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Book Review

Changing Forward Versus Changing Back


Reviewed by Aaron Wildavsky†

The century-long debate over the merits of capitalism and socialism (it does, I know, seem longer) has begun to bore everyone. Few believe much of it and no one believes all of it, from the virtues of untrammeled private enterprise to the benevolence of state bureaucracies. Some will do almost anything to get away from it, from reinventing Karl Marx (the young, the old, the middle-aged, the romantic, the humanist, even the Marxist) to rediscovering Adam Smith (the professor of moral philosophy, the anti-businessman, the critic of alienation, the friend of the workingman). The boredom is a clue to the belief that thought and action on these matters no longer bear any discernible relationship.

If the truth were told, ideologies are nowadays as fissiparous as governments. One side is not so much enamored of private life as disenchanted with government. The other does not so much worship public policy as fear private oppression. Both sides know what they do not like better than what they do. In fact, the defender and critic of capitalism have more in common than they realize, for although one loves markets and the other hates markets, both are fascinated by them. It is, after all, the morality of markets—do they enhance or obfuscate popular preferences?—and not their efficacy that is at issue. Even among socialists, whose hostility to private power remains fierce, dismay at the performance of big government (more in private conversation than public announcement) runs deep. There is therefore new room these days for maneuvering along the edges of ideologies.

Into the interstices between capitalism and socialism comes a con-

† Aaron Wildavsky is a political economist, author of books on politics and public policy, and a director of three corporations. This fall he is an Adjunct Professor at the Yale School of Organization and Management.
cern with corporations. Without them, efficient modern enterprise appears unrealistic, and with them comes a potential for unbridled power. Unwilling either to abolish corporations or allow them to function freely, modern democracies have spawned half-way houses, from regulation to nationalization, none of which seems as satisfactory as it did a quarter century ago.

Today, when both the friends and enemies of democracy take aim at our sometimes faltering system, it is more important than ever that new, alternative modes of social and economic activity be examined. This is the most important message in Politics and Markets—that by keeping our options open, by examining (though not necessarily advocating) paths seldom trod, we may find it possible to build a more humane alternative to our present system. Through his insightful analysis and original speculations, C. E. Lindblom has extended scholarly debate beyond current frontiers.

Yet when we draw conclusions about so complex and mutable a phenomenon as society, the sad truth is that we are usually mistaken. We must therefore safeguard our capacity, not only to move society forward, but also to change it back. To discuss that capacity properly, I shall need to introduce terms seldom heard in the debate over capitalism and democracy: terms like diversity, reversibility, error recognition, and error correction. With these terms in hand, I shall conclude this review entirely in the spirit of Lindblom's search for a bedrock view of political economy, suggesting different criteria for evaluating answers to the questions he has raised.

I. Politics and Markets—An Overview

Politics and Markets is the most intellectually interesting contribution to American radical thought since that of Randolphe Bourne, who wrote around the first World War. It is radical in its description—corporate capitalism is incompatible with democracy; in its prescription—to sever markets from private enterprise in the service of social equality and environmental purity; and in its analytic opposition of society conceived of as a single mind whose intellectual elites choose the one correct policy for all, as in command economy and bureaucratic planning, to society conceived of as innumerable and diverse minds interacting to arrive at agreed policies, as in political bargaining and market transactions.

In this remarkable book, Lindblom parades the world's political and economic systems before us with fine precision and the benefit of his critical eye. He knows that "[i]n unobscured view, no society
looks defensible,” some for choking off liberty, others for crippling equality, all for denying fraternity. Yet his radicalism, his enormous effort to take a fundamental view of things, is at the same time optimistic in a way that only American thought can be. Like the framers of the Constitution, who acted on the then (and perhaps still) incredible view that mankind could devise the institutions by which they would govern themselves, and like the founders of the great American foundations, who believed that it was actually possible to get at the root causes of social phenomena and thereby to accomplish social change, Lindblom affirms that “the decline of the human condition is not inevitable. It is for us to decide. . . . The world is man’s doing, not something done to him.” So he asks, “[W]hat are the fundamental politico-economic mechanisms they can employ in order to maintain—indeed greatly enlarge—the humane qualities of life on Earth?”

Lindblom argues that corporations are antithetical to democracy because their privileged position in the economy, coupled with their special status in the polity, is not subject to basic challenge. Yet he knows too much to want to abolish corporations altogether. Lindblom, a lifelong student of socially interactive models of problem solving, is not a proponent of statism, of gigantism, or of the comprehensive centralized cognition called comprehensive planning in which society operates as if everyone had compatible interests. Easy solutions—those assuming benevolence and omniscience—are out for him. What, then, to do? Lindblom’s seminal contribution is to achieve a more radical conceptual separation of markets from private enterprise, of supply from demand, than has heretofore been thought possible. This separation, fraught with consequences, is a milestone in the history of social thought. Raising radical social thought from the mire of wrong-headed opposition to markets for any and all purposes, Lindblom encourages use of their marvelous calculating power in a radically new way.

II. Who is to Blame?

“I am frightened for my country after seeing this demonstration of corporate power.” (Esther Peterson, President Carter’s consumer affairs adviser, after defeat of a bill to establish a consumer agency.)

1. C. LINDBLOM, POLITICS AND MARKETS 247 (1977) [hereinafter cited by page number only].
2. P. 3.
3. Id.
“Businessmen have to be radicals now, because they’re the outsiders.” (Daniel Popeo, general counsel of the Washington Foundation, a business-supported public interest foundation.)

“Relentlessly accumulating evidence,” Lindblom tells us, “suggests that human life on the planet is heading for a catastrophe.” We threaten to “raise Earth’s temperature to a level unsuitable for human habitation ... end human life or reduce it to unbearable squalor ... plunder the planet of resources, or burn ourselves from the face of the earth.” So much for Mother Nature.

According to Lindblom, the social scene is not much more promising. “In the United States, many citizens fear that social problems are running far ahead of government. Many of our children do not learn to read. Jobs are insecure. Money does not hold its value. On some days the air is not fit to breathe. The streets are not safe.” And there is always the bomb—the likelihood of an accident, if not a nuclear war. Nor is that all. “[G]reat wealth still leaves a segment of the population in a demoralizing welfare system. ... Its expensive legal system is open to the rich, inaccessible to the poor for civil law, and hostile to the poor in criminal law. ... [B]usiness leaders ... practice bribery of government ... [and] defraud their customers ....”

This is quite an indictment, and yet if we seek odious comparisons for solace, Lindblom stops us short. Communist systems, he says, share with us a humanitarian vision, albeit imperfectly realized. Murder of millions no more denies their humanitarian aspirations, in his opinion, than the atomic bombing of Japan, the bombing of civilians in Germany, or the havoc wrought in Vietnam denies ours. Is this fair? How can Lindblom equate our defense with their offense? “[B]oth groups of leaders,” he replies, “claim to kill for humanitarian principles.”

Does Lindblom not appreciate the accomplishments of liberal democracy? Of course he does. “In human history,” he writes, “the design of large national governments practicing a nonviolent competition for authority in such a way that men can be free, as liberals define freedom, is as great an accomplishment as man has ever achieved.” But the very first sentence of Politics and Markets un-

7. Id.
8. P. 345.
dercuts this crutch of self-congratulation, treating liberty as an “aside” to get to the analytic heart of the consequences of social choice. “Aside from the difference between despotic and libertarian governments, the greatest distinction between one government and another is in the degree to which market replaces government or government replaces market.” Thus, the argument to which Lindblom devotes the bulk of his book is unexceptional: the operation of government, and the actions of those who seek to influence it, depend critically “on the role of the market in political-economic life.” The blind spot in this book, to which I shall return, is the converse proposition: the operation of markets (and therefore corporations) depends critically on the role of government in economic life. What corporations do to government, to reverse the flow of causality, may be dependent on what government does to (or for) them.

More than any contemporary social scientist, more, perhaps, than anyone since Adam Smith and Karl Marx (who were, in different ways, fascinated by the immense calculating powers of social interaction), C.E. Lindblom has contributed to our understanding of how coordination is possible without a coordinator, not only in economic, but also in political life. No one has done more to unearth the advantage that numerous minds interacting have over a single one acting out their parts for them. And whereas before, in his pioneering work with Robert Dahl—Politics, Economics and Welfare, he divided processes of calculation into hierarchy, prices, bargaining, and polyarchy (political competition), now, in an important simplification and clarification, he distinguishes more sharply between unilateral and multilateral controls, recognizing that all of these processes except hierarchy represent forms of mutual adjustment.

A. The Corporation is to Blame

Of the two main methods of economic adaptation to changing circumstances—new mutually advantageous exchanges and unilateral termination of an exchange relationship—Lindblom judges the second (losing a job, being forced to leave a community) to be as injurious to liberty as punishment by legal command. Though law prohibits many types of injuries, and even threats of injury, “it leaves one great exception: termination of an exchange relation,” “one to which classical liberal theory seems blind.” Lindblom of course knows that

12. P. ix.
13. Id.
markets could not continue if exchanges were compulsory. He is calling attention to the hidden damage done by apparently pure market proceedings. Pain as well as gain is exchanged.

There is, to be sure, another side of the story. Markets increase productivity, thus making it possible for both sides to come out better off. They do so, however, only if they choose the best (or, at least, better) alternative use of resources. It is precisely because of their "impersonal" and "soulless" character, to employ the standard epithets, precisely because they do not care about you and me as people but only about our economic contribution, that they are able to discard the old and worse for the new and better. If markets were socially conscious, valuing need over contribution, or merit over results, economic surpluses would be distributed before they could be accumulated, and a bureaucratic authority would be required to define and recognize need and merit. Either way, people get hurt, whether from a lack of compassion or from an excess of it. Like every other instrument of policy, markets are neither good for everything nor good for nothing.

Concerned as he is about vetoes in market transactions, Lindblom is all the more worried about their prevalence in politics. How can there be collective solutions to problems, he asks, when those affected can stop progress? This is an old story. Veto-groups have long been bemoaned by those in favor of the latest reform; vetoes have also been applauded by those opposed to change as manifesting the foresight of the founders of the Republic, who cleverly constructed separated powers, armed them with checks and balances, and surrounded all with a redundant federal structure so that nothing not widely approved (at least by those who participated) could become law. The problem of vetoes has acquired urgency because, in Lindblom's view, the traditional distributional issues have been superseded by more serious collective concerns—peace, environment, energy. As to these a "failure of policy making leaves the entire society in peril. One person's loss is now every person's loss. . . . A veto of a solution to a collective problem—say, of an energy policy—may put society on the road to catastrophe."16 It is not the opportunities for vetoes inherent in our governmental structure that disturb Lindblom, however, but his judgment that "[t]he foundation of these vetoes is largely the autonomy of the business enterprise."17 Its legally protected "right to say no to the state" is upsetting because "its privileged position per-

16. P. 347.
17. Id.
mits it to obstruct policies such as those on environmental pollution and decay, energy shortage, inflation and unemployment, and distribution of income and wealth. . . . [B]usinessmen need do no more than persuade government that reforms will damage business. Their vetoes are powerful and ubiquitous.\textsuperscript{18}

Corporations, according to Lindblom, suffer from that inescapable affliction, guilt by definition. It is not so much that they conspire (or even aspire) to do evil, but that, in a democracy, they must be evil. Business, so to speak, is incorporated with Original Sin, for as an essential part of the economy it is necessarily privileged, and privilege is incompatible with popular rule.

By privilege, Lindblom does not mean acts morally improper for individuals, but rather benefits unequally distributed in society. Lindblom's list of privileges is a lengthy one—money, propaganda, expertise, access to government, and more, much more—but it all adds up to one, the performance of essential economic functions. Businessmen play a more privileged part in government than anyone, except possibly government officials, because "jobs, prices, production growth, the standard of living, and the economic security of everyone all rest in their hands."\textsuperscript{19} In short, the business of government is the economy, and the economy is run by business. Since private property cannot be compelled to act, Lindblom explains, it must be offered inducements—"income and wealth, deference, prestige, influence, power, and authority, among others."\textsuperscript{20} Whenever corporations say that they need this or that subsidy or tax concession in order to assure the profits necessary for employment and growth, they are likely to be indulged because employment and growth are what government wants too.

Would Lindblom say, then, that business runs government? No, he is not a vulgar Marxist. He only says that business is uniquely and disproportionately privileged. But surely there are other important interests, such as agriculture and labor unions, that can compete with business for political power. Not so, says Lindblom, at least not to the same degree. Workers and farmers have to work, but businessmen do not have to risk capital; moreover, if these other interests were to grow much stronger they could "undercut the entrepreneurial energies on which market-oriented systems depend."\textsuperscript{21} Back to the double-bind: "union power may be 'too much' for the survival of private

\textsuperscript{18} \textit{Id.}
\textsuperscript{19} \textit{P. 172.}
\textsuperscript{20} \textit{P. 174.}
\textsuperscript{21} \textit{P. 199.}
enterprise long before it is great enough to match the privileged position of business."\textsuperscript{22}

Why say business is privileged when the vast majority of citizens support private enterprise? Because, Lindblom argues, the surest proof of privilege is that business can convince others to want what it wants or, more importantly, not to want what it does not want. Lindblom urges us to consider

the ominous specific possibility that popular control in both market and government is in any case circular. It may be that people are indoctrinated to demand—to buy and to vote for—nothing other than what the decisionmaking elite is already disposed to grant them. The volitions that are supposed to guide leaders are formed by the same leaders.\textsuperscript{23}

Opinion molding runs from "unconscious conditioning . . . to believe in . . . fundamental institutions" and "child-rearing practices that stress individualistic autonomy" to "the competitiveness of sports [coming to be] identified with market life,"\textsuperscript{24} the indoctrinating of "citizens to overlook their privileged position," and the association of "private enterprise with political democracy."\textsuperscript{25} If indoctrination is so successful, one wonders why business has to fight or how it ever loses.

What of the obvious fact that business does not always get what it says that it wants from government? Lindblom does not deny that business sometimes loses; he just denies that this occasional loss signifies what at first glance it seems to about the power of business over government. Often, he argues, business gets what it wants without even asking because every government depends on a sound economy, and sometimes what appears to be persuasion by business is really coercion, such as when a plea for tax relief implies that corporations will cut investment with unfortunate consequences for everyone. To Lindblom,

\textit{[i]t follows that evidence, which is abundant, of conflict between business and government—and of business defeats—is not evidence of lack of privilege. Knowing that they must have some privileges and knowing that government officials fully understand that simple fact, businessmen ask for a great deal. They also routinely protest any proposal to reduce any of their privileges. They are not highly motivated to try to understand their own needs. It

\textsuperscript{22} Id.
\textsuperscript{23} P. 202.
\textsuperscript{24} P. 207.
\textsuperscript{25} P. 203.
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might weaken them in governmental negotiations to do so. Hence they often predict dire consequences when a new regulation is imposed on them, yet thereafter quickly find ways to perform under it.26

"Businessmen," he concludes, "thus become a kind of public official and exercise . . . public functions."27 Whereas other interests appear as special pleaders, business appears imbued with the public interest in a strong economy. And this unmatched power over government "is inevitable in all private enterprise systems if they are to be viable."28 This is the Catch-22 of corporate privilege: If corporations get what they want, that is bad for democracy; but "when they do not, recession or stagnation is a consequence."29 Moreover, there is a favored class that participates much more effectively than the lower class, a favored class that occupies leadership positions in major interest groups.30 "Thus," Lindblom concludes, "the very groups that might challenge class influences in the system are themselves class influenced."31 Is this the classical Marxist explanation of capitalist control based on false consciousness? According to Lindblom, it is not "quite the same." "To say that, because of class, bourgeois democracy is wholly a sham because the masses are mistaken about what they want, which is roughly what Marx said, is different from saying that because of class, popular control is crippled though not paralyzed by circularity. The latter is our conclusion."32 If this differentiation is designed to let through a ray of hope, it does not succeed.

B. Can a Corporation Be a Good Citizen?

How could the proposition that corporate privileges are incompatible with democracy be put to the test? How might it be squared with the opposing assertion that the prerogatives of corporations are being whittled down as they are compelled to provide a variety of social services opposed to their profit-making purposes? How, indeed, square the two quotations that headline this Part, one saying that corporations cannot be beaten and the other suggesting that they are taking a terrible beating?

The question of who controls the economy might first be ap-

27. P. 177.
29. Id.
30. P. 223.
31. P. 228.
32. P. 230.

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proached by asking whether concrete manifestations of corporate power are actually to be found. One place Lindblom located them is in the alleged corporate veto over major matters of collective concern. Do such vetoes exist? They do and they do not. Unless corporations are to lose on every try, they must stop some things that they do not like; since they are often divided on subjects such as free trade and oil prices, some corporations must veto, and some fail to veto, some of the time. Actually, there are an enormous number of vetoes in our political system, creating a mirage of obstruction when there is really momentous movement. How? Suppose that only one percent of initiatives were approved. If the rate of initiation quadrupled, then for each successful policy before the quadrupling we would see three more successes, but we would also see three hundred more vetoes. In the past decade, because of the popularity of social policies, this pattern—many more policies accompanied by an even greater number of vetoes—has accompanied the growth of the welfare state.

The single noteworthy example of mutual veto is energy policy. Years after the enormous increase in oil prices, which feeds inflation, decreases employment, depresses the stock market, ruins the dollar, proliferates arms to oil producers, and more, the official policy is still to subsidize the price of oil. Why? Is this another example of corporate privilege? Hardly; it shows again the difficulties of government trying to substitute for markets instead of mitigating their consequences. Government should have deregulated natural gas and allowed the price of oil to rise to the international level, thus reflecting real scarcities, while simultaneously subsidizing those who suffered the most. Unfortunately, the task of making all adjustments at once has proven too much for Congress, so that there is neither choice by politics nor choice through markets.

If the ultimate test of corporate privilege is survival, corporations can only test the null hypothesis by committing suicide. Short of the ultimate sacrifice, one way to test Lindblom's hypothesis of inevitable corporate privilege would be by trying out more meliorative devices for modifying behavior deemed objectionable. Suppose our aim is to lessen corporate interest in (and hence efforts to gain control over) government. One policy proposal, which is receiving serious attention today, is to end corporate taxation by having the same taxes paid by the individuals to whom profits are distributed. Much business interest lies in reducing taxes, which would be less necessary if there were no taxation to escape. A second proposal would be an end to all or most policies that set prices. The further government is re-
moved from corporate profits, the less corporations will be tempted to abuse government. There would have been no "milk deal," for example, if the government were not in the business of setting the price of milk, and there would be less need to conduct campaigns against regulation of rates if there were not so much of it. In a democracy one cannot have it both ways-government control over an industry and no effort by industry to exert control over government.

III. What's the Solution?

If you believe that the largest "institutional barrier to fuller democracy may . . . be the autonomy of the private corporation," and if you also believe, as Lindblom has maintained throughout his scholarly life, that comprehensive planning to arrive at correct decisions for society is "a fruitless effort," what do you recommend? Without corporations there cannot be modern business, without business there cannot be markets, and without markets decisionmaking cannot be decentralized. How, then, does one reconcile a lifelong love of social interaction with an antagonism toward the political consequences of the major economic mechanism for decentralized decisionmaking? Lindblom wants us to consider this answer: private markets for production, political arenas for consumption. What is to be produced is to be decided centrally, presumably through political mechanisms, but how it is to be produced is to be left to private enterprise. The (in)famous marriage of supply and demand is to be annulled.

Lindblom thus reverses the terms of the famous debate between Oscar Lange and Ludwig von Mises over the (im)possibility of combining nationalization of production with individuality of consumption. The author wants us to think about nationalization of consumption, not production. In his own words,

[o]bviously, therefore, government purchases can direct production as surely as can consumer purchases. A planner sovereignty market system is one in which they do so. Government directs production by purchases of final products rather than by commands. Such a system is a possibility yet unrealized for the central planning of an entire economy.

In the fullest form of planner sovereignty, all production, consumer goods included, would be guided by the purchases of a

33. P. 356.
34. P. 346.
government that has displaced the consumer as the "sovereign." All enterprises would sell either to government officials, who decide what consumers should have; or they would sell intermediate products to other firms that would in turn sell to government officials instead of individual consumers. Government authority would direct the allocation of resources and the productive processes by buying or not buying final products, or by buying more or less of them; it would not use authoritative assignments of targets and quotas.

Government planning would be limited to the desired assortment of final outputs. Through exchange all other production would be subordinated to those final outputs. Government would signal for shoe production, for example, by increasing its purchase of shoes; but how the shoes are produced, with what intermediate products, what machinery or buildings are used, what employees are hired—all that would be left to the enterprises to decide and arrange through markets.\textsuperscript{36}

There is no mistaking the message: Consumers are not to be allowed to buy directly from producers "[b]ecause [government] officials want outputs different from those which consumers would buy if left to themselves."\textsuperscript{37} There would be two separate markets and prices: one for controlling consumption and the other for controlling production. Presumably, government would act as a cooperative of buyers. To separate markets from private enterprise, therefore, is to substitute citizens acting politically through government officials for citizens acting economically through business in determining who shall consume how much of which goods. Naturally, one wonders whether government is doing so well that it ought to take on vast new responsibilities: could government stand the strain?

A. \textit{Will Control of Consumption Improve Public Policy?}

How would a change from economic to political control of consumption deal with the difficulties that Lindblom says affect this country? Let us consider medical services, pollution, and crime.

In recent decades, health rates (morbidity and mortality) have been

\textsuperscript{36.} P. 98. It would be fair to say that Lindblom only alludes to a system of planner sovereignty through markets; he does not, strictly speaking, advocate it or even work out its implications. How, for instance, is quality control to be handled? If producers reduce prices and government still refuses to buy, is there still a price system? These and similar issues are deliberately not addressed. For my purposes in this review, however, it is desirable to create a contrast between existing relations of corporations to government and two alternative relationships: increasing corporate contact with government as the body that controls consumption (his planner sovereignty) and decreasing corporate contact by replacing regulation with competition.

\textsuperscript{37.} P. 99.
improving for all groups in the country, with the possible exception of white, upper-middle-class males; nevertheless, the medical system is said to be in a crisis because the cost of care has skyrocketed. Why? In the choice between increasing access to medical service, improving its quality, and lowering its costs, the last of these has always lost. As private insurance becomes more comprehensive, and as medicaid for the poor and medicare for the elderly expand, the combination of private insurance and public subsidy, coupled with more intensive use, drive up the cost of factor prices. A dramatic improvement in access is accompanied by a huge increase in cost. What could a government that controlled consumption do about this medical inflation? It could ration access to medicine, as the British do, by setting a ceiling on total expenditure and investment and making people wait for their operations. Alternatively, to maintain access and quality, it could subsidize medicine still further, as the Swedes do, by decreasing direct costs to individuals while vastly increasing state expenditures. (Sweden has a higher rate of medical inflation than the United States.)

In any event, health rates depend ultimately on health habits, which no government, after instituting basic public health measures, has been able to modify. Unless it is intended that governments lower the quality of care or reduce access to medicine, political control of medical consumption will neither lessen expenditures nor affect health (as opposed to medicine).

Environmental measures, to be sure, might improve health, but what is the likelihood that more of them would be taken by a government that controlled consumption (a consumocracy?) than are taken now? As things stand today, public spending is exceeded by the private spending mandated by regulation, the latter diffused over tens of millions of taxpayers and consumers. Would a government in total charge—a government responsible for trading off not only employment, inflation, welfare, and all the rest, but also the amounts and sorts of goods that will be produced—spend as much as we already do on environmental protection? I doubt it.

As for crime, no country in the world, so far as we know, has been able to lower rates of criminal recidivism without employing inhumane tactics. Early optimism that crime might be eradicated by education has long since been abandoned. As long as education was confined to the willing and able, teaching was tolerable. But it turned out that there was no technology for significantly improving the cognitive abilities of deprived children in a short time. In this respect, the major difference between the United States and other countries is that we publicize our failures and they do not.
In sum, difficulties with health, public safety, education, and the environment are unlikely to be alleviated by a systemic change so long as the system is still largely responsible to popular will. For all we know, certain difficulties, such as crime, may yet worsen as we collectively put in either too little or too much for our own good. Besides, two of these spheres of policy, education and criminal justice, are, for the most part, already subject to public control of consumption, while two others, medicine and the environment, are subject to immense intervention. In short, it does not appear that more of the same will leave us better off.

B. Who Will Control Government When Government Controls Consumption?

It can be argued that by eliminating business advertising, government control of consumption will liberate men's minds from indoctrination into a consuming culture. That indoctrination exists, no one can deny. None of us can jump out of our skins, free of influence from surrounding social forces. Yet we know that advertising is often unsuccessful. Most new businesses and new products fail. They must, for they compete with one another for limited resources. Most initiatives for new public policies also fail. Once established, however, new government agencies and their programs last for a long time. Government is better at addition than subtraction. Why?

It is no put-down of democratic government to observe that its conclusions follow from its premises. Government is representative; therefore there must be something for everyone. Government governs by consent; therefore nothing can be taken out without putting something back in. Government is benevolent; therefore no one category of citizens can be deprived of any existing benefit. This is the origin of the aptly-named “hold harmless” provisions of most legislation that guarantee against declines in levels of benefits. It follows that in order to introduce or change a program, there must be higher levels of benefits overall so that both old and new beneficiaries are better off. The inevitable result is an increase in the total level of activity.

Size gives governmental employees a greater direct stake in government than almost anyone else. The indexing of civil service pensions against inflation in Britain (thus protecting the governors against the consequences of their own actions), and the exemption of federal employees from the duty of contributing to social security in the United States (which necessitated such high increases in rates) are but two examples. For this reason Ignatius Donnelly's populist utopia, Caesar's Column (set, as luck would have it, in Uganda), specifically
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deprived government employees of the right to vote so long as they held office.\textsuperscript{38}

Government is optimistic; it claims more economic growth than is conceivable. It estimates expenditures low and revenues high. It adopts the Keynesian full-employment concept under which government budgets are considered balanced only when deficits are high enough to promote full employment. And it does all these things so as to carry higher levels of spending without appearing to carry higher deficits. Inflation is not the intention, only the result. The intention is to justify governmental spending as preferable to private consumption, \textit{i.e.}, to elevate politics above markets.

There is a denial of common humanity involved in insisting that people's preferences are perverse. Now we all know that we may be and probably often are mistaken about what is good for us, but if we are not entitled to want what we want when we want it, we shall have no new experiences to help change our minds except those that others think are good for us. To deprive people of their preferences is to deprive them of their most human property—their right to be wrong.

The most attractive feature of corporations is their capacity for failure. They keep score. When they lose, they have to leave, unless, of course, government rescues them. The trouble with failing is that it can happen to anyone, and few therefore willingly take risks. Private enterprise, if it could, would choose guaranteed profits. Why not divide a market with competitors, for instance, or substitute government rates for price competition so that everyone gets something, rather than risk getting nothing? Competition is less an individual trait than a systemic quality, forced on unwilling individuals so long as they have no other alternative. The idea that most businessmen love competition is contrary to experience: they compete because they must, not because they wish. This hypothesis is tested whenever businessmen serve on committees to design optimal metropolitan services. Almost never do they recommend further fragmentation of government, coupled with contracting out to private companies, which would simulate and stimulate private markets. Almost always they replicate the bureaucratic structures in which they work by recommending consolidation of services in a larger governmental framework. Business should not be allowed to escape from competition through attachment to government. Yet that is what will happen if government becomes the sole consumer.

\textsuperscript{38} I. Donnelly, Caesar's Column 304 (1960).
If Eisenhower's military-industrial complex, in which government is the sole consumer, were expanded to encompass all production, the incentive for corporations to colonize government would be irresistible. Instead of government being of concern only when it impinges on profits, government would be a full-time fascination for business, the all-consuming object of corporate desire. Instead of politics being the handmaiden of profits, politics would be the ultimate (and only) consummation of economic activity. Corporations would be by necessity what Lindblom accuses them of being by choice—the privileged class of American politics; otherwise, they literally would be unable to exist. Corporations would either control governmental personnel and policies or be controlled by them.

The attraction would work in both directions. Once government controlled consumption, it would also want to control production. The process would be inexorable—from deciding what should be consumed to regulating how it should be produced. Once government agencies were made responsible for consumption, they would have to regulate production, for consumption depends on quality, dependability, and all the rest. Where consumption had been rendered predictable by law, production would also have to be protected from the rigors of competition. The marriage of convenience between government and business would then be blessed by law as well as by custom.

IV. A Corporate Ecology

In a democracy, citizens owe their country, not only consent, but also criticism. By delving deeply into fundamental issues, by refusing to allow an easy exit, Politics and Markets compels its readers to face up to the premises and promises of democratic government. The least a reviewer can do in return is to try to carry the discussion further.

How, then, should the economy be related to the polity? What should a free people want to make of their political economy? How, to be precise, should government relate to the corporation?

Building on Lindblom, we can say that democracy is less concerned with correct than with correctable decisions. Dictatorships, on the other hand, are little concerned with correctability either because they cannot admit their errors, or because there is no one around to point them out. Democracies are less concerned with avoiding error, which is inevitable if no one has sole possession of the truth, than with de-

Detecting and correcting error. Their mechanisms, therefore, are designed to find fault. What criteria are appropriate in evaluating the institutions of such an error-prone, error-recognizing, and error-detecting society?

Reversibility must rank high. Since the truth is yet to be discovered, irreversible actions are rejected; that is, changing forward is valued only if the option of changing back is preserved. Diversity is also treasured. Since the main hypothesis of democracy is that we are likely to be mistaken, diverse sources of ideas are cultivated to provide new and competitive hypotheses. Accountability is essential so that citizens can learn whom to hold responsible and officials can learn what they are responsible for. Accountability in turn requires differentiation of function so that what is done may be attributed to who is doing it. All three criteria—reversibility, diversity, accountability—are qualities through which democratic skepticism is maintained and reinforced.

Every system requires protection against its own excesses; it must dampen down its extreme tendencies lest it oscillate out of control. But if there is to be error detection and correction, criticism must be safeguarded. Thus, while democracies are skeptical, they cannot do without some dogma. Criticism of criticism is disfavored—the system must reject (not pay serious attention to) those who reject the system—because, otherwise, its rationale would be undermined. Reversibility would become an impossibility, except by force, because criticism of the new order would be prohibited. There could be one change forward but no more changes back. Reversibility would be ruined by a collapse of corporations. Where, for example, would those who wished to change back find the resources with which to challenge those who controlled all the resources? There would be less reluctance to experiment with central planning of production if there were better reasons to believe that it could be abandoned.

Democracies are based on skepticism, not dogma. Thus their procedures are more concerned with removing governments from office than with keeping them there. Democracy is not about affirmation, but about negation; it is not commendation, but criticism that is institutionalized. The right to say “yes,” therefore, is valued less than the rights to say “no,” to vote against, to travel elsewhere, and even to withdraw. But to withdraw, there must be a place to go. In relation to the public sector, private enterprise is part of the sanctuary of private life. But where would anyone go if they were disaffected with government? Home and hearth are not enough unless they are sustained by interests that (a) believe in their own privacy and (b) are capable of defending it. However imperfectly, corporations meet
these criteria. The alternative is seeking succor within the bureaucracy, which is not necessarily the best place to hide.

It might make sense for a socialist country to add an element of diversity by removing control of production from government and returning it to private enterprise. It would not make sense for a (more or less) capitalist country to give up an element of diversity that it already possesses. Of the countries in the world today that are capitalist, none is wholly so and all are getting less so. American exceptionalism hardly lies in statism; everyone else in the world is doing that. Perhaps the world gene pool of institutions would be enriched by maintaining a few examples of that vanishing breed, corporatus Americanus, as a source of future diversity, before variety is extinguished from world economic ecology. Existing sources of diversity should be safeguarded. Like any other endangered species, the capitalist corporation should be protected.

Accountability would also disappear if private markets succumbed, for how will stockholders, consumers, and employees hold business accountable for its product if government is ordering the goods? How will citizens hold government accountable if its activities are so numerous and varied as to defy comprehension? It would be far better to increase differentiation (and hence intelligibility and accountability) by narrowing the scope of corporate activity to more strictly economic concerns, and by focusing and thereby reinvigorating competition. Continuation of administered prices and division of markets by government regulation is probable, but not inevitable. And for those whose style suggests that radical is right, there could hardly be a more radical departure from world trends than to try competition. If America is to be an exception in the world, it could become exceptionally competitive.

The debate over capitalism and socialism, markets and politics, has been conducted mainly by people who are more certain that they know what is right than they should be. Lindblom's masterwork is evidence that it is still possible to learn. Before the era of big government, it was still possible to believe that if only government did this or that--provided aid to education, medical care to the poor and elderly, built highways, etc.--all would be well. Now we know better, and as modern, self-conscious people, we cannot pretend that we do not. Yet the egalitarian dogma of democracy, that political liberty and social justice can go together, remains to be realized. The test of the times is to make this new skepticism about government serve the old ideal of perfecting American democracy.