

THE  
DISCRETIONARY  
ECONOMY

A  
Normative  
Theory  
of  
Political  
Economy

MARC R. TOOL

# THE DISCRETIONARY ECONOMY

## A Normative Theory of Political Economy

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*for  
Lillian  
Laurence  
Marilyn  
and  
J. Fagg Foster*

# PREFACE

**T**his book offers a theory of political economy based mainly on economic, political, and philosophical writings of American (U.S.) contributors. It presents a normative and evolutionary point of view—technically a neoinstitutionalist perspective. It offers a conceptual frame for the continuing analysis of problems of political economy. It encompasses theories of an evolving, functional economy and of a participatory, democratic polity. As an approach to the comparative study of economic and political ideologies and systems, it is intended to facilitate constructive analysis apart from the molds, models, and methodologies of major ism-ideologies of the last two centuries—capitalism, Marxian socialism and communism, and fascism.

The continuing manifestations of revolutionary unrest around the world which arise from endemic poverty, protracted unemployment, and rampant inflation; from political oppression and elitist control; from bitter racism and imbedded sexism; and from environmental pollution and resource competition prompt thoughtful people to give critical attention to the frames of reference, the social perspectives, the belief systems with or through which such problems are seen. Sometimes, the conventional isms appear to provide the only available perspectives. Such perspectives often define and delimit how problems will be identified and which policies will be proposed as “solutions.”

Presented here is a different kind of perspective with which to engage in the continuing exploration of what to do about conditions which engender revolutionary unrest. As problems are appraised, as policies are reviewed, as systems are compared, and as performance is judged, how do we determine "which direction is forward"? How do we decide what "reform" will mean? This work is addressed to such questions.

The approach here is distinctive in several respects: underlying assumptions are made explicit and their significance is noted; the analysis is evolutionary and open-ended; economic and political elements are fully integrated; the social value problem is addressed directly and continuously as the central and frontier question in inquiry in political economy—that is, the "ought" as well as the "is" is included in this study.

The approach has historical roots in American experience and in American scholarship. Aspects of that experience include the diversity of origin and the heterodoxy of belief of immigrants, the pressures and exigencies of frontier living, the conditioned irreverence for status and rank, the insulation from older power systems abroad, among others, as Henry Bamford Parkes and others have noted. The American experience has been characterized in part by its practicality; its optimistic reworking of its heritage of creed, custom, and skill; and its problem-oriented adaptability to change. This book draws on and is reflective of that experience.

This work reflects American scholarship of the late nineteenth and twentieth centuries as well. Readers will find references to John Dewey and instrumental philosophy and to Thorstein Veblen and institutional economics. The book reflects some of the concerns and ideas of contemporaries including John Kenneth Galbraith, Clarence E. Ayres, Gardiner C. Means, and others. Some may see this effort as a revival of the critical voice of early twentieth-century Progressive thought; others may see it more as a contemporary reformulation of principles of reformistic policy making. Certainly its concern with the normative aspects of public policy is a departure from the pursuit of a "value-free" social science and economics in recent decades. It is, then, a response to the long-standing call of Nobelist Gunnar Myrdal for the inclusion of explicitly stated value premises in social and economic inquiry.

The book is addressed to college students in economics, political science, social science, and social philosophy. Since technical language has in the main been avoided, the material should be accessible to students at all levels. This work is both a text and a treatise. It is written, as are all texts, from a point of view. That point of view is made explicit here; value judgments are made in order to set dialogue in motion with the reader. The concern is to open inquiry and suggest a focus that students may find provocative and productive.

For students of institutional or evolutionary economics, the work offers a synthesis of the neoinstitutional paradigm in economic analysis. For students of comparative economic and/or political systems, it provides an analytic exercise in comparative ideology. For students of political economy, it offers an integrative theory of a participatory democracy. For students of economic planning, it suggests a conceptual frame, a philosophic basis, for the conduct of inquiry. For students of social philosophy, it includes an explication and application of instrumental social value theory.

If this book is helpful to my colleagues who have been lamenting the absence of normative analysis in more conventional materials, I would be most pleased. In addition, I hope that this work might also be of assistance to citizens generally in their public lives as they seek fresh perspectives with which to appraise the flood of opinion, advice, and conjecture to which the mass media and other sources expose them.

As is commonly the case, I am indebted to countless students and many colleagues who have punctured my certitude and disturbed my sleep. I am grateful to John C. Livingston, Thomas R. Williams, Brian D. Comnes, Norris C. Clement, Albert R. Gutowsky, Emanuel Gale, Angus L. Wright, William C. Kirby, John G. Ranlett, and the late Robert M. Robinson for comments on early drafts of selected parts of the work or for other assistance. John Livingston offered encouragement and insights over several years. I have drawn liberally upon his own work. My son, Laurence A. Tool, read the entire work and made numerous suggestions for improvement of form and substance. His critique of the sections involving political theory and philosophy was especially helpful. Paul Dale Bush also reviewed the entire manuscript and contributed significantly to the clarity and integrity of the analysis. His enthusiasm for the project has been invaluable. As a student of J. Fagg Foster years ago, I was introduced to an evolutionary point of view on political economy. As will be evident, his contribution to my thinking has been substantial. The conceptual frame for this study in part reflects his excellent instruction. Suggestions of reviewers engaged by the editors and by me were also most helpful. Goodyear editors Jim Boyd and Steve Lock provided needed support and assistance.

I wish most sincerely to thank my wife, Lillian, for her continuing confidence, her patience, and her editorial contributions. My daughter, Marilyn L. Tool, assisted with editing and proofreading. Carol Brainard typed the work with great skill and good humor. Highly competent and thoughtful copy editing was provided by Jean Sedillos.

Remaining ambiguities, misrepresentations, and inaccuracies are of course my own responsibility.

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# **INTRODUCTION**



## Chapter 1

# REVOLUTIONS AND IDEOLOGISTS

*I suppose we are all aware of the fact that we live in the most catastrophically revolutionary age that men have ever faced. Usually one thinks of a revolution as one event or at least as one interconnected series of events. But we are in fact living with ten or twenty such revolutions—all changing our ways of life, our ways of looking at things, changing everything out of recognition and changing it fast.*

BARBARA WARD\*

*In my judgment all the received systems are but so many stageplays, representing worlds of their own creation after an unreal and scenic fashion.*

FRANCIS BACON\*\*

\*Barbara Ward, *The Rich Nations and the Poor Nations*, W. W. Norton & Co., Inc. 1962, p. 13.

\*\*Francis Bacon, *Novum Organum*, in John M. Robertson (ed.), *The Philosophic Works of Francis Bacon*, George Routledge & Sons, London, 1905, p. 264.



There is nothing more practical than theory, folklore notwithstanding. Theory helps people understand and cope with the realities faced daily. Here, the concern is to formulate, and to explain the relevance of, a normative theory of political economy with which to confront current problems.

In order to provide a setting or context for this formulation, it will be useful to explore some aspects of this “most catastrophically revolutionary age that men have ever faced” and some conventional ideological responses to it. Why, or in what way, are these times revolutionary? Are responses of “received systems”—ideological commentaries—helpful? Do they provide relevant guidance, or are they “unreal and scenic”?

## I. REVOLUTIONARY PRESSURES

It is not altogether clear just which “ten or twenty such revolutions” Barbara Ward is referring to in the quotation above, but for present purposes, four areas of change seem so apparent, so dramatic, and comprehensively significant that they require inclusion and explication here. They are (1) the economic productivity revolution, (2) the political participatory revolution, (3) the racial and sexual revolutions, and (4) the ecological crisis.<sup>1</sup>

With regard to each of these areas of fundamental change in the social process, ideologists have emerged to comment, to admonish, to demand, and/or to recommend policy. In the following pages, we briefly examine dimensions of revolutionary pressure and provide some examples of ideological response.

### *The Economic Productivity Revolution*

In the last two centuries, the capacity to produce and distribute real income in increasing volume and variety in countries with the requisite growth potential—motivation, manpower, resources, technology, organization—has repeatedly been demonstrated. In the industrialized nations of North America, Western Europe, and Japan (the first world) relatively high levels of gross output and per capita income have been achieved. In the Eastern bloc of the Soviet Union and Eastern Europe (the second world) substantial improvement has occurred in most areas, but levels of gross output and per capita income are generally below those of the Western bloc. In the third-world countries of India, Mainland China, Africa, and most of Latin America, improvements are more modest; levels of output and per capita income are generally

1. Compare with the position of the Ad Hoc Committee on the Triple Revolution in Arthur K. Blaustein and Roger R. Wootch (eds.), *Man Against Poverty: World War III*, Random House, Inc., New York, 1968, pp. 161-70. Also see Robert Perrucci & Marc Pilisuk, *The Triple Revolution Emerging*, Little, Brown & Co., Boston, 1971.