

Chapter 28

TYPES OF GOVERNMENT ECONOMIC POLICY*

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1. Introduction

1.1 In this paper we shall be primarily concerned with present and potential government economic policy, although other sorts of societal economic transactions will be discussed. As we well know, viewpoints on the desirability of government "intervention" in the market differ widely. From the beginning, then, we must not give the impression that there is one economic policy which would be acceptable for everyone, one with which those who are in disagreement would simply be "wrong". Such an impression of the nature of economic policy is rooted in a closed, rationalistic-scientific worldview, in which economic life, for example, is mechanically conceived, an "instrument" which requires only fine-tuning for a perfect outcome, a sort of engineered approach to reality.

In the letter to the Romans, Paul speaks of the government's, task to look after the welfare of its people, a calling which is often poorly fulfilled in every-day life. In the Old Testament book of Ecclesiastes (5:7) we read, "If you see in a province the poor oppressed and justice and right violently taken away, do not be amazed at the matter; for the high official is watched by a higher official, and there are yet higher ones over them". Public welfare, to everyone's benefit but the

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economically underprivileged, is very easily set aside in the struggle for private well-being. And even where there is an emphasis on public welfare, we find a vastly different interpretation of the task of the state than Paul gives us.

This plurality of governmental reality is rooted in the multiplicity of views which exist among mankind on the *nature* of the relationship between state and society. If, for example, a great deal of faith is placed in the free enterprise system, government intervention to establish the public interest is less desirable than for a society which does not hold to such a creed, or even finds it distasteful. Likewise, one would have a different view of social welfare if one perceived the government as an instrument for the removal of economic restrictions inherent in the market system, or a hypothetical contract between sovereign individuals, or as the bearer of a divine mission to bring justice to human inter-relationships.

1.2 Social (and political) philosophies influence, therefore, in many respects, one's conception of societal welfare, of the guidelines for government, and of economic policy. The most popular philosophy of political economy - the welfare economics approach - does not concern itself with "subjective" opinions on the nature of government, but imposes its own scientific viewpoint. In most instances, it falls back either on the maxim that the state must promote maximum economic welfare (as an aggregate of individual utilities - pare to optimality - the so-called "new" welfare economics), or on the principle that the state deals according to its own preferences, which preferences must be objectively accepted by the economic analyst (the study of the social welfare function: Bergson, Samuelson).

However, it should be made clear that in both instances a value freedom does not exist. The former in fact is based upon a utilitarian conception of societal welfare (we define utilitarianism as a movement which makes goal-orientation the ground rule of social ethics; in this connection, see Gunnar Myrdal's insightful critique in *The Political Element in the Development of Economic Theory*, London, 1953). The latter, on the other hand, appears to eliminate the critical task of economic theory, and transforms science into a handmaiden of the *status quo*.

1.3 It seems, therefore, more appropriate to take the existence of *different* social and political viewpoints as our analytic starting point. This can best be achieved, following the example of Schumpeter, by distinguishing several *unique systems of economic policy*. The elements which must be found in any such systems are:

a) a certain conception of the "general interest" which must influence a government's political stance, resulting in certain *ends* of government policy (sometimes called the "social optimum");

b) an explicit opinion about the way in which this general interest, or societal optimum, can best be achieved or served by the government; this will include the choice of a certain set of *instruments*, in a voluntary or coercive societal context;

c) a world and life view, which 1) creates the possibility for the identification of the "general interest" with social well-being and for the presentation of policy-ends as conducive to the general interest, and 2) produces such a conception of reality in which selected measures are believed to achieve certain desired targets or ends.

Therefore a system of economic policy is more than just a certain conception of the general interest. It also involves how this general interest can concretely be attained through government policy in the interaction with private ends and goals. And there is also that third, often unrealized element, namely, a coherent view of reality. This includes a social and political vision which legitimates the selection of instruments relative to goals.

1.4 With respect to any doctrine of economic policy, the possibility (or desirability) of value-freeness simply does not exist. Therefore it will be useful to explain my own personal presuppositions.

My basic presupposition concerns a *responsible society*, i.e., a society in which diverse responsibilities, both in God and to fellowman, must be borne. This immediately implies a certain idea of the role of government in any society. In the first place a specific responsibility is assigned to government, which centers around the care for law and justice in public life. Second, any government must acknowledge the

personal responsibilities of its subjects. There are then, three legitimate functions of governmental activity in economic life:

a) *Intervention*: the government intervenes in situations of obvious injustice, for example, because of a misuse of power, the oppression of minorities, the destruction of the natural environment, etc.

b) *Support*: activity aimed at protecting society from fundamental economic disturbances (unemployment, inflation, etc.). The state attempts to maintain the civil rights and economic possibilities of persons and communities which will enable these latter to fulfill their human responsibilities.

c) *Initiation*: here the possibilities for a just economic life are called forth through structural reform or regulatory measures. For example, provisions for environmental legislation might be made by calling corporations to protect the natural environment. We might also include here suggestions for the revision of corporate, legal structure.¹

1.5 Scientists do recognize that presuppositions play a role in economic analysis, but they have restricted such a role to two very narrow categories:

a) they provide a series of directions (rules of thumb) in relation to the "prescriptive" aspects of economic policy, and/or,

b) they are manifested in the "factual" behaviour of economic policy-makers, and are thereby taken into account as data in objective economic *analysis* of economic policy.

An important element of the history of economic thought has to do with discussions on the nature of the relation between "prescriptive" and "scientific" economics. In classical economics, these two aspects of economic decision-making are intentionally linked (the very term "political economy" implies the co-ordination of descriptive and prescriptive elements). However, as time went on, the gap between

¹ The important point here is that the pluriform nature of economic policy cannot be reduced to any one particular aspect or function, a, b, or c, although any one function may be *concentrated* in a particular function. For example, competition policies are concentrated in the intervention function, just as budget policies are concentrated in a support function.

"art" and "science" began to grow. John Stuart Mill commented, "The one (science) deals in facts, the other (art) in precepts. Science is a collection of truths. Art is a body of rules. Science discovers a law, art proposes to itself an end, and looks for the means to effect it" (1844). Still later, in the context of discussion on the *Deutsch Verein für Sozial Politik* (1909), Max Weber went a step further in declaring that the mixing of positive statements with normative valuations is *eine Sache des Teufels*. (For additional treatment of this topic, see especially T.W. Hutchinson, *Positive Economics and Policy Objectives*, London, 1964.)

What then is the relation between "normative" and "positive", "prescriptive" and "descriptive" in economic analysis? The fact that economics (and thus the doctrine of economic policy) is but one scientific discipline (and consequently examines only the *economic* aspect of human (and political) behaviour) immediately implies that economic science can never presume to give totally authoritative advice and on any subject in all its aspects. Therefore, every economist must be careful in making prescriptive recommendations, for other aspects are involved as well. Without looking to them, it is possible that the economist absolutizes his own view in an economic way. But on the other hand, one should not cherish the illusion that, in the study of factual economics and political behaviour, it is possible to approach one's scientific activity free from all "values", outside of any normative context. If one envisions such a possibility, as has often been the case in modern science, the result is a narrowing and misinterpretation of the field of study. Regardless of how narrow the field of inquiry might be defined, government activity always takes place in relation to norms, and no policy maker can hope to escape this reality. To be able to provide any worthwhile scientific explanation of the "facts" of economic policy, and economist must have insight into the normative nature of government, the nature of which is to achieve *justice for all*. For this reason approach b above is deemed to be insufficient.

1.6 There are two implications of this discussion on the nature of economic policy: first, when an economist or any other social scientist involved in economic policy decision-making produces practical political advice, he or she must always make clear that such advice has only a limited significance. The economist must not hide his or her human-ness behind the objective impersonal authority of science. (Cf. John Hicks: when an economist gives political advice, he or she is

personally responsible for all the aspects of that advice, "responsible in the round;" *Essays in World Economics*, Oxford, 1959). Second, in the study of economic behaviour and policy systems, the economist must always perform a "marginal test" (*ein Pflicht zur Wertung*, [a duty to evaluate], Jahr) to determine if any advice be given on a particular subject presupposes that there are certain goals and policy instruments pertaining to government which overstep the bounds of responsibility of the economist, who is but a "trustee for the possibility of civilization". An economist who feels that this is in fact the case should make it clear that he or she does not wish to co-operate in the framing and execution of such a policy.

The economist also has a right to make normatively-determined economic statements. Such a right recognizes that there is a dimension of personal responsibility to the work of the economist, implying that the economist may certainly deliver more than a simple "scientific" judgment. For instance, if domestic inflation is being created because of excessive profit rates in certain corporate sectors, the economist must not be afraid to advise direct price controls over and above indirect global anti-inflation measures, if, and as soon as, he or she perceives that the task of the state to do *justice* is better served by the former policy. In other words, the starting point must be embedded in the awareness that a fundamental element of governmental economic behaviour is the urgency to do justice - which takes with it the duty to confront economic subjects directly with the irresponsibilities which may be present in their economic behaviour. (A "global" anti-inflation policy may fail here, because it misses the element that public injustice is done, which asks for a *direct* counterreaction by the State).

2. Past and present systems of economic policy

In this overview we shall discuss five different systems of economic policy.

2.1 The system of economic policy according to Medieval scholastics

According to the categories of section 1.3, this system of economic policy can be described as follows:

A. The societal optimum is sought in the general well-being (*bonum communionis*), as guided by the true light of natural reason (*ratio recta*). This "reason" dictates that the proper functioning of society requires a hierarchical social order, in which everyone should have at least (and preferably not more than) what is required to live according to one's own status in the social pyramid of society. Thus the "general interest" is economically interpreted as a socially-structured sustenance-economy. The societal optimum does not recognize a role for growth, nor a desirability for the equality of income- and wealth-distribution.

B. In order to serve this "general well-being" it is necessary that the civil and religious authorities try to preserve the present social and economic position of the various estates (cf. I Corinthians 7;24: "in whatever state each was called, there let him *remain* with God"). In terms of policy administration, the implications are as follows: a) prices are regulated according to the principle of the just price (*justum pretium*). The aim of this principle is to establish equality between station and reward, so that no one person or estate can enrich himself (itself) at the expense of others. The societal equilibrium is thereby maintained; b) interest is prohibited in order to restrain the merchant's eager desire for monetary gain; and c) the private charity channels - *charitas* - are presupposed to provide for the needs of the lower classes on the condition that they are unable to provide for themselves.

C. The premise of this policy system is that daily, material life is embedded in sin. The individual can be lifted from his sinful existence only by *means* of grace, of which the church is the sole source. The government is to the natural, worldly realm, then, as the church is to be the realm of grace, the other-worldly. The state delegates responsibility according to the "subsidiarity principle"; the tasks which the higher rungs of the social ladder perform are only those of which the lower rungs were incapable. The paramount implications of this nature/grace world-and-life view are:

1. The identification of the general interest with an estate-ordered society, a society which esteems honour above wealth, and the fulfillment of present possibilities above the creation of new ones (growth).

2. An expressed or implicit communality of means and policy instruments, so that any activity is perceived as directed toward the common good of the Christian body (the *corpus christianum*).

As we well know, the medieval system, especially in Italy, started to deteriorate as soon as it was founded. The prohibition against interest was excluded, the doctrine of the *justum pretium* was redefined and stretched out like a piece of elastic. The *charitas* was unable to compensate for the enormity of societal misery. The money economy advanced rapidly, radically overturning the estate-structure. Still, the historical choice of "ends" in the medieval society remains an interesting one, because it is the last western example of a sustenance economy.

2.2 *The economic policy system of Mercantilism*

Mercantilism existed as a system of economic policy in the 16th and 17th centuries. It had the following characteristics:

a) It viewed the societal goal of government to be centered in the pursuit of the maximum accumulation of precious metals (gold and silver).

b) The flow of specie into a country was achieved by emphasizing the desirability of exports and placing restrictions on imports, by direct or indirect means. The *direct* measures included the institution of high levies on the import of finished products, as well as on raw materials leaving the country. "The ordinary means to increase our wealth and treasure is by Foreign Trade, that is, to sell more to strangers yearly than we consume of theirs in vale" (Thomas Munn).

The *indirect* measures included:

1. The suppression of domestic price levels (and wages) to keep exports as competitive as possible.

2. An elaborate policy for the benefit and regulation of industries (Colbertism): "The government must be continually in action" (Stewart (!), and

3. The establishment of a series of trade monopolies (East Indian Company) and navigation laws, to bring order to national commerce and shipping.

c) There is an explicit worldview which supports this particular choice of ends (possession of precious metals) and instruments (an intensive "capitalistic" government interference). It is important to note here the influence of the Renaissance, and the simultaneous rise of the strong nation-state. The Renaissance worldview is centered around man and his domination of the world (in science, art, and also in terms of territorial, economic, and military expansion). The morality taught by the church is exchanged for an autonomous-state morality, as formulated by Machiavelli and others. And the international trader is a wolf to his fellowman (Hobbes).

This cultural climate promoted a steadily advancing money economy. Monetary wealth is no longer the ornament of the feudal lords, but becomes power in itself. Therefore, Mercantilism can be perceived as the confluence of nationalism and mammonism; the drives for money and for national power are intimately intertwined. One of the primary needs of the new states is money (court, national armies, etc.). This worldview promotes a shift from a domineering church to a domineering state, from a static economy to a dynamic one. At the same time, the national interest is identified with general interest.

The elitist character of Mercantilism comes to the fore strongly in its view on the "fate" of the "working class": wages are to be as low as possible. William Petty coldly drives home the point: "It is unjust to let any (!) starve, when we think it just to limit the wage of the poor". He adds that the poor should be put to work at any price. Even if they have to haul huge rocks to Tower Hill in London it would serve its purpose - it teaches "discipline and obedience". Locke pleads for a large national money supply; more money keeps the interest low, which will stimulate export, thus creating a national benefit in international trade.

Mercantilism is not only an economic system of the past. It raises its head even today in some of the nationalistic approaches to economic policy. A striking example of this is that Keynes in his *General Theory* dedicates an entire chapter to Mercantilism. In the presence of a general collapse of the international economy, he pleads for a form of Neo-

Mercantilism, in which the national economy aims to prevent too great a dependence upon the international economy, so as to shelter itself from widespread depression. The answer, then, is a focussed balance of payments policy, and an enlargement of the money supply (compare Locke).

2.3 *The economic policy system of classical liberalism*

a) The general interest is seen as embedded in the material prosperity and growth of the *international* community (cf. the title of Adam Smith's main work, *The Wealth of Nations*). Prosperity here is not identified with the accumulation of money, but rather with the acquisition of goods (and services), not by the state, but by all the "burghers" (members) of society.

b) There are really no governmental instruments needed to achieve this goal; all that is required is the unlimited operation of all free-market forces - *laissez-faire*, *laissez-passer* - subject to the maintenance of civil rights by the state.

c) The supporting worldview stems in a negative sense from a direct resistance to the mercantilistic worldview (which in turn reacted to elements of the Medieval system). Not money but an abundance of physical goods was sought for; not a national interest, but a general interest; not national, but international progress; not bureaucratic interference, but unrestricted economic traffic. Therefore, Liberalism can primarily be seen as an emancipatory movement, as opposed to the egotistic machinations of the Mercantilist state.

But what are the *positive* elements of a worldview which ties the general interest to material growth and emphasizes the free operation of the market institution to achieve this end? The combination of a *faith in progress* and the *Deism*-ideal plays an important role here. The former holds that progress will be accompanied on the one hand by a gradual improvement in the human, moral condition and, on the other, by an expansion of material prosperity and the techno-scientific capabilities of man. It is assumed that this struggle for material prosperity will best serve the end of *total* human well-being. Deism is a faith in the existence of a providential will in the instituted natural order of the market, which spontaneously transforms human self-interest into a

perfect rendering of services which is in everyone's best interest. Every human being naturally strives for maximum gain, power, and satisfaction in competition with his fellow-beings. But it is market competition which prevents the growth of large differences in incomes, since any profit will encourage renewed rivalry. Thus, large income differences cannot be maintained, which in turn encourages the opening up of new markets and the testing of new techniques in the struggle to gain a larger market share. Hence everybody, in spite of personal self-interest, employs his or her own personal labour to the advantage of everyone, toward "that great purpose of human life which we call bettering our condition" (Adam Smith).²

The liberal system of economic policy has also not passed away, but in many ways lives on today. For example, we are confronted by liberal attitudes when it is suggested that a freely operating market is able to solve all our problems of unemployment, inflation, and the depletion of energy and raw materials; and when the pattern of progress in the west, coupled with free international trade, is touted as the model for the needs of developing countries. A partial return to a full-bodied liberalism is evident in German Neo-Liberalism (which requires the government to make rules in all policy decisions) and in the American Monetarism of Milton Friedman, which considers a combination of a free market and a regulated money supply to be the remedy for all our societal ills.

2.4 The economic policy system of interventionism

Interventionism is predicated upon the inability of the market single-handedly to promote general well-being. Thus, government intervention at crucial points is considered desirable, but it is still fundamentally within the market framework.

² In addition to this, Smith views economic progress as being determined by two main factors: specialization of labour and accumulation of capital. Both of these flourish within a free market economy, and promote a regular expansion (extension) of the market and the opening of new markets. A good guide to classical economic thought is Hla Myint's, *Theories of Welfare Economics*. He explains that classical thought as a whole has been set in the dynamic contest of man's ongoing struggle with an unruly "nature", which can be mastered only by human labour. Therefore *labour-value* is seen by the classicals as the only real economic value. In this sense, Marx is but "the latest of the classics" (Hicks).

It is useful to make a distinction between *narrow* and *broad* interventionism:

1. *Narrow interventionism* maintains an identification of the general interest (from the viewpoint of the government and its economic policy) with the classical aim of maximum growth in production of goods and services. However, in order to achieve that aim, the state finds it necessary to use more instruments than the mere functioning of the market requires to guide its dealings, resulting in direct or indirect measures.

2. *Broad interventionism* rejects an identification of the general interest with maximum economic growth and therefore demands separate government intervention. This intervention must be directed toward serving the general interest, when material growth alone cannot meet this requirement.

The best historical source on these two forms of interventionism, although it over-stresses "narrow" interventionism, is Wernhard Keller's *Dogmengeschichte des Wohlstandspolitischen Interventionismus*. His analysis stems from the view that the market, left to itself, will not maximize the national product 1) because of the existence of a variety of external effects, and 2) because it does not provide for some basic needs, such as power plants, roads, etc. In the former case, subsidies and levies must be effected to balance out positive or negative external effects respectively, (for example, a levy to compensate for pollution effects). In the latter case, government must take the initiative for the production of "public" goods. The English economist Sidgwick (\pm 1880) was the first to attempt a theoretical completion of the system of narrow interventionism in terms of this subsidy/levy approach.

However, interventionism in the narrow sense could not stop here. Even the classical economist already recognized those two shortcomings in the market mechanism. It soon became clear that in practice more impediments occurred than just these two. The "natural" functioning of the market itself required the government to intervene. On the one hand, the continuous striving for lower costs in the competition struggle led "naturally" to the emergence of the large-scale, mass production firm. In the most rapidly growing sectors of the economy often only a few companies survived, and these depended

more on inter-firm cooperation than on heavy competition to maximize their profit gains. The market structure, therefore, shifted from one of perfect competition to oligopoly, or even monopoly, which forced the government to enact a separate *competition-policy* (prohibition against misuse of powerful positions and "conspiracies against the public"; prohibition of cartels and/or amalgamation). On the other hand, it gradually appeared that the market did not move itself to full employment or employ all available factors of production, which - during a conjunctural decline - could slow down economic growth, even to the point of negative growth. This necessitated the creation of a separate *employment-policy* (aimed at stimulating effective demand; for example, an increase in government expenditures, or lower taxes, when the GNP is declining because of insufficient aggregate demand). In this connection, monetary policy gained separate significance also, especially after the fall of the gold standard.

We should also note that broad interventionism destroys the illusion that societal welfare demands the largest possible growth of the national product. Social legislation was born in the mid-eighteen hundreds as a result of this realization, focussing on prohibitive regulations concerning woman and child labour, and later, on a social insurance system which guaranteed benefits through premium payments in case of illness, old age, and unemployment.

In addition, in 1844, the classical English economist, John Stuart Mill, launched the objection that a market distribution of the national product should not be accepted as *de facto* just, but must be corrected by a governmental *distribution policy* (for example, proposals for inheritance taxes). Even before Mill, the Christian economist Sismonde de Sismondi, born in Geneva, offered significantly more direct proposals: he pleaded for the introduction of a guaranteed annual wage, compensations by companies in the case of occupation disease, and a compulsory sharing of profit (in 1819(!)).

Broad interventionism in the twentieth century employs every direct *wage-* and *price-policy* and considers it the legitimate task of government to defend the environment against assaults by an ever-expanding GNP.

Respecting the world-and-life view of these two forms of interventionism, we can say in a negative sense that in both cases the full pure Deism prevents the public form seeing the result as being favourable for society as a whole. Moreover, in the broad interventionism, the naive faith in progress is gradually abandoned. The ideal of spontaneous improvement in social conditions and the human moral condition is shattered by the real-world abuse of labour and rape of the natural environment. As before, there is not only a negative, but also a positive, factor in the shift to a new world-and-life view. The ruling attitude is no longer one of an acquiescence to an externally determined, providential "Will" as a given law of progress for society, but focusses on the human will to control that progress, to determine it, and in many respects, to give it a concrete form. Real progress is accompanied by human engineering, human shaping (*Ordre et progres*, Comte). Society becomes a governmentally engineered *system*. Under the influence of this new positivism and operationalism, economic policy comes gradually to emphasize the art of managing - or regulating - society, since the social mechanism has no inherent harmony, but has to be brought to a more desirable outcome by proper *interventions*. Keynes speaks of this in his famous brochure "The end of laissez-faire" (1923): "For my part I think that capitalism, wisely managed, can probably be made more efficient for attaining economic ends than any alternative system yet in sight". From this point forward, economic policy-making is dominated by an "engineering" mentality, and seeks to "fine-tune" the economic machine.

2.5 The economic policy system of a centrally planned economy

The economic policy system in which the means of economic production are owned by society is, of necessity, different from a system qualified by individual ownership of the means of production. In the latter, the most important economic decisions regarding production (such as investments) are made almost entirely by the individual's entrepreneur or firm. On the contrary, in a planned economic society these decisions will be determined by the state (society). From this one can conclude that the main difference between the two systems lies in the instruments selected for the guidance of the production process. The plan, no longer the market, is the most important vehicle for the co-ordination of economic decisions. The plan in this instance is the sum of all production directives. However, there

will also be differences concerning the interpretation of the societal welfare (the social optimum).

The goal in connection with income differences could be to aim for a greater uniformity, and the importance of supplying collective needs would be more greatly emphasized. However, in practice it is clear that countries claiming a societal ownership of the means of production often differ but slightly from so-called capitalistic countries in their manner of economic activity. This is because they too aim for maximum economic growth and technological expansion (cf. Teng Xhiao Ping's *Four Sources for Modernization*).

The economic policy systems of the different socialist countries do vary quite widely. Just as with the interventionist system, it is therefore necessary to make at least one distinction, in this case one between "centralized" and "decentralized" planning.

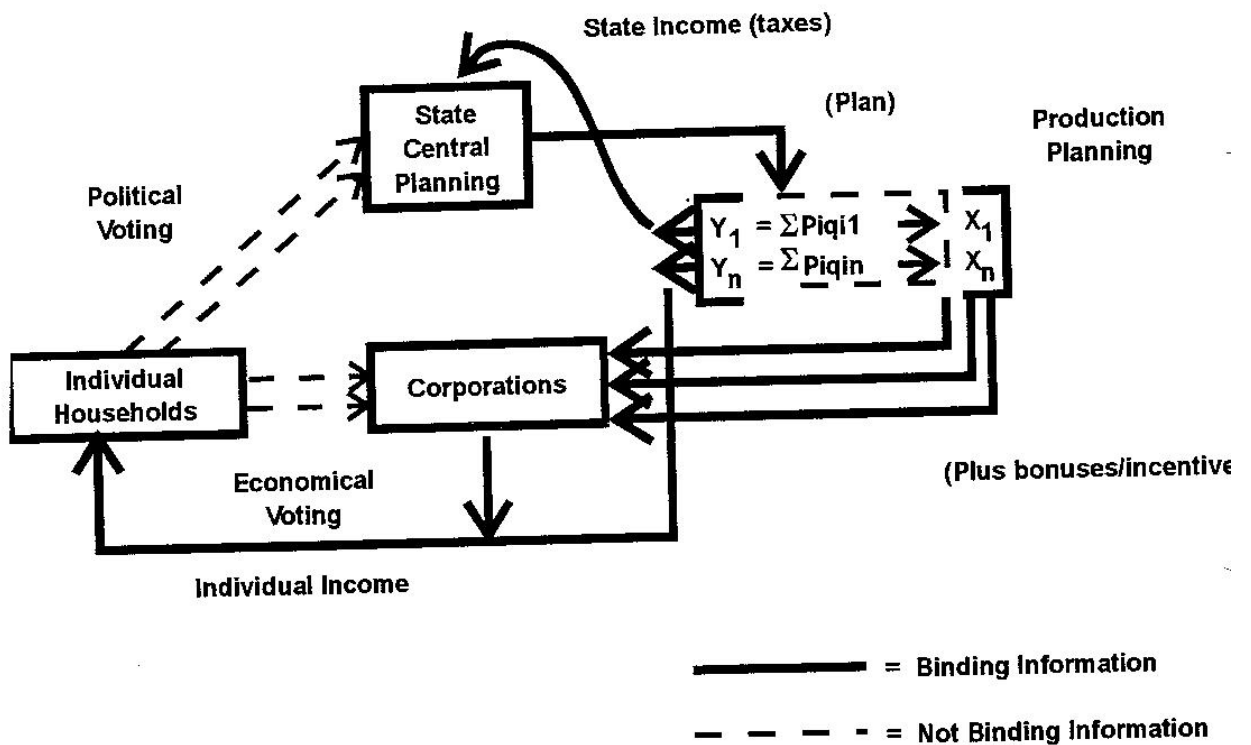
The *decentralized* economic planning system is employed in China and also, in a unique way, in Yugoslavia. In the case of China its trademark is the commune, while Yugoslavia is characterized more by the granting of a large measure of autonomy to individual enterprises within the framework of a central plan. The central plan ensures the provision of sufficient public food supplies, and guarantees the flow of a minimum of produced income or commodities from the various communes or enterprises to the state. But, in all other respects, the central plan encourages the communes (enterprises) to operate self-sufficiently (procurement planning, open planning). The main function of the central plan is in most instances, then, to control capital movement within the economy.

Centralized economic planning, in principle, attempts to direct all economic decisions in the production sector. It presents concrete goals which are to be met, implementing sanctions (or bonuses) to production units in accordance with these goals. These production goals are denominated in units of "value added", as is the case for sales targets. The plan recognizes price as well as quantity, which are woven into a global financial and employment plan. In most instances prices are selected so as to create a deliberate balance or imbalance of supply and demand over time (an imbalance is planned when the central

government purposely desires to create shortages, which then are accompanied by rationing and allocation).

The quantities produced and demanded (by other enterprises and consumers) are illustrated in the input-output table which follows. The final demand for goods (Y_i) is calculated on the basis of the required output (X_i) and input (X_{ij}); "i" is the product of a specific industry and (X_{ij}) indicates the quantity of goods "i" which are necessary for the production of goods "j".

In a more democratic centrally planned economy, individuals/families do have a certain "political vote" with which they can express their preferences relative to the composition of the national product and the distribution of income in addition to "economic vote", the use of their buying power for the goods they desire themselves. The steering and information system in such a planned economy can be illustrated as follows:



The corporations report to the state as to what extent they have achieved their set goals, and also to what extent the planned demand (of consumers and other corporations) exceeded the planned supply or has not been able to provide for it (which, for example, is indicated by the increase or decrease of inventory stock). The state, then, determines the extent to which this production outcome, taking into account existing political desires, must lead to a change in production instructions for the following planning period. The plan also directs the distribution of buying power between private households and the state (usually regulated by indirect taxes). Through the distribution of profits, premiums, etc., enterprises do have the option to increase their corporate incomes.

The central planning world-and-life view is, in a negative sense, a reaction to the market economy of Capitalism - an economy which is condemned as a vehicle of human exploitation and as a means of maintaining a class-society. But there also is a positive motivation behind this world-and-life view, whose two features are the primacy of *community* and the primacy of *planning man*.

The primacy of community can best be compared with the orthodox, liberal primacy of the individual. That liberal view of man-as-individual not only holds that the individual and his idea will form the core of human society, but also that the freedom of the individual will guarantee a favourable social outcome. Societal evil originates not in the individual, but in the threatening of individual freedom (by the government for instance). The stress on the primacy of community in planning economics is an altered rendering of this faith in the individual. The people's community is the core of social life; if this societal will is given a democratic expression, a favourable societal outcome is guaranteed. In principle, social evil originates in the individual or sectarian group, and not in the community or its institutional arrangement. Both views, the individual and the communal, are rooted in religious, ideological notions which imply fundamental views of the origins of evil and the nature of happiness and human well-being.

The stress on the primacy of community in world-and-life view is combined with an emphasis on the *primacy of planning man*. Marxist-Leninism depicts "planning man" as the highest phase of evolutionary

human development. See Igor Bestuzey-Lada, Russian futurologist, in his *Venster op de toekomst, (Window on the Future)*, Amsterdam: 1972. Scientific steering of human possibilities in a directed-community framework creates the greatest test of the true nature of man (note the parallel with the interventionistic world-and-life view). The combination of these two aspects - the primacy of the community will and the primacy of planning - results in a stress upon the beneficial potential of centralized *community-plans* as an alternative to a marketized economy. This theoretic effort to close down the responsibility of the individual corresponds, then, with the concrete need to give - by necessity - more socio-economic elbow-room to the individual and the market-process in the planned economy, because individual political will has been too strongly dominated.

2.6 *An overall comparison of these five systems* of economic policy shows that in various respects they are indeed incompatible. But there are also some surprising similarities. If they were arranged according to the intensity of regulation on economic life - in other words according to the strength and impact of the employment of deliberate policy instruments - the following order seems apparent:

1. a guided economy, centralized
2. broad interventionism
3. guided economy, decentralized
4. mercantilism
5. scholastic economic policy
6. narrow interventionism
7. orthodox liberalism.

This is, of course, a very tough order, and it does not, for example, differentiate between complex and "primitive" economies (naturally the role of the state must be larger in a more complex economy). Still, the order might be considered agreeable to a certain extent: it does show that a left-right continuum is not a very useful theoretic concept in any analysis of economic policy systems.

A different order, according to the generality of the ends the various systems claim to be attaining, could possibly be made as well, but it would be more vulnerable to criticism because of a greater subjective element of evaluation than present in the above listing. I would defend

the following listing of systems according to such a categorization, from the broadest to the most particular:

1. broad interventionism ("well-being for all")
2. planned economy (decentralized, democratic)
3. scholasticity (*bonus communio*)
4. orthodox-liberalism (prosperity for the citizen)
5. narrow interventionism (growth in prosperity along with market conformity)
6. planned economy (totalitarian, political ends, according to the will of the state)
7. mercantilism (the acquisition of precious metals by the state).

A striking element of this list is that the planned economy cannot be placed in one specific place; its placement depends significantly on whether the approach is either democratic or totalitarian. A totalitarian centrally planned economy might even have certain analogies with mercantilism, when, for example, the expansion of the state-authority, in combination with the maximization of technical-economic-military potential, requires that "civilian" income be minimized (compare mercantilism's lack of a minimum wage-rate) to benefit the public sector outcome.

Finally, when both lists are compared, it appears that the totalitarian centrally planned economy combines a maximum of intervention with a relative minimum of the broadness and generality of its aims, while, intentionally, the opposite can be said of the orthodox-liberal economy.

For this reason, the policy systems of liberalism and central planning presuppose a great degree of "*ideological deviation*". They simply trust that, respectively, only the pure machinations of the free market or only the overwhelming presence of government intervention will guarantee them the best-of-all-possible worlds. Therefore, the political system of liberalism is characterized by *less* governmental intervention than could be expected, given the degree of generality of the goals, while for the political system of centralized planning the opposite is true.
