

THE ECONOMICS
OF THE
RECOVERY PROGRAM

THESE essays had their origin in private conversations among the authors. It is hardly necessary to say that they are in no sense a pronouncement from the Department of Economics in Harvard University, or that they commit no one but the authors themselves.

THE AUTHORS

**THE ECONOMICS
OF THE
RECOVERY PROGRAM**

by

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INTRODUCTION

THE common aim of these essays is to analyze, in the light of economic experience and principle, the present economic policy of this country with reference to the goal of recovery. We wish to take up, one by one, the major groups of measures, and to answer for each of them such questions as: What is the immediate effect it is meant to produce? Are the means, chosen in every case, likely to produce that specific effect? And will that effect, if actually produced, or will the means as such, help to bring about recovery? For exposition of the details of acts and codes we must refer the reader to other sources. Recommendation of proposals of our own is no part of the plan of this volume. It may best be described as a little handbook of, or guide to, the main ideas underlying the policy of recovery and the main arguments about it.

Readers will, by this time, be sufficiently aware of the conflict of opinion on the subject to expect to find plenty of criticism in these pages. This expectation is perfectly justified. Unavoidably,

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there *is* plenty of criticism. And if these essays are to render the modest service of clarification which it is their aim to render, it is necessary to define the nature of this criticism at the outset and to reply in advance to some objections which will not fail to arise in the reader's mind.

First of all: We have not tried to be non-political. There was no need of *trying*, for, as a group, we *are*. By this we mean that there has been no intention to defend or attack either the Administration which is responsible for the measures discussed or any political party, and that the absence of such intention is not due to virtuous effort, but simply to the fact that the writers who contributed these essays, although colleagues and friends, probably represent pretty much all of the existing shades of political preference. Some of them are in hearty sympathy with what they conceive to be the spirit of the government's policy. Such parallelism of views as the reader will observe—no effort has been made to secure conformity—is due to their scientific training and cannot, by the nature of the case, be attributed to political intention or allegiance. It is true that *any* criticism is at present likely to be voted down as "reactionary." But the reader can easily satisfy himself that measures much more "radical" than any actually taken would not be open to the main critical

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comments here presented and that the authors are very far indeed from believing that nineteenth century individualism is the summit of wisdom for all times. It is, besides, by no means as easy to classify present economic policies under political headings as most people seem to think. Inflation, for instance, has acquired some association with "progressive" views. But it should not be forgotten that it never was, historically speaking, a part of liberal or radical programs. It is even but justice to state that serious socialism has always stood for what is known as sound money. Again, measures in the interest of agriculture could be classed as "liberal" only at the expense of including in that term the policies of the present governments of Germany and Italy. Restriction of production and organization of the trades is *not* planning in any sense which would spell progressive reform of fundamental social institutions. The kind of planning that has been undertaken so far may mean no more than the emergence of the cartel. There is plenty of freedom for very different social interpretations even as regards the policy with reference to trade unions, while many measures, of course, do not carry any political connotation at all.

While there has been no effort to be non-political, there was considerable effort to be

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non-technical. The fact must be faced that it is impossible to present results of economic analysis in a way both simple and accurate. We have, however, done without anything which could fairly be accused of savoring of technique or scientific apparatus, and all that is necessary for the reader to bear in mind is that what he will read is not the whole case in all its ramifications and qualifications, which we are as far from claiming as we are from pretending to omniscience or immunity from honest error. This difficulty is in any case a minor one. For the real trouble with the public mind in matters of economic policy is not so much that it fails to follow complicated arguments, or to realize, as it does in other fields, that there are things the understanding of which calls for laborious study, but rather the opposite one, namely, that it obstinately refuses to trust to its own common sense, where this common sense could be expected to speak out with no uncertain voice. In fact, no one who tries to analyze public opinion can fail to be struck by the discovery that what it believes is hardly ever the obvious. The first and foremost task of professional criticism is now, as it has always been, to defend plain truth which really is not recondite at all. If people would only believe such things as that you cannot increase economic welfare by

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producing less all round and other similar ones which are, at all events, much nearer the truth than their opposites, the worst errors would be avoided and what a wiser, happier, richer place the modern world would be!

These essays analyze merely the recovery aspect of current measures. It may be urged with some justice that this aspect is not the only one and that criticism which fails to take account of the larger issues involved misses the essential point. To show that we recognize this, Mr. Taylor has undertaken to deal with those wider aspects. But the problem of recovery is nevertheless a self-contained whole. It can be treated by itself, quite apart from the fact that helping toward recovery was and is the main goal of official policy as authoritatively stated. Everyone, it is true, is within his rights if he says: "I do not want recovery only, or recovery at any price, I do want other things more." But he ought to know how far this is, and how far this is not, compatible with speedy recovery. He must be able to count the costs of striving after other—perhaps higher—aims. Social idealism is a fine thing if acted upon with a clear perception of the sacrifices involved *for all classes*. It is but foolishness if it rests on no other foundation than definite and provable economic error.

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It is unavoidable that, here and there, the authors should reveal, expressly or by implication, what they think could, or ought to, be done in order to bring about recovery. But it was no part of our plan to suggest measures of remedial policy. We do not see any force in the question: What remedies have you yourselves to offer? Analysis and criticism have their place quite independently of the existence or nature of alternative proposals. They render an essential service by supplying *one* element vital to intelligent opinion. And they render it the more efficiently the less they are burdened with any proposals of the critic. Besides, if medicine taught only which prescriptions do *not* help, it would still contribute substantially to public health.

In some countries, there is a disposition to disapprove of any argument which may, directly or by inference, reflect adversely on government action taken in emergency. Respect for the great tradition of American freedom of opinion and speech prevents us from discussing any such view here. We are sure, all of us, that honest criticism will be more welcome to the most fervent supporters, reasoned endorsement more welcome to the most ardent opponents, of government policy, than thoughtless cheers would be to the one and narrow root-and-branch condemnation would be to the other—or any dogmatism to either.

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