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## Economic planning under capitalism: The new deal and postwar France experiments

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## **Working Paper No. 923**

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### **Economic Planning under Capitalism: The New Deal and Postwar France Experiments**

by

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Levy Economics Institute of Bard College

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## **ABSTRACT**

By the beginning of the 20th century, the possibility and efficacy of economic planning was believed to have been proven by totalitarian experiments in Germany, the Soviet Union, and, to a lesser degree, Fascist Italy; however, the possibilities and limitations of planning in capitalist democracies was unclear. The challenge in the United States in the 1930s and in postwar France was to find ways to make planning work under capitalism and democratic conditions, where private agents were free to not accept its directives.

This paper begins by examining the experience with planning during the first years of the New Deal in the United States, centered on the creation and operation of the National Recovery Administration (NRA) and the Agricultural Adjustment Administration (AAA), and continues with a discussion of the French experience with indicative planning in the aftermath of World War II. A digression follows, touching on the proximity between the matters treated in this paper and Keynes's view that macroeconomic stabilization could require a measure of socialization of investments, following James Tobin's hunch that French indicative planning, as well as some social democrat experiences in Northern Europe, could be playing precisely that role. The paper concludes by identifying the lessons one can draw from the two experiences.

**KEYWORDS:** New Deal; National Recovery Act (NRA); National Industrial Recovery Act (NIRA); Economic Planning; Economic Cooperation

**JEL CLASSIFICATIONS:** E02; E65; N12; N32; O21

## 1. INTRODUCTION

The New Deal is frequently described as the first successful application of Keynesian ideas to the management of fiscal policy. Of course, this description is widely inaccurate, at least for the period most analysts associate with the expression “New Deal,” from 1933 to 1937. Roosevelt’s reluctant conversion to Keynesianism occurred in 1937 when the American economy fell again into a sharp and deep recession. Only then did he finally accept that the attempt to balance the budget during a recession only made things worse and authorized a significant expansion of public spending (May 1981).

Roosevelt, and many of his closest advisors, believed that the crisis he inherited from President Hoover was a *structural* crisis, in modern parlance, and not just another cyclical recession, and therefore it was more drastic than usual. A structural crisis could not be properly addressed as a temporary demand-and-supply maladjustment by inflating demand through increases in public spending. For Roosevelt, this was simply an ephemeral palliative, a form of relief directed at reducing the social cost of the contraction that had to be complemented by effective policies and institutional reforms to address the deeper causes of the crisis.

Roosevelt himself and his closest team of advisers believed that the crisis resulted from the accumulation of imbalances in the American economy, both between sectors and between social groups. To overcome the crisis, deep institutional reforms, not just management, were required. *Planning the economy* was the answer to the challenge.

Jean Monnet, at the end of World War II, was also concerned with the need to plan the development of the French economy. France, of course, was facing a different type of structural crisis, resulting from widespread destruction of production facilities during the occupation and the war. Reconstruction was the order of the day. To be successful, reconstruction not only demanded the joint effort of all society, it also required the creation of coordination mechanisms capable of ensuring that available resources were not going to be wasted. Investment decisions were particularly risky under those conditions. How could anyone decide to embark on an investment project if expectations about future demands and future availability of materials,

equipment, and energy could not be anchored anywhere? For Monnet, the answer to such a conundrum was, again, *planning*.

Both Roosevelt and the postwar French authorities faced, however, at least one difficulty in common. The possibility and efficacy of planning was believed at the time to have been proven by totalitarian experiments in Germany, the Soviet Union, and, to a lesser degree, Fascist Italy. The challenge in the United States in the 1930s and in France after 1945 was to find ways to make planning work under capitalism and democratic conditions. In other words, could planning be efficacious when private agents are free to *not* accept its directives. The American and French experiences discussed in this paper offer some important clues as to possibilities and limitations of planning in capitalist democracies. To explore them this paper begins, in section 2, by examining the experience with planning during the first years of the New Deal, centered on the creation and operation of the National Recovery Administration (NRA) and the Agricultural Adjustment Administration (AAA). Section 3 will be dedicated to a discussion of the French experience with indicative planning in the aftermath of World War II, inspired by a similar objective to that of section 2. Section 4 is a digression, touching on the proximity between the matters treated in this paper and Keynes's view that macroeconomic stabilization could require a measure of *socialization of investments*, following James Tobin's hunch that French indicative planning, as well as some social democrat experiences in Northern Europe, could be playing precisely that role. Section 5 concludes the paper by trying to identify the main lessons one can draw from the two experiences.

## 2. PLANNING IN THE NEW DEAL

### Roosevelt and Planning

Franklin Roosevelt held definite ideas about the causes of the economic contraction initiated in the United States in the late 1920s.<sup>1</sup> In his view, the violence and depth of the crisis was due to the unchecked accumulation of sectoral imbalances, especially between agriculture and manufacturing. In the 1920s, rural activities had suffered a strong negative shock. In the immediate aftermath of World War I, agricultural output had increased dramatically in response to the expansion of domestic and international demand. However, in the early 1920s, this impulse was exhausted, and prices for agricultural goods and livestock stagnated or fell, and rural incomes sagged for the rest of the decade. Meanwhile, manufacturing was booming until the end of the decade. Rising output and prices of industrial goods allowed the manufacturing sector to increase its share of national income at the expense of rural producers. As a result, demand from agriculture for industrial goods fell below the necessary level to maintain full capacity utilization in the manufacturing sector. For a while these pressures were masked by alternative demands of a speculative nature, fueled by easy credit policies. Once the credit “bubble” exploded in 1929, however, there was nothing to stop the meltdown of the manufacturing sector.

The increase in the manufacturing share of national income was at the root of another deep macroeconomic imbalance. The evolution of monopolistic practices in the manufacturing sector allowed businessmen to retain for themselves an increasing share of the sector’s net income—to the detriment of wages and small businesses’ profits. This deepened the decrease in the urban demand for manufacturing goods as well. The same speculative forces fed by excessive credit

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<sup>1</sup> It is generally believed that Roosevelt was economically illiterate, in part due to a remark made by Keynes after a meeting with the president. There are conflicting reports about what went on in the meeting, but the best-known version has Keynes commenting after the meeting that he had “supposed the President was more literate, economically speaking.” Roosevelt, for his part, said that “[Keynes] left a whole rigmarole of figures. He must be a mathematician rather than a political economist” (both quotes from Stein [1990: 150]). Fulsfeld (1970), however, has convincingly argued that Roosevelt’s alleged illiteracy may have been exaggerated. Consulting Harvard’s records about Roosevelt’s activities as a graduate student, Fulsfeld found out that he was exposed to what could be considered state-of-the-art economic theory at the time in the United States, attending courses on industrial problems and regulation given by influential scholars of the period. Fulsfeld remarks, however, that one area in which Harvard’s training could be considered deficient was the economics of depression.

expansion that masked the imbalance between rural and urban incomes also obscured this structural flaw.

Roosevelt himself expressed such views more than once. In one of his speeches during the presidential campaign of 1932, he diagnosed the “structural” nature of the crisis as follows: “Our basic trouble was not an insufficiency of capital. It was an insufficient distribution of buying power, coupled with an over-sufficient speculation in production. While wages rose in many of our industries, they did not as a whole rise proportionately to the reward of capital, and at the same time the purchasing power of other great groups of our population was permitted to shrink” (Roosevelt 1933: 31).

Rexford Tugwell, a member of Roosevelt’s “Brains Trust,” was his closest advisor on such matters at the time and the strongest defender of the structural imbalances view of the crisis. In his memoirs, published in 1968, where he talked about his work with FDR, he stated: “I had insisted that the need for unity within diversity was no more urgent between the grand categories of agriculture and industry than it was among the lesser categories of industries themselves. Agriculture, we had grown used to thinking, was unique. Actually, it was just another series of industries. It was quite as important that railway rates or the price of steel should be brought into continuing relationship with textile prices or chemicals as that the growing of agricultural products, taken as a whole, should mesh and run together” (Tugwell 1968: 35).

If structural imbalances were at the root of the crisis, a mere expansion of demand (although a deficient aggregate demand *was* the most visible face of the crisis) would not do. More drastic changes in the way the economy operated were required. Roosevelt himself did not seem to have any doubt that the way out of the emergency involved planning: “Much of this waste is the inevitable by-product of progress in a society which values individual endeavor and which is susceptible to the changing tastes and customs of the people of which it is composed. But much of it, I believe, could have been prevented by greater foresight, and by a larger measure of social planning” (Roosevelt 1933: 27).

Again, Tugwell echoed (and perhaps amplified) the president's ideas on this: "The chance that these rising and falling prices for thousands of commodities, involving hundreds of industries, would come into workable relation through the free-price mechanism was slight ..." (Tugwell 1968: 35).

Convinced that the market system would not be able to spontaneously remove the critical imbalances that accumulated in the economy, Tugwell defended large-scale planning as the necessary strategy for restoring the American economy to health:

It was not only necessary ... to do what could be done to repair a wreck here and there, to bolster up one or another damaged institution; it was necessary to make a system out of what was no system at all: to stabilize, and to *prevent* wobbling, not just correct it once and then let business alone to go through another similar cycle. ... Industry must plan for itself in these ways, and government must plan for its role in the economy—limiting, by its rule, the power to exploit. It must set the goals for production and, if necessary, direct investments and establish fair standards for all concerned. (Tugwell 1968: 174, emphasis in the original)

Once FDR was elected, however, Roosevelt's, Tugwell's, and others' convictions that planning was essential did not translate into a consensual strategy to turn the institutional framework of the American economy away from free markets toward planning. But the President believed that US citizens would recognize his efforts to improve the state of the economy, even if individual initiatives eventually failed. As he stated in one of his best-known speeches before the 1932 election: "The country needs and, unless I mistake its temper, the country demands bold, persistent experimentation. It is common sense to take a method and try it; if it fails, admit it frankly and try another. But above all, try something" (Roosevelt 1933: 33).



## **The National Industrial Recovery Act and the National Recovery Administration<sup>2</sup>**

Hawley (1995) identified three groups in the new administration that proposed specific variants of planning and how the government should proceed to introduce it in the United States.<sup>3</sup> The first advanced the idea of industry self-government, where each sector would be responsible for planning its own activities. The role of government would be negligible, practically limited to giving businesses some measure of legal immunity against antitrust laws so they could regulate prices and production levels. The opposition to such ideas was led by those who defended the idea that the government should play a leading role in the process, even though they still emphasized the importance of voluntary adhesion by private businesses, unions, consumer groups, etc. In between those two extremes, there was a third group proposing that the government should play the role of coordinator of plans prepared by the diverse industries to ensure that global consistency between sectors was reached.

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<sup>2</sup> The current literature on the New Deal is too vast to be examined or even properly referenced here. I opted to rely on some works that seemed key to the interpretation that is presented in this section. A few additional works, however, can complement and clarify certain arguments and views advanced in this paper. Tugwell (1968) and Moley (1971) are memoirs prepared by two of the most prominent members of the Brains Trust created to advise New York State Governor Roosevelt during his first presidential campaign. Both left the government somewhat disappointed with President Roosevelt. Tugwell lamented the president's timidity in actually introducing planning methods to manage the economy. He considered the New Deal a lost opportunity to radically change the way the American economy worked. Moley left almost for the opposite reason: he was appalled by the antibusiness rhetoric used by Roosevelt in his first reelection campaign. Neither Tugwell nor Moley, in fact, were involved after the election with any such reforms, being nominated to posts dealing with other matters. Reference works containing general descriptions and evaluations of the New Deal are offered by William Leuchtenburg, such as, for instance, Leuchtenburg (2009). Brinkley (1996) defends vigorously the argument that the reformist impulse of the Roosevelt administration was exhausted with the end of the NRA and similar attempts at introducing planning. Their failure pushed the Roosevelt administration (and, he argues, American liberalism) away from its reformist origins. The full texts of the NIRA and the AAA, besides other legal initiatives of the period, plus statistical data covering the period between 1926 and 1946, are published in Hosen (1992). Hawley (1995: pt. 1) remains the reference work for the in-depth evaluation of the NRA's performance and demise. Stein (1990: ch. 4), on the other hand, examines the period from the point of view of fiscal policy, which means, among other things, to give attention to the creation of the National Industrial Recovery Act (NIRA), the Public Works Administration, and other institutions created to fight unemployment. Finally, Shesol (2010) gives a definitive account of the conflict between the Roosevelt administration and the Supreme Court—then dominated by its reactionary majority—around the constitutionality of the NIRA and the AAA. The Supreme Court struck down both initiatives and threatened other key proposals of the administration. This led to Roosevelt's failed attempt "to pack the court" at the end of his first term. Congress opposed the proposal, but soon after, all the reactionary justices retired and left the way open to key reforms, notably those related to labor market conditions. I opted to base my characterization of the NRA on Katznelson (2013), not only because of its recent publication, which allowed the author to take recent research on the issues treated here into account, but also for the new insights he offers on the subject, particularly in relation to the importance of the Southern vote in Congress to pass many of Roosevelt's most progressive proposals into law.

<sup>3</sup> In fact, there was a fourth group involved in the debate—the Brandeisians, inspired by Supreme Court Justice Louis Brandeis—who proposed that the problem was not the failure of markets in preventing the accumulation of tensions and the crisis but the opposite: the growth of monopolies that distorted the way markets should operate. For this group, the solution to the crisis did not demand planning, but rather it demanded the restoration of free markets through vigorous application of antitrust policies. Although eclipsed in the first years of the New Deal, the Brandeisians became stronger in the late 1930s; see Hawley (1995: chs. 21–23).

When the National Industrial Recovery Act (NIRA) became law in 1933, the Roosevelt administration chose to follow the path set by the first group. The president seemed, at this point, convinced not only that the support of businessmen was a condition for the initiative's success, but also that they would actually welcome it.<sup>4</sup> To guarantee this outcome, the president made his choice for the most conservative among the alternatives that were offered to him.<sup>5</sup> Many analysts at the time pointed out that such measures would not do much to recover the economy. Roosevelt's main concern at that point, however, seemed to be stopping the meltdown by putting an end to cutthroat competition and to relieve the downward pressure on wages.

The federal government set minimum standards that guaranteed social rights, such as the right for workers to organize unions to represent them and the involvement of all relevant stakeholders in the planning process. The rest was left to the representatives of interested parties themselves to decide. Of course, in such a setting one should expect that business would have at its disposal means in much greater volume than workers or consumers, so that its influence on the outcomes of sectoral negotiations had to be much bigger than that of its partners. One should not lose sight of the fact that the point was *planning under capitalism*. Nobody was questioning the legitimacy of capitalism itself.

More concretely, the NRA operated by sponsoring the establishment of mutually agreed concertation rules for private businesses from which *codes of conduct* should result. These codes served to coordinate pricing policies so as to avoid cutthroat competition. They also defined minimum wages, imposed labor conditions, banned child labor, and regulated working hours. Other than the compulsory conditions imposed by the federal government, the codes were supposed to be consensually defined by stakeholders in each industry group. The resulting code had to be approved by the president to become enforceable. Industries that showed themselves incapable of formulating codes of conduct for any reason would have to accept a code defined by the government. In all cases covered by NIRA, immunity from antitrust law prosecution was granted.

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<sup>4</sup> Relations between the administration and the business sector alternated between periods of cautious support and periods of open hostility. By the end of his first term in office, for instance, facing attacks and criticisms from businessmen, Roosevelt made them a target of some of his most biting criticisms. See, for instance, Hayes (1951).

<sup>5</sup> This was made clear by his choice of General Hugh Johnson, who was close to Bernard Baruch, to lead the NRA.

The federal government expected that the need to comply with the codes would force businesses to plan and coordinate their activities—mostly price policies and production levels—without the need for government micro-intervention. In a situation marked by profound uncertainties as to the present and future behavior of markets, the codes and coordination mechanisms established by the NRA should work as uncertainty-reducing devices that, at the very least, signaled to businessmen that maintaining or increasing production was safe, protected against the threat of cutthroat competition or labor problems—not only in their own industries, but also in other industries that could demand their products or supply them materials or equipment.

Nevertheless, the Act was very demanding for all parties involved or interested in its effects. Businessmen had to tread a fine line separating coordination from illegal collusion. The codes were meant avoid price wars to keep the *normal* profitability of firms, but not allow them to extract monopoly rents from customers. It is obvious that normal profit rates are easier to conceive than to calculate in concrete situations.<sup>6</sup> The responsibility to make sure that line was not crossed would fall on the shoulders of the government. In addition, the definition of “industrial sectors” could itself be tricky. Volume 6 of a collection of Codes of Fair Competition—a 742-page document approved between February 1 and 16, 1934—contains the texts of codes for sectors such as “Paper Disc Milk Bottle Caps,” “Cylindrical Liquid Tight Paper Container,” “Used Textile Bag,” “Schiffli, the Hand Machine Embroidery, and the Embroidery Thread and Scallop Cutting,” and “Inland Water Carrier Trade in the Eastern Division of the United States Operating Via the New York Canal System.”<sup>7</sup> The agreements were supposed to be reached voluntarily, but to curb the actions of “chiselers” and “racketeers” once an agreement was reached and made into law. One should emphasize that no mechanism was created to reconcile and coordinate the several codes into a common growth strategy. The federal government did not *lead* the process in any relevant sense.

But it was with respect to organized labor that the advantages and significant risks brought about by NIRA were more pronounced. Labor had much to gain with the Act. Businesses that wanted to enjoy the protection against antitrust laws that was given to firms that adhered to NIRA had to

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<sup>6</sup> A similar problem can be found in the Agricultural Adjustment Act (AAA). See below.

<sup>7</sup> The volume can be accessed at:  
<https://ia902605.us.archive.org/18/items/codesoffaircompe06unit/codesoffaircompe06unit.pdf>.

respect labor standards related to working hours and minimum wages. Perhaps even more importantly, they had to refrain from creating stooge company unions to “represent” their workers in labor negotiations. But the unions also had to pay a potentially high price for these benefits. As vividly put by President Roosevelt in his June 16, 1933 speech:

This law is also a challenge to labor. Workers, too, are here given a new charter of rights long sought and hitherto denied. But they know that the first move expected by the Nation is a great cooperation of all employers, by one single mass-action, to improve the case of workers on a scale never attempted in any Nation. Industries can do this only if they have the support of the whole public and *especially of their own workers*. This is not a law to foment discord and it will not be executed as such. This is a time for mutual confidence and help and we can safely rely on the sense of fair play among all Americans to assure every industry which now moves forward promptly in this united drive against depression that its workers will be with it to a man. (emphasis added)

Since the economy was starting from a depression, and the mechanism set by the NRA section of NIRA was designed to *preserve* stability rather than reach it, a second set of measures was necessary: measures to boost aggregate demand so as to bring the economy to a sustainable level of activity.<sup>8</sup> The boost to demand was to be achieved through a public investment program directed by a new agency, the Public Works Administration (PWA). Although it may be argued that, in the long term, the PWA showed itself to be more important than the short-lived NRA (which lasted for only two years before it was struck down by the Supreme Court as unconstitutional), it was the NRA that got all the attention when NIRA was passed.

Agriculture was to be the object of a different sort of planning. No codes of conduct were demanded from the sector. The main instrument of agricultural adjustment was the imposition of crop controls. The goal was to reach the parity between agricultural and manufacturing prices that was believed to define an optimum relationship between the two sectors. Once this parity was reached, the role of the AAA (which was also judged to be unconstitutional by the Supreme Court) was to control production to preserve the parity through time.

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<sup>8</sup> Roosevelt’s and Interior Secretary Harold Ickes’s insistence that only self-paying investment projects should be implemented shows that both still shared pre-Keynesian views that investment projects should rely on their intrinsic usefulness rather than their impact on aggregate demand as such (Stein 1990: 50).

## **The Rise and Fall of the NRA and the AAA**

The NRA was an immediate *political* success. As Roosevelt expected, the passage of NIRA and the creation of the NRA boosted the morale of the general public. The perception was spread that this was a proactive administration, in contrast with the passivity of Hoover's time (Katznelson 2013: 227–33). However, one should not see it merely as a useless political exercise, since at least for a while it did become an important instrument of popular mobilization in a time in which expectations were exceedingly low as to the possibilities of avoiding the totalitarian solutions that were spreading throughout Europe. Roosevelt was still courting the support of businessmen at this time and the formulation of codes of conduct did represent a civilized alternative to direct intervention, since they also included the labor conditions clauses that businesses opposed.<sup>9</sup>

For many industries, the possibility of pursuing consistent policies did help, namely by stopping deflation and allowing some measure of recovery in terms of levels of activity. Nevertheless, one cannot avoid the conclusion that the NRA became a victim of its own, even if limited, success. By stopping the contractionary spiral, the NRA gradually lost the support of businessmen who were, in fact, only interested in the immunity from antitrust prosecution of collusion practices. For them, the other dispositions of the codes of conduct—particularly those defining wages and labor conditions and forcing them to negotiate with representative unions—were more than annoyances. They were seen as illegitimate encroachments of the state on their sovereign area of decision. Extraordinary measures had to be accepted during social emergencies. Once the emergency had passed, however, businessmen seemed to be anxious to reassert their authority, not only in the markets where they operated, but also over the choice of government policies as well, as they were used to before the Depression.

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<sup>9</sup> President Roosevelt, however, took care to distinguish his program from corresponding policies in Berlin, Moscow, and Rome. During his second fireside chat, on May 7, 1933, just as he was about to send the NRA code scheme to Congress, he underscored the law's voluntary character and how it preserved the vitality of civil society. "It is wholly wrong," he insisted, "to call the measures that we have taken Government control of farming, industry, and transportation. It is rather a partnership between Government and farming and industry and transportation, not a partnership in profits, for the profits still go to the citizens, but rather a partnership in planning, and a partnership to see that the plans are carried out." (Katznelson 2013: 236)

At the time, Mussolini's Fascist Italy enjoyed a relatively benign reputation among American citizens. Many people in the Roosevelt administration were willing to accept the idea that Mussolini's hand had been forced by chaotic political and economic domestic conditions rather than by an attempt to introduce totalitarian political controls per se (Katznelson 2013: 485).

When the Supreme Court decided the NRA was unconstitutional, the renewal of the law was under discussion.<sup>10</sup> The AAA was also struck down by the Supreme Court, but its effects were more durable anyway. New forms for the same dispositions were found and crop controls became a stable feature of agricultural policies in the United States.

The disappearance of the NRA marked the end the Roosevelt administration's attempt to introduce planning in the economy, although some sectoral and regional initiatives were maintained (Hawley 1995). The Tennessee Valley Authority (TVA) was perhaps the most important and successful example of regional planning pursued by the federal government at the time. The evaluation of the specific impact of the NRA on the level of activity and its precise role in the economic recovery are difficult to establish. It is well-known that the American economy began to grow immediately after Roosevelt's inauguration and, with some interruptions, continued until the 1937 recession. The part played by the NRA in this movement is a matter of controversy. The first year of Roosevelt's first term was rich in initiatives, including the provision of relief to the unemployed, the expansion of public spending, and action on several other fronts (e.g., the abandonment of the gold standard). Some authors, notably Hawley, are skeptical about the merits of the NRA. Others, like Katznelson (2013), consider Hawley's views too pessimistic.

It took some years for the need to plan the economy to be considered by the federal government again. At the outbreak of World War II and in the context of total war, planning was reintroduced through the creation of the War Production Board (WPB), authorized by the First and Second War Powers Act (Katznelson 2013: 342–46). The United States again faced a social emergency that allowed the federal government to experiment with measures it could not resort to under normal conditions. The reach of government power during the war bore little resemblance to the timidity of the NRA. The WPB did rely on the mobilization of civil society, particularly businessmen and unions, as had happened in the NRA period. Government powers now, however, extended to controlling production and prices in practically all sectors of the

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<sup>10</sup> The inclusion of a “sunset” clause, establishing the expiration date of a given law, is a common legal feature in the United States. Congress can renew the law, in the original form or with some adjustments, or not. In the case of the NRA, the sunset clause set 1935 as the year in which the law should be extended or let go. Hawley (1995) describes the positions of congressmen and senators in the debates in 1935 that were interrupted by the Supreme Court's ruling that the NRA was unconstitutional.

economy, steering the utilization of available resources to the production of war-related goods. The actual results of war planning were nothing short of extraordinary. But one should keep in mind that war planning required offensive, aggressive measures to build fighting capacity. In this sense, it was closer to the efforts at reconstruction in postwar France than to the defensive strategy characteristic of the NRA.

It is hard to see, however, how a planning structure centered on an all-powerful federal government could survive the end of the war. Planning at such a scale, and with such reach, was only possible because of the confluence of interests of businesses and workers created by the war. Once the war had ended and the social emergency was over, conflict about objectives would again overwhelm the possibilities of cooperation. Under such conditions, planning would either have to rely on some form of coercion or accept being a mere description of possibilities that private agents could take up or not. But if planning becomes just a listing of possibilities, its uncertainty-reducing and coordination value is obviously reduced in the absence of any guarantee that anyone will actually follow its prescriptions.

### **3. POSTWAR INDICATIVE PLANNING IN FRANCE: THE FIRST FOUR PLANS (1946–65)**

#### **French Indicative Planning**

Postwar planning in France relied on corporative institutions created by the collaborationist Vichy regime. It is also probably not an accident that it was mentored by Jean Monnet, who spent most of the war years in the United States as a representative of the British Supply Council and as an adviser to President Roosevelt.<sup>11</sup> Monnet had the chance to observe first hand and very closely how successful war planning was in the United States. He also could witness how the planning apparatus was organized to avoid drifting into totalitarian methods that many believed to be responsible for the success of countries like Nazi Germany in recovering their economies and becoming powerful nations in a short period of time.

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<sup>11</sup> A compact presentation of the origins of postwar planning efforts in France is given by Kindleberger (1967).

The situation in France and other countries formerly occupied by Nazi Germany in the immediate years after the end of the war fully characterized a *social emergency*. One could appeal to society in general to jointly participate in the efforts to reconstruct their economies. The degree of destruction of capital and manpower caused by the war also demanded that resources be spent in the most efficient way, and in the shortest period of time possible.

Individual private decisions, particularly to invest in durable capital equipment of any sort, were surrounded, however, by extraordinary uncertainties: How fast will markets for one's production be revived? Will the skilled workers needed to operate the equipment be available? Will there be enough raw materials? How about their prices? How about finance? How much could one count on the existence of the ancillary activities necessary to make the production of a given item feasible and rewarding? Starting from the ground level, only coordinated planning could try to properly answer these questions.<sup>12</sup>

Monnet's defense of planning stood on the practical needs of the French economy, not on doctrinaire grounds. The initiative was a pragmatic response to the urgent need to reconstruct the productive facilities of the country, destroyed by German occupation and the war.<sup>13</sup> The point was to try to maximize effective aggregate output with the limited resources available (Masse' 1962: 84). Planning goals and methods were selected to reconcile views from the political left and right. They sought to combine state leadership with the preservation of democratic liberties, ruling out Soviet-style totalitarian alternatives, which, at the time, were believed to be more efficient in promoting capital accumulation and growth than the spontaneous action of free markets. France was in dire need of productive investment. Not only industrial plants had to be rebuilt, but also—and maybe more importantly—power and transportation infrastructure had to

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<sup>12</sup> As proposed by Masse' (1962: 88), one of the main reasons to explain the need for planning was to reduce the uncertainty faced by investors. The plan should work as a source of information about future developments for businessmen. Nevertheless, according to Benard (1962: 705), planners did not really focus on long-term developments, limiting themselves to groping around with short-term problems. In his view, the focus on short-term problems had been characteristic of both European and American governments (Benard 1962: 722). Exceptions to the rule were the 1946 first French plan and the creation of the European Common Market. In addition, as stressed by Kindleberger (1967: 288), predictions per se do not necessarily reduce uncertainty. They have to be credible to have such an effect. It is actual compliance with a plan that makes its predictions credible and therefore useful as an uncertainty-reducing instrument. As the erosion of social consensus reduces the likelihood of compliance, the credibility of a plan's projections tends to fall over time.

<sup>13</sup> As in other countries, a return to the stagnation of the 1930s was feared by French economists and politicians; see Bernard (1964).



be quickly reconstructed. Scarce financial means, especially in terms of foreign currency, had to be allocated in the most efficient way possible. The prewar experience with the Great Depression, on the other hand, did not augur well for laissez-faire regimes that were believed to have led to stagnation and unemployment. That was, in 1946, the main rationale for planning (Desrosieres 1999: 28)

French discussants of the country's planning experience insist on the pragmatic nature of the planning effort, which was not supposed to rely on any particular economic theory or school of thought (Bernard 1964; Masse' 1962). Planning was thought of not as an exercise of authority on the part of the state but as an uncertainty-reducing device to inform private agents, especially businessmen, to help orient their decision-making. Private decisions should remain free, but surrounded by less uncertainty than in the absence of a plan. No deeper institutional change was needed, and private property and the freedom of businessmen to decide how to use it would be preserved. Informing them of the likely trends of the immediate future should naturally promote convergence, since all businessmen would share the same information. This was not conceived to be a process in which the Commissariat alone would generate forecasts and private agents would passively accept them. As pointed out by Monnet's successor as General Commissaire, Pierre Masse', it was clear that the plan could only work if those interested in its results fully participated in the planning process (Masse' 1962: 85).<sup>14</sup> In fact, the Commissariat was supposed to consult extensively with "chambers" of representatives of the several industries and leaders of other constituencies to correct and update the forecasts that would be presented in the plan. The involvement of nongovernmental agents was not just an homage to democratic institutions. It was also a means of increasing the informative value of the forecasts made so that compliance with the plan would be maximized. The establishment of a consensus around the goals of the plan was expected to work as a commitment technique: participants in the process would feel compelled to work toward reaching its objectives.

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<sup>14</sup> Masse' (1962: 87) emphasizes that the Commissariat did not seek majority decisions, but *consensual* decisions, hoping that whoever agreed to a chosen plan would commit to faithfully implementing it.

The role of the French state in the process, however, was not confined to the collection and preparation of information for the use of private agents. Although the Planning Commissariat per se did not have the means to compel compliance by private agents, the plan should orient the action of government entities—from public banks and nationalized industries to the tax-and-spending machine—so that the impact of its recommendations was strengthened by state action. Control of nationalized banks and business firms should increase the impact of government plans and actions.<sup>15</sup>

The path followed by the Commissariat relied on the long tradition of state leadership in France. Many of the leading businessmen had collaborated with the Nazi occupation and were in no position to oppose the post-liberation administration led by the war hero, General de Gaulle. Finally, French authorities were eager to benefit from the Marshall Plan, through which American authorities made unilateral donations to European governments for the purpose of reconstruction, but required them to support their requests with a plan explaining how the resources were to be used. From all these factors, besides the enlightened views of Jean Monnet and his entourage, was born French *indicative planning*.

### **A Light Planning Machine**

The first plans were offensive in nature. They aimed at prodding the private sector to create productive capacity and to do it quickly. Plans had to be accepted by the private sector as feasible and desirable in their objectives and instruments; they also had to be accepted by the rest of the government. But interbureaucratic rivalries in the state machine can effectively kill even the best technically formulated plan by denying it access to the instruments required by its implementation.

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<sup>15</sup> Benard (1962: 758) considered the presence of a strong sector of nationalized firms and banks an essential condition for indicative planning to work. Kindleberger (1967: 285) warned, however, that “it is a mistake to regard French planning as using nationalized industries to carry out its designs.” In his view, one could not expect much help from those entities: “Some of them guard their autonomy better than firms in the private field.” (Kindleberger 1967: 284) Hacket and Hacket (1963: 8, 35, 61, 82), while generally endorsing Benard’s view, in fact list a series of government institutions that seemed more concerned with preserving their independence than actually serving as arms of the Planning Commissariat: “All commentators agreed that the nationalization of the four deposit banks has not changed much as regards the way they conduct their activities. ... It follows that although the presence of the nationalized banks makes easier on the whole for the authorities to apply monetary policy measures, they do not appear to be used very actively to achieve planned objectives.”

Jean Monnet was conscious of the need to involve other government entities in the process. He envisaged an extremely light structure for the Planning Commissariat, mostly of coordination of work done by other government institutions in their areas of expertise and control. On the other hand, he tried to guarantee that the Commissariat should be acknowledged as *primus inter pares*, with the plan effectively orienting policymaking by the overall government. To ensure that this role would be accepted by the government machine, in many periods the Commissariat reported directly to the Office of the Prime Minister, although it could not always maintain this status.

An exhaustive description of the planning machine—and in fact of the whole planning process—at the time of the first four plans is given by Hackett and Hackett (1963). Fundamentally, the machine is constituted of the Commissariat (headed by the Commissaire General), who was expected to actually lead the process, and a number of planning commissions that report to the Commissariat. According to Hackett and Hackett (1963: 45): “Their creation was foreseen in 1946, in the same decree (Article 5) which set up the General Planning Commissariat, and they constitute the principal innovation in French planning. Their structure is tripartite—employers, workers and civil servants.”<sup>16</sup>

The planning machine also included consultative bodies, which seemed to have rather ceremonial roles (as was also the case with the parliament itself, which was usually called to approve the plan long after it was already being implemented). It received, as already mentioned, the contributions of many other government entities, especially the Ministry of Finance. Finally, it also counted on some technical bodies, which existed independently of the Commissariat itself and contributed technical analyses, statistical data, and projections on which to ground the proposals presented in the plan.

The Commissariat also relied on other entities during the *implementation* of the plan. It was the uncertainty-reducing role of the plan to which Monnet and his successor, Masse', gave so much attention. The plan's priorities could be strengthened by the offer of credit and tax incentives.

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<sup>16</sup> Other countries were to try different forms of indicative planning. In the Netherlands, for instance, governments tried to stick to the role of forecasters rather than actually intervening in the economic process itself (Desrosieres 1999: 52). In Italy, social concertation was considered to be impossible in the light of Fascist experience (Levi 1964: 156).

The fact that the government controlled a large segment of the banking sector was expected to allow wide utilization of credit incentives.<sup>17</sup> Nationalized firms' investment policies should also strengthen the hand of planners. Cooperation by tax authorities to offer incentives completed the set of instruments on which the Commissariat could count even though none of them were actually under its direct control.<sup>18</sup>

### **The Efficiency of Indicative Planning**

It is always very difficult to disentangle the specific contribution of policy instruments in reaching large objectives, such as reconstruction and recovery, since so many other instruments are also being employed toward the same goal. The first French plans were widely praised, then and afterwards, as an innovative approach to push growth rates up and to modernize production facilities, but to measure their actual contribution may be impossible at this point.

The central problem presented to the formulators of the first plan was how to choose the correct investments to receive incentives (Bernard 1964: 560). By the end of World War II, the planners' task was relatively easy. The needs of the French economy in terms of reconstruction were more or less obviously defined by the need to reconstruct productive investment in basic and capital goods industries and to rebuild the country's energy and transportation infrastructure. Immediate needs were mostly uncontroversial. The Planning Commissariat had to identify the gaps in the infrastructure and productive facilities of the country and define the incentives to be offered to firms willing to close them. The plan did not assign any tasks to individual firms—to preserve their freedom of decision—but identified needs by branches of industry. It was left to firms, individually or more likely through trade associations, to define who would take up what (Bernard 1964: 561; Masse' 1962: 89).

The success of a plan relying on voluntary adhesion depends on businessmen accepting its forecasts and making their decisions accordingly. Other relevant social groups, particularly labor, also have to accept limits on their actions imposed by collective action to make the plan viable (Masse' 1962: 93). As noted by one observer (Desrosieres 1999), the French authorities tended

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<sup>17</sup> Which, as we saw, could be perhaps a hope rather than an expectation.

<sup>18</sup> An exhaustively detailed list of policy implementation instruments, in theory put at the disposal of the Commissariat, is given by Bonnaud (1970).

to approach the French economy as if it was a big company, where central plans and strategies were defined, leaving to the specific sections the decisions as to how to implement them. The most important statistical instrument utilized by the planners was national accounts. It was expected that social accounting, as it became known, would allow them to monitor the overall equilibrium conditions of the domestic economy and of the balance of payments. Forecasts were made for individual branches having those equilibrium conditions in mind and updated whenever the observed data required some change in targets.<sup>19</sup> Nevertheless, one of the effects of the first plan was to give rise to important macroeconomic imbalances in the French economy. These imbalances forced the formulators of the second plan to concentrate on the restoration of macroeconomic stability, which made the plan fundamentally deflationary. Once those imbalances were removed, the third plan could concentrate on expanding the economy again, although within a short-term framework. Only with the fourth plan would the Commissariat be able to return to its original function of planning for longer-term development.<sup>20</sup>

The implicit dilemma embedded in any voluntary form of economic planning under capitalism never disappeared. On the one hand, planners try to steer the economy toward “socially desirable” objectives. On the other hand, businesses may hold different views as to which policies and goals they wish to pursue. The dilemma becomes more and more intense once the “obvious” needs imposed by the social emergencies that led to the adoption of planning are satisfied, and social cohesion around those needs is replaced by social conflict. Predictions lose their value when social conflicts deepen. The choice of a growth path revives the democratic question: Who makes the path? What is to be done with dissenters? The value of the planners’ forecasts themselves falls when commitment is uncertain. Some governments may be tempted to increase the recourse to credit and fiscal incentives, exposing the government to the accusation of unfairness and favoring crony capitalism.

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<sup>19</sup> The construction of a system of national accounts was a central element of a political project to modernize and rationalize French public administration (Desrosieres 1999: 38).

<sup>20</sup> Masse’ (1962: 94) acknowledged that the harder choices, the ones related to long-term ends of planning, had not been posed yet by that time. Plans were reacting to current needs and economic imbalances rather than actively building a given future.

Or, they can simply give up on planning. Formally, indicative planning in France still survives.<sup>21</sup> It is clear, however, that its impact on the economy decreased rapidly by the late 1960s and the decline of its influence on the economy's choices continues. Difficulties around planning and forecasting increase rapidly in economies where higher incomes allow consumers to demand increasingly differentiated goods. The need to make strategic choices—such as choosing between stimulating the consumption of private or public goods, seeking the desired profile for income and wealth distribution, etc.—cannot be avoided (Bernard 1964: 567). One would not expect consensuses to be found around such subjects, as was the case when the need to develop basic industries and reconstruct infrastructure was fairly obvious for all. When this stage is completed, the role of planners is no longer to identify consensual views but to *arbitrate* between conflicting views.

Developed economies have become more and more service economies instead of the industrial economies they were in the immediate postwar period. In addition, the integration of France in the European community made *national* planning less and less relevant, not only because of the difficulty of taking foreign countries' behavior into consideration, but also because of the increasingly limited efficacy of domestic policy instruments in internationally integrated economies. Planning in France was, thus, submitted to a double pressure: the reduced degree of consensus that may be reached in high-income economies, which reduces the commitment of private agents to the success of any collective initiative; and the loss of efficacy of national policy instruments in internationally integrated economies.

#### **4. A DIGRESSION: PLANNING AND KEYNES'S SOCIALIZATION OF INVESTMENT**

The notion that voluntary or indicative planning should exercise a positive impact on the economy by reducing the uncertainties surrounding business' decisions, particularly those concerning investments, immediately brings to mind similar preoccupations voiced by Keynes, related to his famous reference to the need to promote some degree of *socialization of*

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<sup>21</sup> The present position of the planning entity in the overall structure of government is described on the France Stratégie website at: <http://www.strategie.gouv.fr/chantiers/1946-2016-plan-france-strategie>. On the same website, one can find the original texts of all postwar plans formulated since 1946.

*investments* to reach durable macroeconomic stability. In Keynes's view, expanding aggregate demand per se could promote *cyclical* recoveries or avoid *cyclical* downturns, but aggregate investment had to be kept at high levels if one aimed at keeping the economy operating at full employment.<sup>22</sup>

But Keynes set his sights not only on investment but also on consumption expenditures and balance of payments, besides, of course, government spending and taxation. He called for the socialization of investment, but he could as well have called it *planning*.<sup>23</sup> “The State will have to exercise a guiding influence on the propensity to consume partly through its scheme of taxation, partly by fixing the rate of interest, and partly, perhaps, in other ways. Furthermore, it seems unlikely that the influence of banking policy on the rate of interest will be sufficient by itself to determine an optimum rate of investment. *I conceive, therefore, that a somewhat comprehensive socialization of investment will prove the only means of securing an approximation to full employment*” (Keynes 1973: 378).

That Keynes held a favorable view as to the potential efficiency of planning was made clear in one of his exchanges with Hayek. After reading Hayek's *The Road to Serfdom*, published in 1944, Keynes wrote him: “The line of argument you yourself take depends on the very doubtful assumption that planning is not more efficient. Quite likely from the purely economic point of view it is efficient. That is why I say that it would be more in line with your general argument to point out that even if the extreme planners can claim their technique to be the more efficient, nevertheless technical advancement even in a less planned community is so considerable that we do not today require the superfluous sacrifice of liberties which they themselves would admit to have some value” (Keynes 1980: 386).

Keynes concluded, emphasizing the need to keep the planning process strictly within democratic rules, that he identified with Hayek's liberal concerns: “I should therefore conclude your theme rather differently. I should say that what we want is not no planning, indeed I should say that we

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<sup>22</sup> Keynes's trade cycle theory relied on fluctuations in the marginal efficiency of capital and the changes in aggregate investment resulting from them (Keynes 1973: ch. 22).

<sup>23</sup> The idea of (and the term itself) *planning* at the time was closely associated with the Soviet experience. Keynes's choice of words may have reflected his wish to avoid any such association.

almost certainly want more. But the planning should take place in a community in which as many people as possible, both leaders and followers, wholly share your own *moral* position. *Moderate planning will be safe if those carrying it out are rightly orientated in their own minds and hearts to the moral issue*” (Keynes 1980: 387, emphases added).

How the desired “comprehensive socialization of investment” would be obtained was not spelled out in any detail. Keynes does make it clear, however: first, that socialization was to be reached within the limits imposed by a politically open system (in contrast with authoritarian forms of control as then adopted in the Soviet Union)<sup>24</sup>; and second, that the aim of such socialization was to regulate *total* investment, not its *composition*.<sup>25</sup> In other words, socialization of investment, according to Keynes, should preserve businesses’ freedom to choose among investment alternatives. It should also be as neutral as possible, from the point of view of resource allocation.<sup>26</sup>

Other than that, the only meaningful clues one can find among Keynes’s writings on methods to influence aggregate investment date from 1926, six years *before* the publication of *The General Theory of Employment, Interest and Money*. In that work, Keynes (2010: 288–89) emphasized the potential role of “semi-autonomous bodies within the State—bodies whose criterion of action within their own field is solely the public good as they understand it.” These bodies could contribute to keeping investment high at the same time in which democratic accountability to

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<sup>24</sup> This meant, in particular, that private ownership of the means of production was to be preserved: “[i]t is not the ownership of the instruments of production which is important for the State to assume. If the State is able to determine the aggregate amount of resources devoted to augmenting the instruments and the basic rate of reward to those who own them, it will have accomplished all that is necessary” (Keynes 1973: 378).

<sup>25</sup> “... I see no reason to suppose that the existing system seriously misemploys the factors of production which are in use. ... It is in determining the volume, not the direction, of actual employment that the existing system has broken down” (Keynes 1973: 379).

<sup>26</sup> One could think, with Keynes, that private decisions to produce and to invest are surrounded by two types of uncertainty. The first is specific to a given sector. Is the entrepreneur choosing the best technique, producing the type and quality of goods that customers want, minimizing costs, ensuring, that is, that production is competitive and profitable? Facing this type of uncertainty is inherent to private business and it may not be efficiently reduced by society without compromising the proper operation of a capitalist economy. But, in addition to such *microeconomic* uncertainty, there is also a *macroeconomic*, or systemic, uncertainty to be considered. The most efficient businessman may not survive a general contraction of the economy, as happens during deep recessions and depressions. There is nothing an *individual* businessman can do to avoid such systemic shocks. It is left to governments to avoid them. Keynes’s policies and planning are directed to attenuate or eliminate this type of uncertainty, preserving the competitive mechanisms that select the most competitive businesses among existing firms. For a discussion of the role of macroeconomic policy in such a context as proposed by Keynes, see Cardim de Carvalho (2015: ch. 8).



Parliament was preserved.<sup>27</sup> The large number of nationalized industries and banks in France could, perhaps, play a similar role.

The similarity of principles shared by Keynes with French planners such as Monnet, or even Tugwell in the United States, led Tobin (1987: 8) to speculate that “[p]erhaps Jean Monnet’s postwar ‘indicative planning’ in France, where government sponsored a coordinated raising of sights to overcome pessimism and lift investment, is an example of what Keynes had in mind. Perhaps some of the Swedish measures designed to make investment less pro-cyclical are another example.” French indicative planning and social-democratic experiences in Northern Europe would fit, as Tobin pointed out, Keynes’s concerns and prescriptions. But so also would the New Deal, where, as we saw, not only did the Roosevelt administration try to respect the choices made by private agents, it also took steps to strengthen the voice of the weakest participants, namely workers and consumers.

## 5. CONCLUSION

The New Deal and French postwar experiments with economic planning offer us many lessons. Both experiences were inspired by the perception that unfettered free markets would not be able to restore a modicum of normality to the American and French economies. Free competition was understood to impose unacceptable costs on society with little perspective for ensuring the efficiency that ideology-minded economists expected. Markets and private decision-making had to be regulated and coordinated, and this defined the need and the room for planning. In both cases it was not capitalism per se that was in question, but free markets: that is, the idea that markets were able to spontaneously correct their own imbalances.

Capitalism was to be preserved in the sense that there was no question about the legitimacy and desirability of private ownership of the means of production, to use Marx’s expression. It was less clear, though, how far private ownership should give an individual the full right to decide

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<sup>27</sup> “Our task must be to decentralize and devolve wherever we can, and in particular to establish semi-independent corporations and organs of administration to which duties of government, new and old, will be entrusted—without, however, impairing the democratic principle or the ultimate sovereignty of Parliament” (Keynes 2010: 302).

how to use the means of production he or she owned. To some extent, planning and full respect for the right of owners to freely decide how to use their property are antithetical concepts. The choices made in the New Deal with the NRA initiative and in France with indicative planning were attempts to reconcile what, in principle, may be very difficult, if not impossible, to fully reconcile.

One would expect that any encroachment on the full power of disposal over one's private property by the government would be fiercely resisted. Not only businessmen, but also workers were likely to resent having the government meddling in issues that were theirs to decide and act upon. In periods of *social emergency*, however, power structures and established institutions are weakened by the perception that they may no longer be functioning properly. In social emergencies, experimentation becomes possible and, more than that, as Franklin Roosevelt realized during his first presidential campaign, the public may actually demand "bold, persistent experimentation."<sup>28</sup>

The Great Depression, total war, and postwar reconstruction clearly represented *social emergencies*. Overcoming the emergency becomes the overwhelming objective of most, if not all, society. It may even unite social groups that are usually hostile to each other. However, initiatives taken during a social emergency may not survive the return to normality and the end of the social consensus that allowed for unified social action. This is the first lesson to be learned from both the American and the French experience. Once the perception of emergency is diluted, each social group turns back to its own corporative interests and political disputes. Planning styles that depended on voluntary adhesion from private agents rapidly lose their efficacy.<sup>29</sup>

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<sup>28</sup> An alternative way of posing the question is to say that social emergencies make it easier to identify what may be the *public interest*; to use Gerhard Com's expression, that is, to identify consensual objectives (Milberg n.d.: 10).

<sup>29</sup> As brilliantly observed by Kindleberger (1967: 296): "Bankers, businessmen, statesmen and economists do not hesitate to point out that French planning is more French than planning: Where it abjures price and wage controls, import quotas, consumer rationing or government allocation of labor, materials, and capital, and involves a minimum of interference with private decision-making in the economy, it may not be planning at all."

The New Deal's NRA tried to minimize the problem by not setting goals, only standards and rules to be followed. It limited competition to forms that were not considered socially wasteful and tried to "civilize" some fundamental social relations, particularly between businesses and labor.

In France, social needs were obvious: to reconstruct infrastructure and basic industries and to economize the scarcest of resources—foreign currency. Thus, while the NRA aimed at preserving existing capacity, a *defensive* task, French planning was *offensive*: its goal was to recreate capacity destroyed during the war. The contrasts between the two experiences result, in some measure, from the difference between the aims of the planners in each case. But they also shared many characteristics that were, in fact, shared by practically all other attempts to introduce voluntary planning in Western economies. Among the most important we can count:

- The attempt to develop intermediate layers of representation between the general public and the organs to which the authority to define plans or rules of conduct was assigned. The most common solution consisted of adopting some form of corporatism: social groups would be represented at the councils or forums where plans were formulated. Most frequently, businessmen were represented by trade associations, chambers of commerce, recognized sectoral leaders, etc. Trade union leaders represented labor. Community leaders also participated in the process in some cases. Less frequently, consumer's associations and representatives of stakeholders were called to make their voices heard by planners.
- Reliance on corporative forms of representation was expected to produce two main positive results. First, to make the decision process "democratic" by involving interested parties directly in the process of formulation of the plan (or, in the case of the NRA, the codes of conduct). Second, to commit private agents, especially businesses and labor, to the agreed directives on the assumption that those groups would "own" the plan they helped to formulate.

Corporatism, however also relied on dubious premises and exhibited less benign characteristics. The most important among its fragilities is the notion that normal relations among social groups in capitalist economies are defined by the building up of social consensuses. In fact, it is the opposite. Capitalism is marked by the conflict between social classes and its subgroups. Social consensus around specific development paths or policies in general is a rare phenomenon that history shows can only be built in social emergencies. Once the emergency has passed, social consensuses are quickly replaced by conflict and common strategies lose relevance. As we saw, this happened in France and even more quickly in the case of the NRA. Corporations do not need a special forum to meet and discuss. They get together in the face of grave threats to their survival and disperse when the threat disappears. Corporatism assumes that social groups are always willing to find common ways with other social groups and are available to make the necessary concessions to make them viable, which has proven to be a false assumption rather more frequently than not.

An essential problem of corporative systems is the definition of the role of government in the process. The government may act as a rather passive enabler, setting the rules that will govern the negotiations between stakeholders and imposing some minimum requirements for the resulting plans to be formally recognized. This was basically the choice of the Roosevelt administration with the NRA. Or the government may take a much more active position, actually formulating plans and submitting to other government institutions and stakeholders to get their agreement. This was the role chosen by Monnet. In this case, one has to clearly set the powers of planners and their limits to avoid the situation where plans are mere statements of the will of a section of the state bureaucracy. How much authority do planners have to settle disputes?<sup>30</sup>

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<sup>30</sup> If the Roosevelt administration chose an almost entirely passive position in the actual definition of plans by private agents, the other extreme was occupied by Fascist Italy, where the state took entire responsibility for the ways corporations should behave and relate to each other. As Mussolini stated: "In the Fascist the unity of classes, the political, social and moral [the printed text has 'coral' instead of moral, a rather obvious misprint] unity of the Italian people is realized within the state, and only within the Fascist state" (Mussolini and Gentile 1932: 16), and "We have constituted a Corporative and Fascist state, the state of national society, a state which concentrates, controls, harmonizes and tempers the interests of all social classes, which are thereby protected in equal measure" (Mussolini and Gentile 1932: 17). Fascist violence in Italy became part of the control mechanisms of its special variant of capitalism against workers, unionists, and socialist organizers.

The Nazi regime could hardly be considered corporative. In fact, according to Aron (2005: 63, my translation), it was a different form of social organization: "[The regime] preserved the businessmen, but it suppressed the justification for their existence, that is, their initiative. In today's Germany, dominated by the planning system, the

All these problems do not imply that finding ways to plan a capitalist economy, even in the absence of compulsory mechanisms typical of command economies, is an impossible task. Nevertheless, governments can still have an important impact on the choice of development paths for developed and developing economies. Scott-Smith (2006), for example, has shown how the US government continued to strongly influence the development of the American economy through its investments over the years, not only through the traditional spending on housing and infrastructure, but also through military spending, space research, etc. Social, industrial, commercial, and scientific policies kept shaping the development of key sectors in Western economies. Very few, if any, Western economies have really given up on the policy instruments that allowed them to pursue short-term macroeconomic stability and the upgrade of their productive facilities to improve their competitiveness and growth prospects.

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owners of the means of production are still, most of the time, the old class of owners, but they have lost almost all initiative, all powers to decide and to choose.” For an excellent detailed examination of the Nazi economic “rules,” which shows that, in fact, not even property rights were against protected arbitrary seizure, see Tooze (2006). Fascist corporatism was not discussed here because it was not an open society. Nazism is not included because it was not really capitalist.

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