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A REPLY TO FORMER SECRETARY OF THE TREASURY,
WILLIAM E. SIMON: TOWARDS A THEORY OF A
PARTICIPATORY SOCIETY

Lewis D. Solomon*

"We have come into a very unusual period, where we are more
or less cast loose from beliefs that we once held to be unarguable.
We have cast off from a large number of these old moorings, and we
have not yet found new ones."

Former Secretary of the Treasury George Shultz, as quoted in

I. Introduction

In the July 1976 issue of this review, William E. Simon, former Secretary
of the Treasury, presented a rebuttal to an article on capital shortages, tax policy
and economic planning which had appeared in the December 1975 issue of the
Notre Dame Lawyer.1 In attacking a proposal for credit allocation by the fed-
eral government, Mr. Simon maintained that primary reliance should be placed
on the market mechanism in regulating the economy. The thesis of Mr. Simon's
position is that in the absence of direct government intervention, a market-
directed economic system will function as well as, if not better than, any alter-
native economic system. This reply challenges the supposed efficacy of the
market system, while attempting to highlight some of the problems entailed in
governmental regulation and planning in such areas as credit allocation. In ad-
dition, the prospect for a shift in values that could produce a far-reaching re-
structuring of our economic and political institutions is assessed.

II. Defects in the Market System

The free market encompasses the ideology of individualism, namely, that
self-interest can yield social benefits, and that competition, efficiency, and
productivity can yield a higher return for firms at a lower cost. The autonomous
market mechanism, it is posited, can meet society’s needs for goods and services
without the use of authority, power, or influence by the state. In such a system
the government would serve as an umpire with the primary responsibility of
seeing that the participants observe the rules of the game.

However, the free market encounters the following problems: (1) economic
and social instability characterized by frequent and painful economic dislocation;
(2) power imbalances emanating from a dual economic system; (3) fabrication
of consumer preferences; (4) environmental degradation and resource deple-
tion; and (5) neglect of human and social needs.

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1 Solomon & Belzer, Looking Ahead: Capital Shortages, Tax Policy, and Economic
Planning, 51 Notre Dame Law. 251 (1975); Simon, Rebuttal: Credit Allocation: Panacea or
The political system of the invisible hand, which protected and permitted private producers of goods and services to fulfill consumer needs, led, in large measure, to the crisis of over-production and mass unemployment in 1932. The Great Depression is evidence of the inability of the market to act as a self-adjusting, naturally beneficent system. Deficiencies in collective consumption gave rise to unused human and physical capacities.

In an attempt to "control" alternating boom and bust business cycles, the United States turned to a variety of fiscal and monetary tools to rescue the system from its depressed economic conditions, to prop up demand for goods and services produced by the private sector, and to promote increased material wealth and economic growth. The political economy of the United States has thus evolved over the last forty-five years into a maze of regulations, subsidies, indirect incentives, and outright bailouts which attempt to insure mass purchasing power and lessen risks in those sectors of the economy that might cause widespread dislocation. All the while, American business sought new frontiers in the world economic system which demanded a substantial governmental effort to protect and expand overseas corporate activities. Governmental spending, including mounting expenditures on weapons, infrastructure improvements (including airport and highway facilities and funds for research and development), an educational system designed to supply trained personnel for corporations, and a panoply of government social expenditures to legitimize the federal government and its activities in the eyes of the poor, has led to a national fiscal crisis. Moreover, the resulting effect of spiraling public sector expenditures in excess of revenues has aggravated inflation. However, although the growing public sector along with its accompanying tax demands poses a burden on capital formation and accumulation in the private sector, federal spending nonetheless continues to underpin the structure of the American political economy.

A power imbalance characterizes the current American economic system. Instead of a market system where a large number of small and weak firms prevail and the competitive model holds sway, a private sector planning system, composed of a small number of large and powerful corporations, which have gained a measure of independence from the rigors of the competitive ideal, dominates many American industries. The result is a dual economic system that has spurred economic concentration. Between 1955 and 1970, the Fortune five hundred largest industrial corporations increased their share of total private sector employment, profits and assets from approximately forty percent to seventy percent.

These large firms often make concerted attempts to avoid the sudden obsolescence of significant portions of investment at the expense of the whole economy. Giant corporations administer prices through price leadership and a pricing policy based on a mark-up on costs. Developing behind the growth of corporations, but facilitated by efforts of the federal government, was the growth of labor unions to a similar position of power and influence. The pricing policy

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of these firms in the non-competitive sector of the economy and the demands by unions for higher wages to keep pace with or exceed the cost of living has contributed to inflationary pressures. Moreover, the political sphere is organized so corporations can function in a predictable environment permitting expansion and reasonable long-term profits. Large corporations have also strengthened their power by controlling scientific and technical expertise, channelling the nation's educational and research activities to meet the needs of business, and developing methods for gathering, processing, organizing and utilizing information. In addition, so as to protect and enlarge their market shares, oligopolistic firms have relied on advertising and in doing so have played a dominant role in establishing national values.

The market system enshrines the ideal of consumer sovereignty, namely, that choices made by individuals in accordance with their tastes will yield efficiency in the allocation of goods and services. The oligopolist economic system, however, generates uniformity, not diversity. Preferences are fabricated as producers create wants by promoting the goods they desire to have consumed. Billions are spent on advertising to spur consumption and to persuade people that happiness consists of buying and possessing the latest goods. Production and consumption are intended to solve the problem of unemployment, but the process also has the effect of creating quantities of goods which rapidly become obsolete. Many goods are shabbily produced or perform no significant function. Comforts assume the level of needs through ease of availability. Previously unperceived needs come into being. Hedonism (often with sexual connotations), status and its prerequisites, personal and family prestige, and the pursuit of gratification become the underlying rationales supporting capitalism. Pleasure serves the profit motive. All this creates an illusory freedom which is really a subtle institutional compulsion. Freedom is equated with the possession and use of more commodities, but the techniques of consumer persuasion operate as social controls to make individuals believe that the status quo is the best of all possible worlds and that the surfeit of consumer goods can belong to everyone. Individuals are offered mounting levels of pleasure and security by subjecting themselves to manipulation.

Consumer goods also create tangible problems in the form of social costs. A market system beholden to corporate expansion and profits fails to consider the limits and the physical constraints placed by the ecosystem on continued exponential growth. Economic growth, in terms of gains in the gross national product and an expansion of the size of corporations, has become a pervasive goal for the American economy. Economic growth serves a number of purposes which include: (1) minimizing the strains that result from continued disparities

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5 Id. at 140, 157. See also V. Packard, The Waste Makers (1963); but compare A. Lindbeck, The Political Economy of the New Left: An Outsider's View 43 (1971). Lindbeck cites the fact that a "very large" percentage, perhaps one-third or one-half of the new products, launched on markets fail and are withdrawn by sponsoring firms within one year.

in wealth and income; (2) providing added revenue for governmental expenditures; and (3) acting as a source for individual motivation and social mobilization. Economic growth also perpetuates the status quo by permitting the maintenance of the immediate pecuniary interests of favored economic and social groups.

The market fails, however, to consider the consequences of growth in a fragile and interconnected world system. A market economy based on a limitless bounty available for unrestrained exploitation by the private sector creates threats to the atmosphere and the soil. In addition to environmental deterioration, the continued depletion of non-renewable raw materials raises the possibility of resource and energy exhaustion. The productivity of capital invested declines as increasing amount of capital must be used to extract inaccessible and degraded resources. Mounting capital expenditures produce less energy; the capital invested in extractive operations is withdrawn from other sectors of the economy.

America’s response to the problem of controlling economic growth in terms of the ecosystem has focused on the realization that consumption brings external diseconomies—social costs—which do not enter into the cost calculations of private firms. An automobile belching forth emissions, or the litter of bottles and cans following the use of packaged consumer goods, to give but two examples, impose costs on the public. As a pioneering study on social costs noted:

For, if entrepreneurial costs do not measure the total costs of production, the competitive cost-price calculus is not merely meaningless but nothing more than an institutionalized cover under which it is possible for private enterprise to shift part of the costs to the shoulders of others and to practice a form of large scale spoliation.

7 The income shares of the top 10% and bottom 30% of American family units have remained constant over a long period of time. G. KOLKO, WEALTH AND POWER IN AMERICA (1962). In 1975 families in the lowest 20% of ranking by income received 5.4% of all income, compared to 5.1% in 1947. The top 20% received 43% in 1947 and 41% in 1975. Bell, Another Look at Income Distribution, Wall Street Journal, November 12, 1976, at 10, col. 4. The top 1 or 2% of all family units own about one-third of all wealth, with about 20 to 25% of all wealth in the hands of 0.2% of all family units. R. LAMPMAN, THE SHARE OF TOP WEALTH HOLDERS IN NATIONAL WEALTH, 1925-1956, at 24 (1962). See also Smith & Franklin, The Concentration of Personal Wealth 1922-1969, 64 Am. Econ. Rev. 162 (1974); Crittenden, Mystery of Income Distribution: Economists Want Clearer Data, N.Y. Times, November 6, 1976, at 29, col. 1.

8 H. ODUM, ENVIRONMENT, POWER AND SOCIETY (1972); Henderson, The End of Economics, 6 Ecologist 137, 142 (1976).

9 The technical possibilities for using substitute terrestrial resources and recycling new materials (or even a national policy for controlling resource depletion) face the seemingly inexorable Second Law of Thermo-dynamics which postulates that all earthly matter and energy are in a process of degradation, decay, and dispersal. All forms of energy are gradually transformed into heat which dissipates thereby becoming unavailable for use. See Georgeson-Roegen, Energy and Economic Myths, 41 Southern Econ. J. 347 (1975). See also N. Georgeson-Roegen, The Entropy Law and the Economic Process (1971).

Recycling involves some loss of a portion of the original raw material(s) through heat loss. Finally, the danger of thermal pollution may act, in the final instance, as the ultimate check on limitless vista of economic growth. Energy use generates unusable waste heat. Estimates indicate that if energy consumption increases approximately 4% annually for the next century the heat released from the usage of energy will increase the temperature of the atmosphere by at least one degree centigrade thereby upsetting the global climate. R. HEILBRONER, AN INQUIRY INTO THE HUMAN PROSPECT 50-52 (1974).


Social disasters may also result from unchecked atomistic actions. Individual transactions, which are limited in size, scope and time perspective, fail to recognize the imperatives of interdependence and give rise to consequences extending beyond the transacting parties themselves. The market fails to calculate total economic costs. The cumulative result of this sequence of small voluntary choices is the gradual deforming of society.\textsuperscript{12}

In the absence of universal standards and compliance, self-restraint by any individual or entity would be unprofitable. To meet environmental risks, specifically the pollution of air and water resources, the federal government had to intervene in the market by establishing mandatory standards and assessing penalties against those who disregard the standards. But as long as continued economic growth and individual gratification through consumption remain the watchword of the day, pressures will continue to be exerted against “overly” strict environmental control measures. Moreover, attempts to achieve effective and sound regulations are made more difficult because of the competing and conflicting interests of a complex economic and social system. In effect, it becomes harder in economic (efficiency) and human terms to get anything done.\textsuperscript{13}

The market also lacks an adequate time perspective to perceive the needs of future generations in a world of depleting resources. It does not encourage individuals or corporations to opt for constraint on present resource use for the benefit of future generations. The profit-orientation of the market fails to provide a mechanism for producers to take a long-range view by curbing undesirable practices.

Hazards and unknown risks which follow from technological and scientific advances also pose problems. The market is unable to translate risk and uncertainty into a monetary equation.

The market and its accompanying emphasis on efficiency neglects human and social needs by treating people as things in the production process. The emergence of managers, who seek the most efficient attainment of high productivity, has led to the increasing bureaucratization of work structures and the specialization of labor. The modern corporation, an over-organized and over-directed entity headed by a privileged elite, has overlooked an important factor—the human element. Work has an unpleasant connotation as employees are increasingly dissatisfied and alienated. A work structure that generates alienation has important consequences for the quality of a society. This is compounded by the fact that people feel physically and socially removed from those who make the economic and political decisions which affect their lives. The pervasiveness of alienation leads to a withdrawal of identification with and support for decision-makers. In short the market has failed to consider the

\textsuperscript{12} See Kahn, \textit{The Tyranny of Small Decisions: Market Failures, Imperfections, and the Limits of Economics}, 19 \textit{Kyklos} 23 (1966). See also Hardin, \textit{The Tragedy of the Commons}, 162 \textit{Science} 1243 (1968). Hardin develops the problem in terms of some farmers who realize they could maximize their advantage by grazing more animals than their neighbors. The local commons, in which all farmers grazed their flocks in feudal England, was ultimately destroyed by overgrazing.

\textsuperscript{13} See, Henderson, \textit{supra} note 8.
human and social consequences of technological growth in a modern society.\textsuperscript{14}

III. Defects in Regulatory and Planning Systems

The regulation of business in its relation to employment, pollution, and resources, developed from a conviction that an unchecked market system might lead to abuses. The alternatives of non-interference were deemed worse than the problems that were anticipated as a result of interference with the market. But the use of the political process, be it through regulation or all-encompassing governmental planning, poses a number of problems which include preventing the takeover of the planning process by corporate interests. This requires a recognition of the necessity to focus on finding satisfactory safeguards before attempting a politicization of economic decision-making.

Economic planning in a capitalistic system could easily come under the control of powerful economic interests and dominant societal institutions which would direct the planning process to promote capital accumulation and corporate growth. Ample precedent exists for the fear that corporations would attempt to capture the planning process. Two examples, regulation in the United States and planning in France, illuminate this suspicion.

Regulatory agencies in the United States have, to varying degrees, become captives of the firms which the agencies were designed to regulate. Sophisticated business executives realize that federal regulation of industry may help establish national markets and contribute to the stabilization of the allocation of resources and capital, thereby perpetuating the status quo.\textsuperscript{15} The rewards of cooperation, rather than conflict, between big business and regulatory bodies were and are perceived as a sound strategy. Thus regulation serves as a means by which established firms cement and perpetuate market positions.

Building on the symbiosis among bureaucrats in the public and private sectors, corporations perceived the advantages of planning in liaison with government. Planning could facilitate a more effective channeling of public sector financial assistance, in the form of direct subsidies and indirect tax incentives, and strengthen the ability of big business to manipulate the goals and the techniques of the American political economy for its own ends.

Post World War II indicative planning in France provides another example of how corporate interests can control the planning process. In France the system rested on the existing power relations and authority structures in French society and thereby reflected the interests of a society dominated by large corporate interests.\textsuperscript{16} The planning system in France consisted of long-term fore-
casts, e.g., the number of automobiles required in five years. The predictions, coupled with governmental incentives, helped to safely guide corporate decision-making. French planners bargained for, sought, and received, cooperation from major industrialists.

The conclusion that should be drawn from these examples is that an analysis of any proposal for planning should turn on who will do the planning, and what will be the source of power to enforce the policies formulated. The planning body ought not be flooded with individuals on leave from corporations or business-oriented law firms. In addition, the planning process must avoid the one-dimensional concepts of modern capitalism, namely, expansion and consumption. This effort to lessen corporate power, however, encounters the pervasive dominance of private business in setting the goals and values of a capitalistic society.

Even if a public sector body can set and implement goals in a milieu of a lessened complicity with major business executives, a popular horror exists of rigid economic, social and political planning on a national level. The specter of the central government detailing to the last pin what each factory will produce and what each individual will consume engenders a fear of compulsion, regimentation and red tape. A hierarchical political administrative apparatus based on obedience and subordination will likely create a new political elite. The ensuing bureaucratization of society perpetuates citizen passivity as directions emanate from a few planning experts.

Some theorists view planning and the concomitant concentration of political and economic power, especially in conjunction with an extensive program of nationalization of industry, as inevitably leading to a totalitarian nightmare. Hayek states: "[P]lanning leads to dictatorship because dictatorship is the most effective instrument of coercion and enforcement of ideals and, as such, is essential if central planning on a large scale is to be possible." The clash between planning and democracy is inevitable. It is argued that in contrast to planners who impose values on others and thereby reduce individual freedom and choice, a significant private sector constrains the ambitions of bureaucrats and the power of government, thereby preserving individual freedoms.

The argument rests on the meaning of freedom and choice, both of which may be illusory in a corporate-oriented economy. A considerable portion of the current choosing in the so-called free market is of empty significance. Instead of an unbridled freedom for the entrepreneur or the bureaucratic manager of a large business entity, or increased income and wealth for the few, or mass production and consumption, freedom may become multi-faceted and include social and psychological dimensions. Furthermore, since society and the individual are intertwined, an autonomous individual cannot, by his or her own actions, achieve "freedom" in isolation from a social environment. Private individual decisions, in consumption, housing, transportation and recreation, among others, carry with them far-reaching social consequences. Collective action is necessary to maintain...

17 F. Hayek, The Road to Serfdom 70 (1962).
18 Id. Milton Friedman states the case for capitalism as follows, "I know of no example in time or place of a society that has been marked by a large measure of political freedom, and that has not also used something comparable to a free market to organize the bulk of economic activity." M. Friedman, Capitalism and Freedom 9 (1962). But compare K. Polanyi, The Great Transformation, the Political and Economic Origins of Our Time (1944).
the operation of the economy and the ecosystem. Collective decision-making, which subordinates individual economic aspirations to social goals, may expand individual opportunities for self-fulfillment in a context beyond private capital accumulation and conspicuous consumption.

Privileged individuals may resent that planning opens the possibility for a more equitable division of income, wealth, security and leisure. Opponents of economic levelling argue that economic incentives motivate people to work and thereby benefit society as a whole. But must society continue to rely on traditional economic incentives? Would not the extension of opportunities to a wider base of the populace and a reduction in the disparities in wealth and income levels enable more individuals to realize their potential and create the possibility for more viable communities? In short, consideration of a planning process involves sensitivity to the problem of "freedom," the development and acceptance of new goals and values for both individuals and society, and the creation of institutions, i.e., the means for achieving such ends.

Further important contextual elements of the planning process are the recognition of global interdependency and the transnational dimensions of the environmental, climate, and resources problems. Markets for goods, services and investments are no longer confined within a nation-state. Multinational corporations, which have gone beyond the bounds of national markets, dominate the world economy. A Eurocurrency market, a pool of deposits in excess of $100 billion, exists outside national banking regulations. However, no global central bank as a lender of last resort exists to stem a future crisis in the Eurocurrency market.

The multinational corporations as a global system weaken the ability of any nation to pursue unilaterally its policy objectives. Intracorporate transactions among a parent and its subsidiaries bypass and negate the market. Global firms use foreign subsidiaries to evade national regulatory procedures, and earnings can be shifted to reduce corporate taxes. Foreign borrowings by multinational firms may circumvent restrictive national monetary policies. National money and capital markets are more closely intertwined, rendering more difficult the efforts of any one nation-state to stabilize domestic activity. Multinational business leads to a synchronization of national economic fluctuations. Efforts by any one nation to improve its regulatory mechanisms may lead multinational firms to locate profit centers in less restrictive nations. The internationalization of business and the subordination of nations to the workings of a transnational economic order forces planning to assume an international context.

However, recommendations for an international agency to serve, for instance, as a global environmental regulator, encounter the following problems: the barrier of national sovereignty; one inherent ineffectiveness of world organ-

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izations generally, e.g., the United Nations; and the difficulty of devising an adequate and effective sanctioning mechanism. In addition, a central worldwide authority, with coercive sanction powers, would constitute the ultimate elitistic-totalitarian arrangement. Furthermore, questions arise as to the number of decisions a single transnational center can make and enforce. Indeed, a global political structure might prove unwieldy. Nonetheless, given a continuation of the present nation-state system, a need exists for some mechanism to at least coordinate national policies, even among national planning systems.

IV. Towards a Theory of a Participatory Society

The traditional American pattern of inefficient political intervention in fine-tuning the market rests on a disjointed process of muddling through. The haphazard administrative-political process, lacking long-range objectives, adopts piecemeal, incremental policies which depart only slightly from past and existing policies and institutions. In contrast, a concept of comprehensive social planning rests on the notion that social forces previously thought uncontrollable can be understood and mastered. Acknowledging society’s limited ability to foresee the future, and bearing in mind the difficulty of fixing precise blueprints for future vicissitudes, the formulation of social policy involves a four-step process: (1) understanding the current situation and its causes; (2) delineating desired goals in light of the people they will affect; (3) comparing the current situation with the goals; and (4) preparing a strategy to achieve the implementation of the goals. As part of the social planning process, three additional questions must be considered: (1) who will formulate the goals being devised; (2) who will support or oppose these goals, and what will be their reasons for so doing; and (3) what would be the impact of alternative proposals on the participants?

It is necessary to set forth the basis for a new set of values, a hierarchy of human needs which culminate in self-actualization. These value judgments aim at the creation of a society which will provide an adequate material base for all by meeting the nutritional, housing, clothing, health-care, and educational needs of the population. Achieving these goals will necessitate an institutional restructuring within the present federal political system and a far-reaching decentralization of economic and political institutions.

The suggested value orientation put forth here, builds upon the theories of Abraham Maslow, who conceptualized a hierarchical theory of human motivation. Maslow’s hierarchy starts at the lowest physiological level and culminates with human self-actualization. Self-actualization encompasses a person’s desire to achieve his or her potential and is characterized by a superior perception of reality, increased acceptance of self, of others, and of nature. It seeks after spontaneity, autonomy, appreciation, richness of emotional reaction, improved interpersonal relations, and increased creativity. The unfolding self-realization, 21


Maslow posited, produces creative and beneficial results for both the individual and society.

Maslow's model of human personality raises several questions. First, it is uncertain whether institutional arrangements which enable every individual to pursue his or her self-interest will thereby benefit everyone else. Is it possible to reconcile the individual and the community? Second, the premise of abundance underlies the new society. As Maslow states: "When we are healthy enough to perceive the higher unity, when the world is good enough and wealthy enough so that there is no scarcity, then we can see that our interests as human beings are pooled and that what benefits one person benefits me, or benefits anybody else for that matter . . ." However, in a finite world of limited resources, scarcity looms as a disturbing reality. Exponential growth based on the depletion of non-renewable resources and on environmental pollution can no longer form the basis by which an individual may realize self-potential without depriving others of the ability to realize their potential. Attainment of socially responsible growth patterns thus requires a transformation from the materialism which presently predominates to another basis of values.

Attempting to bridge the gap between the dynamic psychology of individuals and the impact of society, especially economic institutions, Erich Fromm developed the concept of social character. Social character is a syndrome of character traits emanating from an adaptation to common economic, social and cultural conditions, which mediate the transformation within an individual of general psychic energy into the specific psychic energy needed by a society for its own functioning and preservation. For example, since the Great Depression society has encouraged individuals, except the very poor, to spend money on and consume new products. A premium of satisfaction is given to those who act as they are supposed to act, i.e., by spending and consuming. However, the impossibility of continuing exponential growth may lay the basis for another shift in the social character. Material needs may become by necessity more easily satisfied, enabling human energy to be channeled into other, hopefully more constructive, outlets.

Three obstacles may block the development of a new value system, which would aid people in dealing with the realization that the economy cannot grow indefinitely. First, it is far from certain that people will abandon the current pattern of consumption as a means of overcoming the boredom inherent in an individual society. Although more people may become satiated with consumption, an economic system based on growth and expansion will create new items to serve as future status symbols. It may be unlikely that the American public would be content with a minimum level of food, clothing, adequate but minimum health care, and transportation. But continued dependence on scarce and increasingly expensive resources and energy may lead to a reorientation of value away from growth, efficiency, power and profit.

Secondly, individuals also differ in the degree of freedom and responsibility they seek in economic and political organizations. Some individuals, preferring to be dependent, do not desire to make up their own minds. They want safe, highly structured positions where supervisors direct them. Another group, authoritarian in its outlook, wishes to dominate other individuals. These varying strains of human personalities and motivations would likely block a value consensus on the implementation of a course of action governing the distribution of wealth and income.

Third, social character builds on existing socio-economic conditions, and on the ideologies, customs and methods of child-rearing. The social character of parents and educational methodology mold the social character of children. Thus, the formation of a new social character, particularly aimed at full human development, may lag behind the requirements of the ecosystem.

But even if values shift and consumption is lessened, institutions must also be adjusted to permit greater participation by individuals in decisions affecting their lives. The rationale for increased participation, that is, giving individuals control over the decision-making and planning process, stems from several desires: (1) to promote a heightened sense of social and political efficacy by lessening the sense of powerlessness, that is, the feeling that the individual has lost control over his life; (2) to provide for greater governmental responsiveness; and (3) to lessen the extent that a society is beholden to experts.

Assuming a continuation of the present federal structure, based on the concept of representation, several possibilities exist to promote increased public involvement in and control over public sector institutions. More extensive use could be made of binding and advising referenda. To initiate far-reaching public discussion, a federal information agency could put forward alternative policy options in light of different objectives, values and perceptions of problems. If various sides responded to each other's position and clarify the underlying assumptions, such discussion could further promote public understanding of available options. The danger exists, however, that the public, sinking in a morass of data, could become convinced that it lacks the qualifications to judge which parade of experts is right and may opt to avoid all risks by opposing all action.

Other mechanisms could be developed for people to participate in policy formulation. Extensive use could be made of the computer, particularly if home terminals become economically feasible. The individual could also become more active in city and state agencies as well as community and neighborhood planning groups. Given time for experience to develop, local democratic planning seems within the capacity of citizens. But how will citizen experience and community involvement on a local level be translated into national planning? Citizens might work with local and national planning groups and agencies for limited periods, for example, two to four weeks. Ideally, national plans could build upon and integrate local plans so that priorities established at community levels could be reflected in national plans.

The development of renewable alternate energy sources, such as solar and wind power, can open possibilities for smaller, decentralized, more comprehensive economic and political units. Energy and technology, smaller in scale, could form the basis for new communities meeting human needs in a variety of ways. Smaller economic and political units would enable worker-citizens, non-experts, to be more informed and assume a greater degree of responsibility in economic and political institutions. People could regain power over aspects of everyday life, aiding in the development of realization and sense of community.

A large nation, such as the United States, could be subdivided into decentralized regions with different values paramount in various regions. Such a system would handle diversity in tastes and choices among individuals and groups. Subdivision into smaller units could promote participation. Regional units, generally larger than cities or states because of the existence of problems too large for solution on a local level, could lead to a community of interest emphasizing quality of existence for all. Regions could tailor production to locally available supplies of energy, food, and other life-sustaining resources. Units could produce and consume most of the required agricultural and manufactured goods. Society could provide for transition to phase out certain production processes and retain and resettle individuals formerly engaged in the consumption-oriented, resource and capital-intensive process.

A program of decentralization encounters a series of other obstacles. Autonomous political units, in the absence of central directives, may, for example, produce wasteful products which threaten the earth's environment. A mechanism must be developed to handle the unwanted side effects created by regional units. Decisions, if made at too low a level, may be duplicative or incompatible. Given the disparities in the control over resources and energy sources, rivalries may develop between regions. The struggle for resources and energy will require a linking together of the regional units under a central coordinating system which would provide certain services, such as defense and transportation, and resolve conflicts among the units.

The benefits to be derived from participation must also be assessed. The repeated discussion of "small" issues may not result in a creative and efficient process. The interest and span of attention of individuals is likely to lessen as the novelty of participation decreases. Inability to make decisions, particularly


If, however, the possibility for meaningful participation within the present federal political structure proves futile, what limits can be placed on experts in the planning and decision-making process, and how may the American political system be made more responsive to human needs? On the assumption that, in a representative form of government, the legislature best reflects broad public sentiment and the "public interest," Congress could take the initiative in delineating specific policy such as the direction of future growth. Specific objectives could be established before authority and funds are delegated to an administrative agency. A "Congressional Committee on National Priorities," with an overall view of the problem, could attempt to assess the relative importance of contending claims on the Gross National Product and promote a long-term coordinated program of federal intervention. Congress could more closely supervise and coordinate the federal regulatory and/or planning mechanism than it now does. Extensive congressional involvement might lessen the vulnerability of the planning mechanism to domination by business interest, and make the planning process more accountable. However, it is necessary to guard against the possibility that policy could be set by log rolling with only limited participation.

27 B. MOORE, JR., REFLECTIONS ON THE CAUSES OF HUMAN MISERY AND UPON CERTAIN PROPOSALS TO ELIMINATE THEM 73-75 (1972).
on distribution questions, may destroy participatory structures or at least create obstacles to the achievement of speedy decisions. In a non-homogeneous community, participation may highlight differences and increase conflict. As a result, speculators and traders, who seek personal gain by operating in the interstices of the economic and political system, may flourish. Finally, within each community or region, an elite group may perpetuate itself. The "Iron Law of Oligarchy" rests on the need to develop authority in large groups, creating a gulf between the leaders and the masses. Elitist theorists posit that every institution develops an oligarchy because the rank-and-file, through incompetence and apathy, cannot and do not desire involvement in decision-making. From the mass springs a minority which raises itself to the rank of a governing class that is elitist by virtue of education, cultural superiority, and lust for power. The end result is that a minority of leaders dominate a majority of directed people, in a condition of tutelage.

The response to this attack turns on a new value orientation. Individuals looking to both self-fulfillment and a concern for others may create and operate institutions so as to meet the challenge of a new social era. Instead of a narcissistic vision of personal growth, a consensus may develop that individual development can only occur within a social context. Diffusing economic, political and social power through participation may focus on distributional questions, specifically a limitation on income levels and wealth holdings. Establishment of a fixed ratio between highest and lowest salaries paid by an enterprise, subject to the assurance that all persons receive a minimal share, may facilitate citizen involvement. Setting a salary ratio on a plant or company basis, however, may present inequities beyond the control of workers such as the size and level of technological development of a plant or company, the availability of raw materials, or the position of a firm in an industry.

To reduce deadweight bureaucracy, Yugoslavia, within the context of worker managed enterprises and political decentralization, turned to reliance upon the market to make a number of resource allocation decisions. The utility of a market lies in relating a number of autonomous production units and overcoming the difficulties of collecting and coordinating data on consumer preferences, price decisions and production processes involving millions of commodities. The market and profit system also provide incentives to avoid waste and increase productivity. But the direction and content interchanges of information between the planning center and the decentralized enterprises in Yugoslavia remain unclear.

Combining a market and planning system with government control over investment, while striving to attain humanistic values within the community, raises several problems. The market may promote efficiency in the production of goods for consumption at the expense of a humanized work process. Workers

28 R. Michaels, Political Parties (1949).
29 John Rawls has advanced a theory calling for an equal distribution of income, power and status unless unequal distribution furthers the common welfare by satisfying compensatory principles of distributive justice. J. Rawls, A Theory of Justice (1971); Rawls, Some Reasons for the Maximum Criterion, 64 Am. Econ. Rev. 141 (1974).
in one firm may desire higher income with less work satisfaction thereby forcing other firms to follow suit. Redistributional policies and the equalizing of efficient and inefficient enterprises may lessen the invidious effects of the market that now result in the areas of wealth, status, and power. Nevertheless, workers will still be subject to impersonal market forces and the reappearance of hierarchical institutions. Therefore, despite increased attention to alternative ownership structures, e.g., consumer cooperatives owned by public sector and employees, there is the possibility that the market calculations will probably threaten to counteract the values sought, i.e., community orientation and the full development of individuals who are not alienated, status-minded, or subordinated to authority.

V. Conclusion

No definitive or final solution exists to the range of problems that have been considered. These questions cannot be solved by either an autonomous market mechanism, that is linked to private enterprise and resurgent individualism, or by centralized planning systems based on public ownership. However, an urgent need exists to reorient values and to create institutions to foster a political-economic system which may more adequately serve both present and long-range human needs. This article has sought to encourage a rethinking of such difficult social questions, including the assumptions which underlie a society whose life is based on consumption and technology.

Within large nations such as the United States different conditions among various industries and locations, particularly structural unemployment caused by the migration of industry and variations in employment, require select policy tools for particular regions. For example, a tax rebate or reduction may not reduce employment in economically depressed areas, and could add to inflationary pressures in boom regions. Furthermore, rather than stressing the need for the economy to grow, attention should focus on the quality of growth, which should be sought only where it is necessary and desirable. Within the present economic and political structure, the federal government could allocate resources to industries which are labor-intensive, and which are geared to conserving declining resources through the use of renewable and recyclable resources. In a world of rapid change, flexible policies are needed which can maximize options and increase the ability to tap different resources to meet unforeseen developments.