

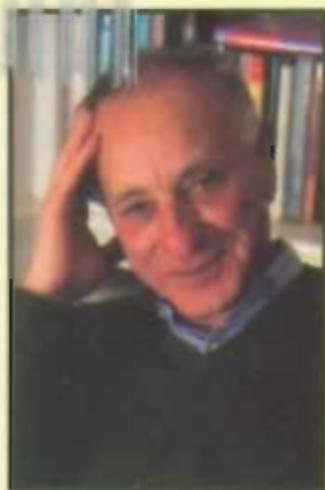
History, not ideology, holds the key to growth.

Brilliantly written and argued, *Concrete Economics* shows how government has repeatedly reshaped the American economy ever since Alexander Hamilton's first, foundational redesign.

This book does not rehash the sturdy and long-accepted arguments that to thrive, entrepreneurial economies need a broad range of freedoms. Instead, Steve Cohen and Brad DeLong remedy our national amnesia about how our economy has actually grown and the role government has played in redesigning and reinvigorating it throughout our history. The government not only sets the ground rules for entrepreneurial activity but directs the surges of energy that mark a vibrant economy. This is as true for present-day Silicon Valley as it was for New England manufacturing at the dawn of the nineteenth century.

The authors' argument is not one based on abstract ideas, arcane discoveries, or complex correlations. Instead it is based on the facts—facts that were once well known but that have been obscured in a fog of ideology—of how the US economy benefited from a pragmatic government approach to succeed so brilliantly.

Understanding how our economy has grown in the past provides a blueprint for how we might again reshape and reinvigorate it today, for such a redesign is sorely needed.



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Conclusion

We have been harshly critical of the ideological turn in American economic policy that began in the early 1980s. We have been critical because the speakers, thinkers, and actors who made that turn “knew” things that they did not know and which proved wrong. They “knew”—without looking at the world at all—that the American economy:

- Was hog-tied by excessive regulation everywhere, all of which needed to be pruned back to unleash the private sector,
 - Provided insufficient incentives for enterprise and entrepreneurship, which needed larger financial rewards to spur it forward,
- and

- Had fallen victim to an ossified “demosclerosis” in which too many interest groups had acquired claims to income and wealth not derived from success in the market.¹

Thus the principal task of political economy was to:

- Cut back all forms of government regulation and interference with the marketplace, open the markets so that entrepreneurs would rush in, innovate, grow, and in so doing reinvigorate and reshape the economy.

and

- That is what happened.

There was no effort whatever to provide a concrete image of how the real economy would be reshaped when it all had been sorted out.

This policy turn has, we believe, been a huge mistake for America: a mistake in how the major economic choices that reshape the economy are made, as well as a misfortune in outcome. For, as John Maynard Keynes wrote in the 1920s:

The world is not so governed from above that private and social interest always coincide. It is not so managed here below that in practice they coincide. It is not a correct deduction from the principles of economics that enlightened self-interest always operates in the public interest. Nor is it true that self-interest generally is enlightened . . .²

High-finance churning and creaming, real estate transacting, and health-care claims processing were not the industries of the future to produce big positive spillovers. But they turned out to be the concrete shape of the economy implanted by Washington policy makers. Busy but useless, empty but still flabby, as a proportion of GDP they largely replaced the great swaths of manufacturing that had been liposuctioned out. Unattractive as they are, they are the new shape of the American economy as wrought by American policy makers. And tilting the distribution of income in favor of the very rich sitting at value-appropriation chokepoints in the economy did not unleash productive waves of entrepreneurship that benefited us all. The communities of engineering practice in industry built up and nurtured since the days of Alexander Hamilton were not all shoddy and outworn garments America should, out of goodwill, be happy to donate to poorer emerging markets.

But our complaint is not that the turn around 1980 was motivated by the wrong ideology.

We do not call for its replacement by a different ideology, one that we “know” without looking at the world at all will benefit the American economy. We do not know in advance that more government regulation is always good, that every manufacturing job is worth keeping, that each proposed piece of infrastructure development is a national blessing, that soak-the-rich is always a win-win policy.

What we do know is that since the days of Hamilton, it is a fact that America’s successful economic policy has been pragmatic, not ideological. It has been concrete, not abstract. It has

been image-able, not *ex ante* unknowable and indescribable. And it was not unspeakable. Thus we do believe that we know not what to think but rather how to think about economic policy: a distrust of ideology or, as sociologist Daniel Bell might have put it but did not in his hopeful 1950s book *The End of Ideology*, an ideology of non-ideology.³ Or as Keynes did put it:

We cannot therefore settle on abstract grounds, but must handle on its merits in detail what Burke termed “one of the finest problems in legislation,” namely, to determine what the State ought to take upon itself to direct by the public wisdom, and what it ought to leave, with as little interference as possible, to individual exertion . . . and to do this without Bentham’s prior presumption that interference is, at the same time, “generally needless” and “generally pernicious” . . .⁴

Perhaps the worst damage to our national capacity to think through the issues was the (largely successful) attempt by those who made the policy turn around 1980 to classify America’s pragmatic political economy tradition as just another ideology, a counter-ideology to *laissez-faire*, as ideological Keynesianism. Read Keynes and you find, immediately after his denunciations of *laissez-faire* and his call to look at questions on the merits, an equally strong denunciation of left-wing ideologies:

I criticise doctrinaire State Socialism . . . because it misses the significance of what is actually happening; because it is, in fact, little better than a dusty survival of a plan to meet the problems of fifty years ago, based on

a misunderstanding of what someone said a hundred years ago . . .⁵

We need to recover that American tradition of pragmatic engagement with questions of economic policy and equitable growth. It is the case that, since its very beginning, the United States has again and again shifted its economy and pointed it in a new growth direction. These intelligent designs were taken by government, backed by powerful and often broad political forces, and guided by a broadly shared vision of how the economy ought to change. As entrepreneurial energy and activity surged into the new economic space, the economy was invigorated and transformed in unforeseeable ways. These reshapings made America into, as Leon Trotsky called it in his autobiography, “the furnace where the future is being forged.” America still has some of that fire, most notably in Silicon Valley. But does anybody really believe that America’s most recent redesign opened up to vast and positive growth?

In that latest redesign, beginning in the 1980s, the new direction was—uniquely in American history—selected not pragmatically but ideologically, and presented not concretely but abstractly. Government again signaled the direction; cleared the way; arranged the means. Entrepreneurs rushed in, innovated, took risks, profited, and expanded that new growth direction as all forms of red tape, government regulation, and interference with the marketplace were cut back and the market was left to sort it all out. Controls were dismantled. The economy was redirected and reshaped. But it was not reinvigorated. Not much was added to general prosperity.

Norms were broken as the domain of market forces and market logic was expanded so that social structures were subordinated and corroded by market forces. Their replacements are, when available, difficult and costly. And it did not benefit American power in the world nor the balance of power within America. It is extremely unlikely that America would have chosen that redesign were it to have been presented concretely instead of abstractly and ideologically.

So what should we do now?

America needs another economic redesign.

We do not propose the content of such a redesign, complete with dubious numerical targets. That is not how it happened in the successful American past. New directions were not the bright ideas of clever economists or blue-ribbon commissions. It is not the way for today.

But we do have a bright idea that we think consummately important. We propose one change—a change that is simple to understand but likely to prove difficult to implement.

That single change is: Shift discussion of economic policy to the concrete, where it had recurrent successes. Pull it out from the speculative realms of ideology and its handmaiden theoretical abstractions. Push thinking and talking and proposing about what we should do about our economy into concrete terms. Insist that proposed shifts be couched so as to be image-able, as in, “This is the kind of thing we will get.”

This will help more than anything else we can imagine to reshape the economy in a positive direction, and our society as well.