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Economic Policy in Crisis

That the entire Western World is showing the marks of a multitude of crisis symptoms is something we have become used to. That those whose job it is to get us through the crisis manage more or less successfully to avoid the worst is already hailed as a success of economic policy. In such an atmosphere in which hectic hand-to-mouth measures abound, we are inclined to forget that we are basically faced with a more deep-rooted phenomenon which should disturb all of us deeply – the phenomenon of a general crisis of economic policy.

This crisis extends practically over the entire economic field. Whatever we choose at random we shall hardly find any sector which does not bear the depressing marks of this worldwide economic malaise.

During the period of nearly uninterrupted prosperity since World War II a whole generation of students, businessmen and scientists have had the doctrine of Keynesian employment policy presented to them as a quasi assured part of economic knowledge. Economic growth theory operated with models assuming a steady and balanced growth of the economy. Economic policy adopted similar ideas. Not so many years ago it would still have been reasonable to expect widespread understanding and approval for an assurance that, as far as industrial countries with a properly functioning administration were concerned, trotting or even galloping inflation could not happen, unless perhaps as a result of wars or catastrophes. Meanwhile it has dawned on us how much we were in error. The Keynesian apparatus does not give us a firm basis on which to conduct an economic policy aimed at full employment and evenly balanced growth, nor is there a single government anywhere in the Western democracies which knows of an effective way of fighting inflation, let alone beating it.

What goes for national economies, applies with equal, if not with greater, force – *mutatis mutandis* – to the international scene. An international monetary policy functioning in accordance with clearly conceived principles ceased to exist years ago. Nowadays IMF conferences, reacting to the latest turn of the crisis, achieve at best some makeshift compromise. Even when the leading statesmen meet to take some urgent decisions affecting the whole of the highly developed, intricate and interdependent system of economic relations which binds all countries of the world together, the decision they ultimately reach after most strenuous efforts is invariably no more than a stop-gap measure. The politicians stand by helplessly as the once proud edifice of European integration sinks into the dust before their eyes.

The industrial countries, confronted by the spectacle of the gulf between North and South becoming ever wider, stand by without any conception, not knowing what to do as the resolutions in the United Nations and the clamour for a "new economic world order" become more strident. The formerly rejected "link" is now for practical purposes accepted, though no one seems to have a clear idea of the consequences of such acceptance. Compromise resolutions concerning integrated raw material programmes and price indexations are agreed to without anybody taking the trouble to work out what their consequences may be and whether they are at all practicable. Out of sheer political opportunism, simply because they seem to serve some purpose of the day, promises are made to raise development aid, although everybody knows that no such provisions can be made in the budgets of the next few years.

Is it fair to put all the blame for the present crisis in economic policy on the politicians? The answer must surely be "no"; the causes are much more deeply rooted – in the area of science or in our mental attitude towards economic problems. Science has not had the strength to change over from piecemeal research into partial problems to a broader view comprising all the problems inherent in the present economic system. It was the cult of thinking in terms of models which has prevented the economists from posing the problems as they are in reality and tackle them realistically. If economic policy is to mean systematic planning for the future, we are showing on this account a deficit which is larger and infinitely more disturbing than the shortfall in many a state budget.

Alfons Lemper