caused by the scientific planning approach is a central concern of welfare economics/public choice advocates. Charles L. Schultze, in contrasting a scientific planning approach (an output oriented-process) and a welfare economics approach (a process-oriented process), claims:

> Regardless of the circumstances, however, social intervention has almost always been output-oriented, giving short shrift to the process-oriented alternative. And this has proven a costly bias. It has, with no off-setting gain, forfeited the strategic advantages of market-like arrangements. It has led to ineffective and inefficient solutions to important social problems. It has taxed, well beyond its limit, the ability of government to make complex output decisions. <u>And it has stretched thin the delicate fabric of political consensus by unnecessarily widening the scope of activities that it must cover.</u>[18] (emphasis added)

In an even more alarmist fashion, Vincent Ostrom, in his opening chapter of <u>The Intellectual Crisis in American</u>

Public Administration, contrasts the bureaucratic structure employed by a scientific planning approach with the bureaucratic structure necessitated by a public choice approach, and avers that:

> As we approach the Bicentenary of American nationhood, we are losing confidence that the twenty-first century will be an American century. Instead, we have been seized by a maelstrom of crises. Some have even begun to wonder whether there will be a twenty-first century in the Christian era, and whether the United States of America will survive as a nation.[19]

Among the crises we face in the United States, one of the most serious, according to Ostrom, is an untenable reliance on a centralized federal administration -- a reliance induced by the claims of scientific planning.

> If we are concerned about human poverty, community assistance programs, rural development, the public security of the neighborhood streets, and the quality of the environment, should we proceed on the assumption that these are national problems requiring national solutions which can only be solved by Presidential intervention? Or should we proceed on the assumption that these problems are but names for a multitude of difficulties confronting individual human beings as they pursue their relative advantage in dealing with one another?[20] (original emphasis)

Resolutions to these three problems encountered by scientific planning -- an overextended federal

government; a multitude of overloaded subnational governments; and a legitimation crisis -- are offered by a welfare economics/public choice approach. The key to these resolutions is a return to the harmony of market forces. The discord caused by governmental intervention into the private sphere can be alleviated if government will reduce its responsibilities and replace coercive regulations with the skillful use of market incentives. The privatization of public services will allow governments to reduce social commitments (and social expenditures) without abandoning completely the promises of social welfare which governments have made. Centralized scientific planning can be replaced by the <u>decentralized management</u> of market forces. Decentralized management of market forces requires neither cumbersome bureaucracy nor comprehensive knowledge.[21] Adjustments in incentive/disincentive packages -- e.g., to control pollution, to reduce industrial accidents and to provide health services -- can be made incrementally and over long periods of time. Such adjustments do not require, necessarily, confirmation of agency actions by legislative bodies inclined to fluctuations in objectives and open to constant assault by narrow-minded interest groups.

The size of governments can also be reduced,

according to welfare economics/public choice advocates, by evaluating the effectiveness of public service agencies with the same criteria used for evaluating private enterprises. Welfare economics/public choice advocates give short shrift to some standards employed in the evaluation of public service agencies, especially such standards as equity, openness and the symbolic effects of public service agencies. Such standards are, of course, far from being rigorously quantified and, indeed, may never be. The solution is to ignore or slight these troublesome standards and evaluate public agencies with the same "benefit-cost efficiency model" used in the private sector. This evaluation approach cannot always be used completely -- e.g., the Departments of Defense and Justice -- but efficiency evaluations should be the goal by which all evaluations are measured. This evaluation approach can allow for the "even-handed" retrenchment of government departments.

The reduction in the size of governments is closely connected to a reduction in the amount of information which must be mastered by governments. The scientific planning approach did increase the size of federal government as the federal government sought mastery over more and more information about the private sphere. As

we have just seen, informational requirements under a welfare economics/public choice approach are reduced because (a) social responsibilities are reduced, (b) private actors assume many new functions, (c) comprehensive information is not necessary in structuring incentive/disincentive packages and (d) evaluations of public agencies can ignore some troublesome criteria no longer deemed important. Furthermore, information burdens are reduced because, as Schultze states, a welfare economics approach takes "... a devil take the hindmost approach to questions of individual equity."[22] Administrators need not know the specific conditions of each polluting firm or the specific condition of each consumer of social services.[23] What is important is to know how rational self-maximizers will respond to different incentive packages.[24] In addition, even the breadth of this knowledge can be limited by returning government functions to the private sphere -- to the marketplace where information is processed mysteriously and miraculously, and where errors can be blamed on no one person, agency or institution.

By reducing the responsiblities of governments and the demands made upon governments, advocates of a welfare economics/public choice approach intend to

alleviate the crisis of confidence in government and to reweave a tattered social fabric. Governments will still manage pollution control, but not in a coercive regulatory framework. Rather, companies will be controlled through the structuring of incentive/disincentive packages which do not require government intrusion into the specific economic choices of private enterprises. The privatization of public services will release governments from accountability to the public and return "accountability" to the amorphous entity of the market. The decentralization of remaining public services will take the pressure off the federal government and allow the federal, state and local governments to compete for constituents. This competition will offer citizens more choices while dilating their narrow focus on the federal government.

Solving the Problems Created by the Participation Movement

The defusing of the legitimation crisis in the United States is possible, though, only if the politicized citizens -- a product of the participation movement -- of the United States are depoliticized.[25] Thus, a welfare economics/public choice approach must also offer solutions to the problems engendered by the

participation movement. Four basic problems emerged during the participation movement, all a sign of the dangers of a "hyper-politicized" society: (a) administrative advocacy (b) the demand by citizens for participatory structures which would help shape and control community and regional policy (c) the proliferation of interest groups and (d) an acute awareness by citizens of the zero-sum nature of many of the economic and political decisions of governments. We will explore briefly each of these problems and then turn to the solutions offered by welfare economics/public choice advocates.

The participation movement created situations where administrative discretion was replaced with administrative advocacy. Federal administrators in the social service programs of the Great Society became advocates for their clientele.[26] Administrators were no longer neutral enactors of policy; they became both proponents of the poor, especially of the black poor, and instigators for new economic and social "privileges" for citizens in poverty. It is difficult to fault federal administrators for advocacy of citizens' rights and privileges for certain groups when the situation of these citizens in the 1960s was so obviously dire.[27] Nevertheless, unrestrained administrative advocacy

undermines administrators' accountability to elected officials and, thus, the integrity of administrators. Furthermore, administrative advocacy, even when limited, is open to wide-ranging abuses. Do we want administrative advocates for the middle class, the upper class, polluters, etc.? Simply, no one has yet been able to develop guidelines which will enable administrators, elected representatives and citizens to determine which groups should be served by administrative advocates and when. Yet, one of the goals of scientific planning and the participation movement -- a decent standard of living for all citizens -- forces administrators into social service agencies where they, to procure individual equity, must become representatives of their clientele.

The second problem -- the demand by citizens for participatory structures -- is a result of the promises made by the federal government during the participation movement. Although responsible democratic structures for citizen participation in administrative formulation, enactment and evaluation of regional and community policies were not developed during the participation movement, government assurances of such structures created a continuing demand by citizens for participation. The problem with these demands is that

the centralized structure of administration, at all three levels of the federal system, and the requirements of the scientific planning approach used by administrators is not capable, at present, of working with participatory structures.[28] When participatory structures are slapped onto the present administrative structures, the result is little effective participation by citizens and a further information overload on administrators. Both citizens and administrators feel betrayed by the attempt at participatory structures, and the response by citizens, who are now more aware of the political system and the need to control policies affecting their lives, is the creation of more interest groups.

The third and fourth problems engendered by the participation movement -- the proliferation of interest groups and an enhanced awareness by citizens of the winners and losers in the political economy of the United States -- increase the pressures on the modern administrative state. Rational planning is undermined by the abundance of politicized citizen groups on every side of every major issue within the political economy. No longer can economically weak groups be deemed politically weak. The federal political structure, with its large number of access points for interest group

intervention, makes it possible for almost any interest group to exercise veto power over new policy initiatives.[29] Increasing economic demands by interest groups, combined with their ability to stave off assaults on gains already made, place an increasing fiscal burden on governments, especially the federal government.[30] (At the federal level, the fiscal pressure is especially intense because of a continued commitment to vast expenditures on armaments.) The result has been a questioning of the scientific planning approach to public policy, a ridiculing of participatory structures and a choosing between two unacceptable options for federal policy-makers: (a) a continued muddling through or (b) a return to orthodox economics in which the promises of the New Deal are ignored, the federal government reduces social expenditures and the economy once more prospers by impoverishing large numbers of citizens.[31] Without the depoliticization of citizens, though, the latter approach may also find itself in the quagmire of interest group liberalism[32], and without a coherent policy of social regulation (e.g., pollution control) the latter approach may find itself exposing the irrationalities of an orthodox economics approach which had earlier generated the demands for coercive regulatory policy.[33]

A welfare economics/public choice approach can provide solutions to the problems we have just examined. In each case, the solution centers on the depoliticization of actors within the political economy of the United States.

First, administrative advocacy can be stilled by removing administrators, especially federal administrators, from the delivery of social services. Equity considerations will not be important because of national minimal guarantees for income (national guaranteed income) or health care (national health insurance) or education (a national voucher system).[34] A majority of social services can be supplied by private enterprises contracted by local governments. In addition, federal administrators will never again have to play the role of organizers for the poor in the United States as they did in the 1960s -- a role which encouraged both identification with clientele and administrative advocacy. Administrators will not have to be organizers of disadvantaged groups, because the nature of citizen participation will be redefined.

The second problem, the demand for participatory structures, can be handled by a redefinition of citizen participation which will eliminate the need, and thus the demand for, participatory structures which encourage

responsible democratic participation. Participation in a welfare economics/public choice approach is participation in the polling process used to determine the isolated preferences of citizens. A good citizen need not reflect on issues in a democratic forum or participate in interest group liberalism. Rather, a good citizen must know how much he/she is willing to spend for each particular social service offered by local governments. Each citizen is allowed to participate -- provide his/her economic opinion -- on each issue, thus alleviating the demand for participation and providing a structure of participation that does not threaten the remaining administrative structures. Information about citizens' views can be reduced to one number (the sum of individual preferences) and structures of participation do not need to be slapped onto existing administrative structures.

Third, in a welfare economics/public choice approach, interest groups will still attempt to determine policy goals, but the ability of interest groups to redistribute tax monies to themselves, and to veto policy changes, will be reduced. Federal guarantees of income, health care and education will be redistributive, but clients of social services will be forced to see the direct link between social

expenditures and taxes. User fees for social services will discourage interest groups from applying political pressure for social goods and services, because services will rest on individual consumer's willingness to pay for those services. Interest groups may still veto some national insurance schemes through the political process, but they will lose power over the administrative formulation and execution of public policies. Administrators will develop programs which return service delivery to the private sector, and will determine needs not by interest group pressures, but by the summation of the preferences of isolated individuals. Citizens will gain leverage not by political pressure, but by the economic choices they make in the new "market" atmosphere of social service provision.

The fourth problem, an increased awareness by citizens of the winners and losers in the political economy of the United States, can be resolved under a welfare economics/public choice approach by transferring responsibility for winning and losing from governments to the amorphous "black box" of the private market.[35] The problem is not that there are winners and losers; the problem is that governments, especially the federal government, are now responsible for political and

economic outcomes. By defusing the political in the modern political economy, it may be possible to shift responsibility for outcomes to the interplay of market forces and to retrieve the notion that losses are the result of bad choices by individuals or of the bad luck of individuals. Indeed, even the failure of governments to provide adequate social services is not the result of administrative shortcomings, but of the inability of the individuals in a community to register their "true" economic preferences. Accountability is either shifted to the market or back to the individuals who voiced their preferences. In neither case can the government be held responsible or accountable for the losses experienced by citizens.

A welfare economics/public choice approach to public policy provides resolutions to the problems engendered by a participation movement which was designed to shore up the problems encountered with a scientific planning approach. A welfare economics/public choice approach can (a) squelch administrative advocacy, (b) provide a certain type of participation which will alleviate demands for democratic participation, (c) diminish the worst moments of interest group liberalism and (d) reduce governments' responsibility for gains and losses in the political

economy. Thus, this approach can alleviate the crisis in confidence in the federal government. Furthermore, it can solve the fiscal crisis facing the federal government without resorting to the tactics of orthodox economics; it can still pay homage to the social promises of the New Deal while reducing social expenditures and it can still provide a coherent regulatory schema without resorting to the coercive methods employed by the regulatory approach.

ENDNOTES

1. This new "paradigm" was proclaimed as the new "paradigm" for public administration and for public policy in Vincent Ostrom, The Intellectual Crisis in American Public Administration (University, Alabama: University of Alabama Press, 1974), especially pp. 13-20. Ostrom does admit that Thomas Kuhn's work on paradigmatic shifts in scientific understanding is concerned with the physical sciences: Thomas S. Kuhn, The Structure of Scientific Revolution (Chicago: University of Chicago Press, 1962). Nevertheless, Ostrom uses Kuhn's symptoms of crisis to explain the present setting for (and the need for) a paradigmatic shift in the study of public administration. Ostrom's conviction to use Kuhn's categories of crisis and the term "paradigms" to describe alternative approaches to public administration suggests two deficiencies shared by most welfare economics/public choice advocates: (a) a belief that the study of social sciences is finally reducible to solely scientific explanation and (b) a belief in their "paradigm" that transcends the rigor of scientific neutrality.

Ostrom's work, though, is not just a push for a new "paradigm" for public administration. It is a push for a new public policy "paradigm." Public policy is also seen by Ostrom as susceptible to solely scientific explanations and predictions. The art of politics is to become the science of economics combined with the technology of individual interests.

2. For examples, see James M. Buchanan and Gordon Tullock, The Calculus of Consent: Logical Foundations of Constitutional Democracy (Ann Arbor, Michigan: University of Michigan Press, 1962). In political science, an influential work in the same mode of analysis is Anthony Downs, An Economic Theory of Democracy (New York: Harper and Row, 1957).

3. For examples, see Allen V. Kneese and Blair T. Bower, Managing Water Quality: Economics, Technology, Institutions (Baltimore: Johns Hopkins Press for Resources for the Future, 1968); A. Myrick Freeman, Robert H. Haveman, and Allen V. Kneese, The Economics of Environmental Policy (New York: John Wiley, 1973); Allen V. Kneese and Charles L. Schultze, Pollution, Prices and Public Policy (Washington D.C.: The Brookings Institution, 1975).

4. Garret Hardin, "The Tragedy of the Commons," in Managing the Commons , eds. Garrett Hardin and John Baden (San Francisco: W. H. Freeman and Co., 1977), pp. 16-30. See discussion in Cahpter II.

5. Administrators would still have to determine the costs for cleanup of many different pollutants. Furthermore, if effluent fees are to correspond to the costs associated with cleaning up the pollution (and serve as a deterrent to excessive pollution), then fees might have to consider the ability of the water resource to handle pollutants. For example, swiftly running rivers can handle more biodegradable pollutants than sluggish rivers of the same size. Even if charges for each discrete pollutant are set nationally, regardless of the water resource's ability to handle pollutants, administrators must still struggle with two important problems.

First, synergistic effects are difficult to calculate and predict. Synergistic effects result when two or more pollutants (sometimes even pollutants which pose only slight dangers) combine and create a new pollutant more hazardous to the environment than the sum of the hazard posed by the discrete pollutants. When two or more companies are producing the discrete pollutants, it is very difficult to assign equitable costs under a polluter-pays approach.

Second, companies may keep producing new pollutants (by altering slightly the chemical structure of old pollutants) which effluent experts must price-in to the system and, also, deal with possible new synergistic effects. For a discussion of this possible move by polluting companies, see Chapter VIII.

6. See Chapter III.

7. Put most simply, an effluent fee system reduces some information demands, but it also leaves many in place and does create some new information demands. See endnote 5, above.

8. Under a regulatory schema, very few, if any, regulated enterprises can fail before the legitimacy of the approach is undermined. In an effluent fee approach, some enterprises should fail, given their inability to adapt to the internalization of the "external" costs of pollution. Failures become part of the normal market mechanism which the effluent fee system is designed to uphold.

9. Charles L. Schultze, The Public Use of Private Interest (Washington D.C.: The Brookings Institution, 1977), p. 56.

10. Michael H. Best and William E. Connolly, The Politicized Economy (Lexington, Massachusetts: D. C. Heath and Co., 1983), p. 55.

11. Lawrence C. Dodd, "Congress and the Quest for Power," in Congress Reconsidered, eds. Lawrence C. Dodd and Bruce I. Oppenheimer (New York: Praeger Publishers, 1977), pp. 269-307.

12. Schultze, The Public Use of Private Interest, pp. 61-62.

13. A "free-rider" is one who does not reveal his true preferences by not valuing (or by undervaluing) public goods and services of which he will partake. He takes a free-ride on the public's back.

14. The ambiguity with which even the best minds in Public Administration approach the question of public unions can be seen in the ambiguous and short account of the issue in Dwight Waldo, The Enterprise of Public Administration: A Summary View (Novato, California: Chandler and Sharp, 1980), pp. 177-178.

15. Charles E. Lindblom, "The Science of Muddling Through," Public Administration Review 19 (Spring 1959): 79-88.

16. Schultze, The Public Use of Private Interest, p. 5-6.

17. For example, see endnote 29 of Chapter V.

18. Schultze, The Public Use of Private Interest, p. 29.

19. Ostrom, The Intellectual Crisis, p. 1.

20. Ostrom, The Intellectual Crisis, p. 126.

21. See endnote 5, above.

22. Schultze, The Public Use of Private Interest, p. 21.

23. The important thing to know is how to channel the activities of of all (companies and citizens). This demands not particular knowledge of the actors, but, rather, general theories of behavior for self-maximizing units.

24. Indeed, it is not even important for citizens to know how the system works as long as they react accordingly. Reflective thought and action can be replaced by behavior.

25. See Chapter VI.

26. Frances Fox Piven and Richard A. Cloward, Regulating the Poor: The Functions of Public Welfare (New York: Vintage Books, 1971), pp. 287-340.

27. For a theoretical defense of administrative advocacy, see Frank Marini, ed., Toward a New Public Administration: The Minnowbrook Perspective (Scranton: Chandler Publishing Co., 1971). For an attack on administrative advocacy and on the New Public Administration, see Victor A. Thompson, Without Sympathy or Enthusiasm: The Problem of Administrative Compassion (University, Alabama: University of Alabama Press, 1975). Thompson makes some telling points in his critique of the New Public Administration, but he fails to acknowledge that advocacy for the basic rights of citizens facing institutionalized racism is, indeed, different from advocacy for groups which have not faced such discrimination.

28. Participation by citizens in the decisions of government faces two problems: (a) the centralized structure of modern bureaucracies, and (b) the very nature of modern science. The latter problem is well beyond the scope of this work.

29. For a discussion of the various levels of access to government decisions, see E. E. Shattschneider, The Semi-Sovereign People: A Realist's View of Democracy in America (New York: Holt, Rinehart and Winston, 1960). For a discussion of the increase in groups' using their veto power in policy making, see Lester C. Thurow, The Zero-Sum Society: Distribution and the Possibilities for Economic Change (New York: Penguin Books, 1981).

30. This has been most obvious in the case of

Social Security. The elderly's successful defense of Social Security funding during the early 1980s illustrates the potential power of interest groups without large economic resources, but with strong agreement on a specific issue and with a history of high voter turnout.

31. The return to orthodox economics, albeit armed with fresh moral arguments, is the intent of a book which has served as the Reagan Administration guidebook: George Gilder, Wealth and Poverty (New York: Bantam, 1981).

32. This is a problem that will face any Executive who tries to cut the domestic budget. Interest groups certainly have no present incentives to allow their share of public funds to be reduced. The only incentive (outside of crisis politics, which is always an option for the Chief Executive who is, of course, also the Commander-in-Chief) is an appeal to the public good. An appeal to the public good, though, is unlikely to be a successful approach by an administration which preaches and practices a "politics of greed."

33. The exposition of these irrationalities was made all too obvious in the first two years of the Reagan Administration's Environmental Protection Agency.

34. Vincent Ostrom might not agree with these suggestions made by Charles Schultze: Schultze, The Public Use of Private Interest, pp. 61-63. Even within the welfare economics/public choice circles there is some "political" controversy. Schultze is on the left of a very narrow spectrum.

35. Schultze approves of this mystical "black box" description of the workings of the market. His approval stems from his belief that it is hard to blame failure in the market on the mysterious workings of the "black box." Schultze, The Public Use of Private Interest, pp. 76-77.

CHAPTER VIII

THE DEPOLITICIZATION OF PUBLIC POLICY

Bad Diseases and Worse Cures

We have seen in the last chapter the allure of a welfare economics/public choice approach to public policy in the United States. In this chapter, I will argue that the cure is worse than the diseases. A welfare economics/public choice approach offers, at best, superficial cures for the maladies produced by the previous public policy approaches we have examined. Beyond the superficiality of a welfare economics/public choice approach, though, lingers a philosophy of public/private relations and a conceptualization of human thought and action which threaten the very possibility of good government; for a welfare economics/public choice approach asserts the most anemic view possible of the public good and denies the possibility of good citizenship. This harsh judgement of a welfare economics/public choice approach can be best substantiated by (a) examining the effects of this approach on the four policy approaches employed in the United States in this century, (b) revealing the

theoretical barrenness of this approach and (c) unveiling the anti-political social conditions which this approach engenders and, indeed, in which it would operate most efficiently. We turn first, then, to an examination of the welfare economics/public choice solutions to the problems posed by previous public policy approaches undermine the possiblity of good public policy.

Essential Qualities in Regulatory Policy

A welfare economics approach to regulatory policy suffers from three fundamental flaws. The first flaw is a result of a failure by welfare economists to pursue fully their own assumptions about the nature of self-maximizing private enterprises. Polluting enterprises may respond to effluent fees with reductions in discharges and with the creation of innovative pollution abatement technology. However, an alternate response by self-maximizing corporations is the creative restructuring of chemical pollutants. Corporations may alter the chemical composition of their effluents and create new pollutants that are not covered by existing governmental effluent fee schedules. As each new and innovative discharge is produced, federal government

experts will be forced to evaluate and then recommend new fee schedules.[1] Once the new discharge is "costed-in" to the production process by effluent fees, the response will be the slight chemical alteration of discharges and the creation of new and uncovered effluents. Such behavior may well be both self-maximizing and innovative. It is also guaranteed to lead government effluent experts on a never-ending chase after new effluents and a never-ending restructuring of effluent fee schedules. The information burden posed by this behavior is large, especially when effluent fee experts must also adjust effluent fee schedules to account for the synergistic effects of new pollutants.[2]

It is, of course, true that not all polluting enterprises will be able to take advantage of effluent fees through creative discharges. In some industries, for example the wood milling enterprises, the costs of pursuing innovative pollutants may outweigh the costs of new pollution abatement technology. However, within those industries which produce a variety of chemical discharges, the incentive to decrease costs without reducing discharges may lead to a continuing scramble as effluent fee experts chase after the elusive new discharges produced by self-maximizing corporations.

The chances that such a mad scramble will occur are heightened by an even more fundamental flaw in the welfare economics approach to public policy: the failure to grasp the distinction between the letter of the law and the spirit of the law. Despite the problems with the traditional statutory approach to regulation of private enterprises, the statutory approach acknowledged the importance of the spirit of the law. Private enterprises were expected to comply with both the restrictions and the intent of the law. In a welfare economics approach, there is no spirit of the law. Reflection on the intent of the law is not necessary because the intent of the law is to be realized through unreflective profit maximization. As long as the private sector actors remain within the letter of law, anything goes.

Under the statutory approach, few companies abided by the spirit of the law. This, however, is no reason to give up on the importance of the spirit of the law in civilized society. Corporate irresponsibility was not the result of the statutory approach, but rather was the result of a legal fiction which provided the corporation with the legal status of an individual without the civic responsiblities and the state of accountability demanded of individual citizens. Indeed, the legal fiction of

the corporation as individual raised the status of corporations at the same time that it demeaned the idea of citizenship. The corporation as an individual set an example of irresponsibility, and left a trail of self-maximizing behavior devoid of the spirit of the law, for "real" individuals to follow. A good society cannot be based solely on the letter of the law conception of individual thought and action. All laws, as all rules, are open to interpretation and abuse. Faced with creative self-maximizers as "citizens," government is forced to respond continually with ever more detailed and rigid laws. Without an acceptance of the spirit of the law, government is caught in an infinite regress of writing laws to cover all possible circumstances and interpretations. This is not only futile, it creates a situation antithetical to the very foundation of good government: the laws should be simple, straightforward and few so that citizens can know and understand the law, and, thus, act within both the letter and the spirit of the law.

The proliferation of administrative rules and laws in such agencies as the Occupational Safety and Health Administration (OSHA) need not be the result of bureaucratic intrigue, of bureaucratic idiocy or, even, of the statutory approach to regulation of the

workplace.[3] Rather, the proliferation of rules may be the result of self-maximizing corporations which will use any possible interpretation of the letter of law to reduce production costs at the expense of worker safety. Welfare economists confuse cause and effect: OSHA nitpicks not because it is a nitpicker, but because many corporations creatively construe general rules on workplace safety to the detriment of workplace safety.

The effects of a welfare economics approach to government regulation of the private sphere are to diminish further the spirit of the law in the United States, and to undermine the achievement of responsible and reflective citizenship which has made social life, without tyranny, possible. Rather than attempting to reconstruct the legal fiction of the corporation as an individual, welfare economists wish to reconstruct the nature of citizenship in order that "real" individuals will assume the unreflective and irresponsible character of private corporations. Indeed, incentive/disincentive packages are not proffered by welfare economists just for the regulation of corporations, but also for the control of citizen activity. Good citizens, in a welfare economics approach, do not need to understand the spirit of the laws, they simply need to (re)act to the incentive/disincentive systems in society as

unreflective self-maximizers.

The third flaw of a welfare economics approach to regulatory policy is the result of the failure of welfare economists to understand and appreciate the character of legitimate public action during previous public policy approaches. Government actions depended upon providing remedies to social and economic problems which (a) were directly linked with the problems to be addressed and (b) created both rights and obligations for citizens and for private enterprises. The failure of public choices was the result of the application of inappropriate methods, or of the irresponsibility of public or private actors. If the failure was the result of irresponsiblity, then citizens could, and did, hold reflective actors accountable for their actions. If failure was the result of inappropriate methods, then either new approaches should be tried or the project should be scrapped. In any case, citizens were able to determine the connection between means and ends in public policy and were, thus, able to examine and critique the use of public authority. Government authority did, and must, rest on a transparency of means and ends so that citizens can reflect on, and distinguish between, legitimate and illegitimate authority.

In a welfare economics schema, authority is masked and citizens are not expected to distinguish between either rights and obligations, or between legitimate and illegitimate authority. The failure of an incentive/disincentive approach will be construed as either the failure of experts to build the correct incentive packages or the failure of private actors to act solely as unreflective profit self-maximizers. The correct cure is not to question to deployment of incentive systems, but rather to redesign the incentive packages. Once one has accepted the assumptions of welfare economics, the only rational response is to amend and to <u>extend</u> incentive packages in an eternal quest to control the behavior of innovative profit self-maximizers, personal and corporate. Because incentive packages are not designed to be transparent, their extension into more and more areas of social life makes the critique of illegitimate authority difficult, if not impossible. The "nature-like" quality of incentive systems (by "nature-like" welfare economists mean as unaccountable as Nature) threatens the distinction between legitimate and illegitimate authority, and, thus, undermines a foundational element in both republican and democratic theories of legitimate government.

Essential Commitments in the New Deal Provision of Goods and Services

A welfare economics/public choice approach to the provision of goods and services will shrink government expenditures and reduce citizen demand for more goods and services by (a) privatizing many public services and (b) operating remaining services on the criterion of private enterprises, cost-effectiveness. Yet, since before the turn of the century, government agencies have developed selection and evaluation procedures, internal norms, and structural constraints which, correctly, reject the amoral standards and the amoral aims of private enterprises. Merit exams, openness in procedures and decisions, and tenure in office in return for non-partisanship are all methods to ensure that public agents in public bureaucracies remain committed to procedures and goals which have eluded bureaucracies in the private sphere.[4] Public agencies maintain a commitment to equity, to equal opportunity and to the public good, as well as a recognition of the symbolic effects of their activities. These commitments and this recognition are not acknowledged by private enterprises and the result in the United States has been the development of a <u>moral public sphere and an amoral private economic sphere</u>. These commitments and this

recognition cannot be infused in private agencies providing formerly public goods by creating new incentive packages. The concern for equity, the enactment of equal opportunity, the pursuit of the public good and the understanding of the symbolic power granted by public authority are reflective achievements of human thought and action, and can never be the result of simple stimulus-response behavior induced by incentive systems. The public sphere has always questioned and demoted the criterion of cost-effectiveness because cost-effectiveness is only one constituent element of effectiveness in a sphere maintained by reflection on morality and human values.

In the attempt to alleviate the burden of responsibilities accepted by governments at all three levels of the federal system, a welfare economics/public choice approach is willing to destroy the distinction between the values of the public sphere and the values of the private economic sphere. The result is the collapse of the public sphere into the private sphere and a loss of the very values which helped establish public action and which grounded the distinction between citizen and consumer.

Essential Qualities in the Scientific Planning Approach

Although the scientific planning approach did try to claim that accountability sometimes rested on professional-scientific standards, the scientific approach did accept the concepts of responsible action and accountable public action which had been nurtured during the New Deal. Indeed, as we saw in Chapter VI, it was the failure of the scientific planning approach to address responsibly the concerns of many citizens (especially the black poor) which finally led scientific planners to argue that their approach must be supplemented by a participation movement. It was this participation movement which politicized citizens, thus creating increasing demands for responsibility and for accountability which engendered a legitimation crisis which welfare economics/public choice advocates claim they can solve. As should be obvious, though, the privatization of public agencies is not designed for either greater public responsibility for the quality of life of citizens or for greater public accountability to citizens. It is also unlikely that incentive systems will reduce the size of the federal bureaucracies which grew during the scientific planning approach. We will first examine the ability of a welfare economics/public

choice approach to reduce the size of government and then examine the issues of public responsibility and public accountability.

If we are correct in the assumptions that profit self-maximizers are both innovative in their behavior and ignorant of the spirit of the law, then arguments that a welfare economics/public choice approach will reduce the size of government are probably incorrect. Incentive systems will have to be adapted constantly to meet the challenges of innovative behavior which responds to all statutes and incentives not with reflection on the proper action to take, but with an eye toward the cheapest and easiest behavior to pursue. Administrators responsible for incentive packages will be involved in never-ending revisions of their packages and the development of new packages to deal with the behavior of private individuals and private enterprises. As long as cost-effectiveness remains the chief criterion of private enterprises providing formerly public goods and services, public administrators will have to develop incentive packages to ensure that private enterprises live up to minimal standards of decency and competence. It should be obvious that large administrative organizations are necessary to control individuals and to regulate some private enterprises,

but why should it be necessary to develop administrative organizations to create incentive packages for private enterprises providing formerly public goods and services? The answer is that without such incentive-control administrative organizations, there will be no incentives (in the market) for private enterprises to supply quality public goods and services. An example can illustrate this problem.

Public fire companies are expensive enterprises. However, because public fire companies are staffed by persons who are (a) guaranteed a career, (b) guaranteed a pension and (c) infused with an "esprit de corps" which causes firefighters to place public safety above their own private safety, the quality of service offered by public fire companies is excellent. Private companies, because they would be under contract to local governments, cannot guarantee a stable career or a reasonable pension to their employees, or even guarantee moderate heroics by their employees. Private companies which did offer generous salaries, tenured positions, reasonable pensions and quality service would be placed in jeopardy every time the contract between the company and the local government ended and new bids for a new contract were accepted. We want more than cost-effectiveness from a fire company and, thus, either

incentive systems would have to be developed (e.g., bonuses awarded for fewer deaths per year and/or lower total fire damage costs per year) or contracts would have to be made more permanent. The first solution would be difficult and the second solution would be a return to fire service as usual.[5] It certainly can be argued that this is an extreme case, but it applies in varying degrees to a host of other services including ambulance service and public education.

It can be argued, of course, that other factors than cost-effectiveness can be added to the calculation which will determine which companies will deliver the goods or service. Such attempts, however, demand that the "willingness-to-pay" criterion be adjusted in a political debate which undermines the elegance of the welfare economics/public choice approach and which reintroduces the very values which welfare economics/public choice advocates have explicitly disavowed. The growth of administrative agencies may be temporarily slowed by a welfare economics/public choice approach to the provision of goods and services, but large bureaucracies filled with scientific planners will soon be replaced with large bureaucracies filled with incentive design experts.

Public responsibility for the quality of life is

weakened by the welfare economics/public choice approach to the provision of goods and services. Responsibility in republican government demands more than simply toting up individual preferences for goods and services. Public choice advocates are not incorrect in accusing representative assemblies of providing goods and services to their constituents which would not be provided if provision depended upon the sum of individuals' willingness-to-pay for the goods and services. However, welfare economics/public choice advocates are incorrect in supposing that representative assemblies are simply conduits for popular opinion. Responsible representatives are expected to reflect the majority opinions of their constituents, but they are also expected to inform, enhance and shape the opinions of their constituents.[6] The goal in representative assemblies is not the summation of all constituents' opinions; representatives are not merely pollsters and mathematicians. The goal in representative assemblies is to transcend the summation of private self-interests and to posit policies for the public good. Responsible representation includes voting against the majority opinions, on occasion, and voting for community interests which are not always identical to the interests of any specific constituency. Representation

and government responsibility are concepts which elude precise empirical definition and, thus, elude most welfare economics/public choice advocates. Nevertheless, they remain important concepts which guide political life in human communities.

Accountability in republican government is also a concept which eludes precise empirical definition. Accountability to the public for public actions is not simply the accounting of dollar costs and dollar benefits. Welfare economics/public choice advocates have been correct in arguing that post-New Deal politics have generated responsibilities for governments beyond the power given to governments to warrant such responsibilities. Their solution, though, -- the return of responsibility and accountability to the market place -- is not a solution to, but a rejection of, government responsibility and accountability. The nature-like market cannot be held accountable, because there is focus for neither blame nor praise, nor is there finally any concept of public action within the market place. This last point is important because the welfare economics/public choice advocates wish to reduce public action, but not to eradicate it.[7] Thus, some form of accountability is necessary even in a welfare economics/public choice approach. However, as we shall

see in the next section, the remains of accountability which the welfare economics/public choice advocates proffer are neither compelling to citizens nor informative for citizens.

Essential Commitments of the Participation Approach

The "hyper-politicization" of citizens caused by the participation movement can be alleviated in a welfare economics/public choice approach by a redefinition of citizen participation. Citizen participation will be based not on (a) participation in interest group politics or (b) participation in responsible democratic forums, but by participation in "willingness-to-pay for services" polls. Isolated individuals (without isolation, "free-riding" will occur and ruin the poll) will be queried on their willingness to pay for public goods and services. Public policy choices will be made by aggregating individual preferences. The definition of good citizenship will be the ability of isolated self-maximizers to assess their personal interests and to reveal their preferences in accurate dollar totals. The mark of good policy will be the ability to sum dollar preferences and to provide goods and services within the constraints of the final

summations.

<u>Of course, then, a welfare economics/public choice approach to public policy rejects the very foundation of democratic and republican thought: the ability of individuals to come together and to discuss issues in a forum that allows them to rise above their personal interests and decide on the public good.</u>

Accountability for the public interests (there is no longer a "public good") is shifted from public representatives and public agents to the market place <u>and</u> onto the shoulders of individuals who provided the preferences which were aggregated. An insufficiency of public goods and services is necessarily the fault (if there is fault and not just the whims of the market place) of individuals who revealed their preferences incorrectly or inaccurately. Citizens, who are denied the capacity to determine goals intersubjectively, are the culprits of public policy failures.

In the pursuit of minimizing the responsibilites of government and of defusing the "hyper-politicization" of citizens, a welfare economics/public choice model is willing to deny the political capacities of citizens and to deny the possibility of the public good. Furthermore, by draining the concepts of "politics" and of "citizen" of their meaning, a welfare

economics/public choice approach is willing to blame citizens for the failure of public policies created in a political and moral vacuum.

The Tragedy of a Welfare Economics/Public Choice Approach to Public Policy

The dangerous consequences which we have just examined of a welfare economics/public choice approach -- the collapse of the public sphere into the private sphere, the masking of government responsibility, and the rejection of the value of intersubjective (democratic) communication, and, thus, the rejection of the public good -- are all the result of an attempt to reconstruct two prime categories of political understanding. These categories are humans and goods. In the history of political thought, humans have been understood as political beings within a community, a group, a class or a species. Goods were understood as having specific relations to the needs and wants of political beings within the political economy of the society. Public authority rested on the ability of political beings to determine intersubjectively the needs and wants of political beings within human associations.[8] In a welfare economics/public choice

approach, humans are not understood as political beings, but rather as individual self-maximizers. Goods are not understood as having specific relations to political beings, but as having generalizable relations to each individual (i.e., more is better). In the reconstruction of these two categories of political understanding, a welfare economics/public choice approach inverts the relationship between humans and goods and, thus, removes the needs for political thought and action by citizens and the need for forums of political discourse.

We can now finally see the importance of Garret Hardin's fable, "The Tragedy of the Commons," for a welfare economics/public choice approach. Only by positing a transcendent view of humans as individual self-maximizers can welfare economics/public choice advocates hope to overthrow a tradition of political thought (and an everyday self-understanding by humans) which is grounded in the moral quality and the political capacity of citizens. Citizens must be convinced that they are, indeed, incapable of resolving problems outside of a solely self-interested economic framework. The only political awareness demanded of citizens is that they realize that political solutions must be abandoned and that reflection must be replaced by self-

interested behavior. Hardin's fable is important in convincing humans of their political inabilities because it posits that humans never had such abilities in the first place; crises were managed by scarcity which was produced by the whims of nature or the whims of invading barbarians. The lesson is that there is no political tradition of thought and action in human affairs; rather, there is just the timeless self-interested individual finally unleashed by the marvels of the natural sciences.

Hardin's lesson <u>is</u> compelling for two reasons. First, modern corporations live down to this model of the self-maximizing individual. Second, humans are self-interested beings; <u>but</u>, this is just one constitutive element of a successful human. Humans are also moral, altruistic, reflective and political. These latter qualities, though, must be denied or, at least, must be judged unimportant in the modern world by welfare economics/public choice advocates. The denial or denigration of these constitutive elements is necessary in order to (a) convince the doubter of the appropriateness of a welfare economics/public choice approach and (b) compel the citizen to retard these qualities and bask in the light of pure self-interest. Both convincing and compelling the individual are

necessary, because the success of a welfare economics/public choice approach depends upon individuals' acting on pure self-interest. The failure of the individual to pursue his/her pure self-interest clogs the gears of a welfare economics/public choice approach, because altruistic citizens may not respond to incentives or reveal their "true" self-interest when allowed to "participate" in the selection of public goods and services. Indeed, the success of a welfare economics/public choice approach rests upon the realization of an array of social conditions all dependent on the depoliticization of public policy and on the depoliticization of society.

The ideal conditions for a welfare economics/public choice approach depend upon four fundamental changes in society in the United States. Each change undermines the political achievements upon which previous public policy approaches were based. Given the inadequacies of previous approaches, this may not seem much of a loss. However, all four previous approaches were built on and around a concept of the public good, an appreciation of the legitimate tasks of government and a belief in (and commitment to) reflective, responsible citizenship. A welfare economics/public choice approach disavows these core concepts of responsible politics.

First, a welfare economics/public choice approach demands the extreme depoliticization of society. Political truths are no longer the product of reflective citizens earnestly pursuing the public good within democratic forums. Rather, politcal "truths" are seen simply as the aggregation of individual opinions which must be voiced in isolation from other citizens. Justice and equity become mathematically determinable and no longer must rest on reflection and dialogue and an understanding of particulars in the world. Political rights are products of economic opinion and not the product of reflection on the role of the individual within the life of the community. Freedom becomes simply the anemic freedom to voice one's economic preferences. The need to ponder, much less engage in reflective dialogue about, justice, ethics, rights and freedom is undermined.

Second, a welfare economics/public choice approach attempts to mask questions of legitimate authority. Politics, though, can achieve both great good and great evil. Thus, within a liberal state, citizens must be able to distinguish between legitimate and illegitimate authority. This involves more than an understanding by citizens of the ends of political action; it involves an understanding of the means of political action.

Government has a responsibility to lay bare (to make transparent) each step in the means to political ends. A welfare economics/public choice approach obscures authority and severs questions of responsibility and accountability from a political framework in which illegitimate authority may be critiqued.

Third, a welfare economics/public choice approach portends the collapse of the public sphere into the private economic sphere. The legitimacy of public actions has, correctly, within the United States been premised on the character and commitment of public employees. As we have seen, the <u>ethical</u> character of public employees has been formally acknowledged since the Pendleton Act of 1883 and the commitment to the public good by public employees has been legally recognized since the Act to Regulate Commerce of 1887. This character and this commitment have produced a <u>public</u> administration which holds effectiveness above efficiency. Effectiveness includes a dedication to fairness, a quest for open procedures and an understanding of the symbolic effects of public action which transcend the mathematical accountability of efficiency. A welfare economics/public choice approach attempts to replace public sector values with the criterion of private sector efficiency.

Fourth, a welfare economics/public choice approach demeans the reflective achievements of political beings by arguing that politics can be seen as stimulus-response behavior to economically derived incentives. The vending machine society becomes the vending machine "polity." Citizens become consumers and humans become Skinnerian pigeons, albeit efficient pigeons. Thought is not replaced by action, but instead is replaced by behavior. This result is not unintended. The goal of a welfare economics/public choice approach is prediction and control in the name of social stability. The goal of the good society is replaced with the goal of the predictable, yet unaccountable, society.

These four ideals are necessary to purge society of those who might be moved by politics to ask the difficult questions which, necessarily, politicize human lives. Just as eighteenth and nineteenth century political-economists desired to convince individuals that the decline of the commons was the inevitable outcome of individual liberation from the moral constraints on greed, the proponents of a welfare economics/public choice approach desire to create individuals who will fit their model of a placid, yet "interested," individual.

A welfare economics/public choice model does, then,

provide strategic answers to certain policy problems. However, its method of answering and the answers themselves provide no foundation for a public policy approach that could responsibly deal with political questions and values that must be reconciled and re-reconciled within a political and democratic setting. A welfare economics/public choice approach to public policy marks not the beginning of a new and enlightened approach to difficult political issues, but, instead, a march into the sea of technique, efficiency without responsibility, numbers without values, policy without politics.

ENDNOTES

1. A brief discussion of the problem of an infinite negative regress as the product of effluent fee experts chasing after polluting companies which are self-maximizing and without regard for the intentions (and spirit) of the law can be found in Michael H. Best and William E. Connolly, The Politicized Economy (Lexington, Massachusetts: D. C. Heath and Co., 1982), pp. 81-84.

2. For an explanation of synergistic effects, see endnote 5, Chapter VII.

3. For example, see the discussion and convoluted analysis provided in Charles L. Schultze, The Public Use of Private Interest (Washington D.C.: The Brookings Institution, 1977), pp. 55-56.

4. Openness in procedures and decisions is, of course, still far from perfect in federal agencies. For an excellent discussion of areas where openness could be increased and of areas where some secrecy remains necessary (e.g., the Anti-Trust Division of the Department of Justice), see Kenneth Culp Davis, Discretionary Justice: A Preliminary Inquiry (Urbana, Illinois: University of Illinois Press, 1977), especially pp. 198-205.

5. In either case, some methods would have to be developed to ensure that private fire companies did not have incentives to underreport the occurrence (and the damage costs) of fires. Whenever honesty and integrity are replaced with economic incentives, then the proliferation of ethical watchdogs is necessary.

6. For a rich and enlightening analysis of the complicated (and not easily quantified) nature of representation in republican government, see Hanna Fenichel Pitkin, The Concept of Representation (Berkeley: University of California Press, 1972).

7. Welfare economics/public choice advocates cannot eradicate public action for two reasons. First, public action is needed to maintain those laws necessary for the private economy (e.g., property laws). Second, public action is needed because citizens must occasionally rise above their self-interests and

authorize actions by legislators and welfare economists which will channel citizens' self-interests into the grander scheme. On this second point, see William E. Connolly, ed., Appearance and Reality in Politics (Cambridge: Cambridge University Press, 1981), pp. 90-119.

8. Joseph Cropsey, "What is Welfare Economics?," in Political Philosophy and the Issue of Politics, ed. Joseph Cropsey (Chicago: University of Chicago Press, 1977), pp. 19-31.

BIBLIOGRAPHY

An Act to Regulate and Improve the Civil Service of the United States. Statutes at Large, vol. 22 (1883).

An Act to Regulate Commerce. Statutes at Large, vol. 24 (1887).

Arnstein, Sherry R. "Maximum Feasible Manipulation." Public Administration Review 32 (September 1972):377-389.

Atkins, Willard E.; Friedrich, A. A.; and Wyckoff, Viola. Economic Problems of the New Deal. New York: F. S. Crofts and Co., 1934.

Banfield, Edward C. "Comments on a Symposium on Nixon, the Great Society and the Future of Social Policy."Commentary, May 1973, pp. 31-34.

________. "Policy Science as Metaphysical Madness." In Bureaucrats, Policy Analysts, Statesmen: Who Leads?, pp. 1-19. Edited by Robert A. Goldwin. Washington D.C.: American Enterprise Institute for Public Policy Research, 1980.

Best, Michael H., and Connolly, William E. The Politicized Economy. Lexington, Massachusetts: D. C. Heath and Co., 1982.

Berkowitz, Edward D., and McQuaid, Kim. "Businessman and Bureaucrat: The Evolution of the American Social Welfare System, 1900-1940." The Journal of Economic History 38 (March 1978):120-142.

Bernstein, Barton J., and Matusow, Allen J., eds. The Truman Administration: A Documentary History. New York: Harper and Row, 1968.

Buchanan, James M. Cost and Choice: An Inquiry in Economic Theory. Chicago: Modern Publishing Co., 1969.

Buchanan, James M., and Tullock, Gordon. The Calculus of Consent: Logical Foundations of Constitutional Democracy. Ann Arbor, Michigan: University of Michigan Press, 1962.

Buchanan, James M., and Tullock, Gordon. "Polluter's Profits and Political Response: Direct Controls Versus Taxes." The American Economic Review 65 (March 1975):139-147.

Champagne, Anthony. Legal Services: An Exploratory Study of Effectiveness. Sage Professional Paper, Administrative and Policy Studies Series, vol. 3, series no. 03-028. Beverly Hills and London: Sage Publications, 1976.

Cochran, Thomas C. Business in American Life: A History. New York: McGraw-Hill Book Co., 1972.

Conkin, Paul K. The New Deal. New York: Thomas Y. Crowell Co., 1967.

Connolly, William E., ed. Appearance and Reality in Politics. Cambridge: Cambridge University Press, 1981.

Cropsey, Joseph. "What is Welfare Economics?." In Political Philosophy and the Issue of Politics, pp. 19-31. Edited by Joseph Cropsey. Chicago: University of Chicago Press, 1977.

Crowe, Beryl L. "The Tragedy of the Commons Revisited." In Managing the Commons, pp. 53-65. Edited by Garret Hardin and John Baden. San Francisco: W. H. Freeman and Co., 1967.

Cunningham, William J. American Railroads: Government Control and Reconstruction Policies. Chicago: A. W. Shaw Co., 1922.

Cushman, Robert E. The Independent Regulatory Commissions. New York: Oxford University Press, 1941.

Dale, Edwin L., Jr. Conservatives in Power: A Study in Frustration. Garden City, New York: Doubleday and Co., 1960.

Davis, Kenneth Culp. Discretionary Justice: A Preliminary Inquiry. Urbana, Illinois: University of Illinois Press, 1977.

Dearing, Charles L.; Homan, Paul T.; Lorwin, Lewis L.; and Lyon, Leverett S. The ABC of the NRA. Washington D.C.: The Brookings Institution, 1934.

Divine, William R. "The Second Hoover Commission Reports: An Analysis." Public Administration Review 15 (Autumn 1955):263-269.

Dodd, Lawrence C. "Congress and the Quest for Power." In Congress Reconsidered, pp. 269-307. Edited by Lawrence C. Dodd and Bruce I. Oppenheimer. New York: Praeger, 1977.

Doezema, William R. "Railroad Management and the Interplay of Federal and State Regulation, 1885-1916." Business History Review 50 (Summer 1976):153-178.

Downs, Anthony. An Economic Theory of Democracy. New York: Harper and Row, 1957.

Employment Act of 1946. Statutes at Large, vol. 60 (1946).

"EPA: Change After Burford." Newsweek, 21 March 1983, p.23.

First Report of the Commission on Organization of the Executive Branch of Government, H. Doc. 55, 81st Cong., 1st sess., 1949.

Flash, Edward S., Jr. Economic Advice and Presidential Leadership: The Council of Economic Advisers. New York: Columbia University Press, 1965.

Freeman, A. Myrick; Haveman, Robert H.; and Kneese, Allen V. The Economics of Environmental Policy. New York: John Wiley, 1973.

Friendly, Henry J. The Federal Administrative Agencies: The Need for Better Definition of Standards. Cambridge, Massachusetts: Harvard University Press, 1962.

Fusfeld, Daniel R. The Economic Thought of Franklin D. Roosevelt and the Origins of the New Deal. New York: Columbia University Press, 1956.

Gilder, George. Wealth and Poverty. New York: Bantam, 1981.

Golembiewski, Robert T. "A Critique of 'Democratic Administration' and Its Supporting Ideation." American Political Science Review 71 (December 1977):1488-1507.

Gordon, Glen. The Legislative Process and Divided Government: A Case Study of the 86th Congress. Amherst, Massachusetts: Bureau of Government Research at the University of Massachusetts, 1966.

Green, Mark J., ed. The Majority Makers. New York: Grossman, 1973.

Habermas, Jurgen. Legitimation Crisis. Translated by Thomas McCarthy. Boston: Beacon Press, 1975.

Hamby, Alonzo L. Beyond the New Deal: Harry S. Truman and American Liberalism. New York: Columbia University Press, 1973.

Hamilton, Alexander; Madison, James; and Jay, John. The Federalist Papers. Introduction by Clinton Rossiter. New York: Mentor, 1961.

Hardin, Garrett. "The Tragedy of the Commons." In Managing the Commons, pp. 16-30. Edited by Garrett Hardin and John Baden. San Francisco: W. H. Freeman and Co., 1977.

Harrington, Michael. "Comments in a Symposium on Nixon, the Great Society and the Future of Social Policy." Commentary, May 1973, pp. 39-40.

Harris, Seymour E. Economics of the Kennedy Years and a Look Ahead. New York: Harper and Row, 1964.

Hawley, Ellis W. "The New Deal and the Problem of Monopoly." In The New Deal: Analysis and Interpretation, pp. 73-89. Edited by Alonzo L. Hamby. New York: Weybright and Talley, 1969.

Heclo, Hugh. A Government of Strangers: Executive Politics in Washington. Washington D.C.: The Brookings Institution, 1977.

"How Do You Spell Relief?" Newsweek, 4 April 1983, p. 22.

Ickes, Harold L. The Secret Diary of Harold L. Ickes: The First Thousand Days, 1933-36. New York: Simon and Schuster, 1953.

Johnson, Richard Tanner. Managing the White House: An Intimate Study of the Presidency. New York: Harper and Row, 1974.

Karl, Barry Dean. Executive Reorganization and Reform in the New Deal: The Genesis of Administrative Management, 1900-1939. Cambridge, Massachusetts: Harvard University Press, 1963.

Keller, Robert R. "Monopoly Capital and the Great Depression: Testing Baran and Sweezy's Hypothesis." The Review of Radical Political Economics 7 (Winter 1975):65-75.

Keyserling, Leon H. "Deficiencies of Past Programs and Nature of New Needs." In Saving American Capitalism, pp. 81-94. Edited by Seymour E. Harris. New York: Alfred A. Knopf, 1948.

Knapp, Martin A. "National Regulation of Railroads." The Annals of the American Academy of Political and Social Science 26 (July-December 1905):613-628.

Kneese, Allen V., and Bower, Blair T. Managing Water Quality: Economics, Technology, Institutions. Baltimore: Johns Hopkins Press for Resources for the Future, 1968.

Kneese, Allen V., and Schultze, Charles L. Pollution, Prices and Public Policy. Washington D.C.: The Brookings Institution, 1975.

Kolko, Gabriel. Railroads and Regulation, 1887-1916. Princeton, New Jersey: Princeton University Press, 1965.

________. Reinterpretation of American History, 1900-1916. New York: The Free Press, 1963.

Kravitz, Sanford. "The Community Action Program -- Past, Present, and Its Future." In On Fighting Poverty, pp. 52-69. Edited by James L. Sundquist. New York: Basic Books, 1969.

Kuhn, Thomas S. The Structure of Scientific Revolution. Chicago: University of Chicago Press, 1962.

Lekachman, Robert. The Age Of Keynes. New York: Random House, 1966.

Lester, Richard A. "Truman Economics -- 1950 Model." New Republic, January 23, 1950, pp. 11-13.

Leuchtenburg, William E. Franklin D. Roosevelt and the New Deal: 1932-1940. New York: Harper and Row, 1963.

Levi-Strauss, Claude. The Savage Mind. Chicago: University of Chicago Press, 1966.

Levin, Arthur. The Satisficers. New York: The McCall Publishing Co., 1970.

Lindblom, Charles E. "The Science of Muddling Through." Public Administration Review 19 (Spring 1959):79-88.

Lineberry, Robert L. American Public Policy. New York: Harper and Row, 1977.

Link, Arthur S. Woodrow Wilson and the Progressive Era: 1910-1917. New York: Harper and Row, 1963.

Lloyd, William Forster. Lectures on Population, Value, Poor-Laws and Rent. New York: Augustus M. Kelley, 1968.

Lowi, Theodore J. The End of Liberalism. New York: W. W. Norton and Co., 1969.

Marini, Frank, ed. Toward a New Public Administration: The Minnowbrook Perspective. Scranton: Chandler Publishing Co., 1971.

McConnel, Grant. The Steel Seizure of 1952. University, Alabama: University of Alabama Press, 1955.

McDonald, Forrest. The United States in the 20th Century: 1900-1920, Volume I. Reading, Massachusetts: Addison-Wesley Publishing Co., 1970.

Macmahon, Arthur W.; Millet, John D.; and Ogden, Gladys. The Administration of Federal Work Relief. New York: DeCapo Press, 1971.

Merriam, Charles E. "The National Resources Planning Board; A Chapter in American Planning Experience." American Political Science Review 38 (December 1944):1075-1088.

Merriam, Lewis, and Schmeckebier, Lawrence F. Reorganization of the National Government: What Does It Involve?. Washington D.C.: The Brookings Institution, 1939.

Millet, John D. The Process and Organization of Government Planning. New York, Columbia University Press, 1947.

Miroff, Bruce. Pragmatic Illusions: The Presidential Politics of John F. Kennedy. New York: David McKay Co., 1976.

Mommsen, Wolfgang, J. The Age of Bureaucracy: Perspectives on the Political Sociology of Max Weber. New York: Harper and Row, 1977.

Moore, Barrington, Jr. Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World. Boston: Beacon Press, 1966.

Morehouse, Thomas A. "Program Evaluation: Social Research Versus Public Policy." Public Administration Review 32 (November-December 1972): 868-874.

Mosher, Frederick C. Democracy and the Public Service. New York: Oxford University Press, 1968.

Moynihan, Daniel P. Maximum Feasible Misunderstanding: Community Action in the War on Poverty. New York: The Free Press, 1969.

Murphy, Bruce. The Brandeis-Frankfurter Connection. Oxford: Oxford University Press, 1981.

Musgrave, Richard A., and Musgrave, Peggy B. Public Finance in Theory and Practice. New York: McGraw-Hill, 1976.

Neustadt, Richard E. Presidential Power: The Politics of Leadership with Reflections on Johnson and Nixon. New York: John Riley and Sons, 1976.

Ostrom, Vincent. "Can Federalism Make a Difference?" Publius 3 (Fall 1973):197-237.

________. The Intellectual Crisis in American Public Administration. University, Alabama: Alabama University Press, 1974.

Ostrom, Vincent, and Ostrom, Elinor. "Public Choice: A Different Approach to the Study of Public Administration." Public Administration Review 31 (March-April 1971):203-216.

Patterson, James T. Congressional Conservatism and the New Deal: The Growth of the Conservative Coalition in Congress, 1933-1939. Lexington, Kentucky: University of Kentucky Press, 1967.

Person, H. S. "Research and Planning as Functions of Administration and Management." Public Administration Review 1 (Autumn 1940):65-73.

Pitkin, Hanna Fenichel. The Concept of Representation. Berkeley: University of California Press, 1972.

Piven, Frances Fox, and Cloward, Richard A. Regulating the Poor: The Functions of Public Welfare. New York: Vintage Books, 1971.

Polanyi, Karl. The Great Transformation: The Political and Economic Origins of Our Time. Boston: Beacon Press, 1957.

Pressman, Jeffrey L., and Wildavsky, Aaron B. Implementation. Berkeley: University of California Press, 1973.

"Reagan's Toxic Turmoil." Newsweek, 21 February 1983, pp. 22-24.

Redford, Emmette S., and Blisset, Marlan. Organizing the Executive Branch: The Johnson Presidency. Chicago: University of Chicago Press, 1981.

The Report of the President's Committee on Administrative Management. Washington D.C.: United States Government Printing Office, 1937.

Richardson, Elmo. The Presidency of Dwight D. Eisenhower. Lawrence, Kansas: The Regents Press of Kansas, 1979.

Schick, Allen. "The Road to PPB: The Stages of Budget Reform." Public Administration Review 26 (December 1966):243-258.

Schultze, Charles, L. The Public Use of Private Interest. Washington D.C.: The Brookings Institution, 1977.

Selover, William C. "The View from Capitol Hill: Harassment and Survival." In On Fighting Poverty, pp. 158-187. Edited by James L. Sundquist. New York: Basic Books, 1969.

Sharfman, I. L. The Interstate Commerce Commission: A Study in Administrative Law and Procedure. New York: Harper and Row, 1969.

Shattschneider, E. E. The Semi-Sovereign People: A Realist's View of Democracy in America. New York: Holt, Rinehart and Winston, 1960.

Simon, Herbert A. Administrative Behavior: A Study of Decision-Making Processes in Administrative Organization. 3rd ed. New York: The Free Press, 1976.

Stein, Harold, ed. Public Administration and Policy Development: A Case Book. New York: Harcourt, Brace and Co., 1952.

Stickley, Gustav. "How the Real Interests of the Railroads are Served by Restrictive Legislation." Craftsman 19 (October 1910):71-77.

Stokey, Edith, and Zeckhauser, Richard. A Primer for Policy Analysis. New York: W. W. Norton and Co., 1978.

Strange, John H. "Citizen Participation in Community Action and Model Cities Programs." Public Administration Review 32 (October 1972):655-669.

Strange, John H. "The Impact of Citizen Participation on Public Administration." Public Administration Review 32 (September 1972):457-470.

Sundquist, James L. Politics and Policy: The Eisenhower, Kennedy, and Johnson Years. Washington D.C.: The Brookings Institution, 1968.

"Talking to Senators about American and Canadian Lines." New York Times, 7 May 1889, p. 8.

Tate, W. E. The English Community and the Enclosure Movements. London: Victor Gollancz, 1967.

Thompson, Victor A. Without Sympathy or Enthusiasm: The Problem of Administrative Compassion. University, Alabama: University of Alabama Press, 1975.

Thurow, Lester C. The Zero-Sum Society: Distribution and the Possibilities for Economic Change. New York: Penguin, 1981.

Tribe, Laurence, H. "Ways Not to Think About Plastic Trees." The Yale Law Journal 83 (June 1974): 1315-1348.

Tugwell, Rexford G. Roosevelt's Revolution: The First Year -- A Personal Perspective. New York: Macmillan Co., 1977.

Turner, James S. The Chemical Feast. New York: Grossman, 1970.

Ulen, Thomas S. "The Market for Regulation: The ICC from 1887 to 1920." American Economic Review 70 (May 1980):317-318.

Van Riper, Paul P. History of the United States Civil Service. Evanston, Illinois: Row, Peterson and Co., 1958.

Waldo, Dwight. The Enterprise of Public Administration: A Summary View. Novato, California: Chandler and Sharp, 1980.

Weber, Max. "Bureaucracy." In From Max Weber: Essays in Sociology, pp. 196-204. Edited and translated by H. H. Gerth and C. Wright Mills. New York: Oxford University Press, 1976.

Weinstein, James. The Corporate Ideal in the Liberal State: 1900-1918. Boston: Beacon Press, 1969.

Wengert, Norman, and Honey, John C. "Program Planning in the U.S. Department of the Interior, 1946-1953." Public Administration Review 14 (Summer 1954):193-201.

White, Leonard D. Introduction to the Study of Public Administration. New York: Macmillan Co., 1947.

________. The Republican Era: 1869-1901: A Study in Administrative History. New York: Macmillan Co., 1958.

Williams, William Appleman. The Contours of American History. Chicago: Quadrangle Books, 1966.

Willmann, John B. The Department of Housing and Urban Development. New York: Frederick A. Praeger, 1967.

Wilson, Woodrow. "The Study of Administration." Political Science Quarterly 2 (June 1887): 197-220.

Wofford, John G. "The Politics of Local Responsibility: Administration of the Community Action Program -- 1964-1966." In On Fighting Poverty, pp. 70-102. Edited by James L. Sundquist. New York: Basic Books, 1969.