

Book Reviews

Planning for Freedom. The public law of American capitalism. Eugene V. Rostow. Yale University Press, New Haven, Conn., 1959. xi + 437 pp. \$6.

Both the title and the subtitle of this book are significant. *Planning for Freedom* epitomizes the author's message that planning is not a monopoly of communists and socialists but has its place in an economy of private enterprise. Or rather, an economy of private enterprise requires government planning, for otherwise the "balance wheel" would be lacking in the capitalistic economy. Specifically, the planning has to see to it that the aggregate of all spending in the economy is high enough to ensure full employment but not so high that it produces inflation. The primary instruments of this planning effort are monetary and fiscal policy. In order to be effective, these instruments must be supplemented by policies designed to maintain free competition or to regulate markets where monopolies are inevitable. Rostow offers a very readable explanation of the "new economics" as it was developed along Keynesian lines of reasoning. He surveys the experience of the 1930 depression and the post-World War II recessions in the light of these theories, and he sketches what he believes remains to be done to assure a continued economic growth with full employment and without inflation. This statement of the "new economics" differs from other presentations in that it is nontechnical but avoids overpopularization. It can be highly recommended to the interested layman.

The work also differs from others by the aspect expressed in its subtitle. Rostow, dean of the Yale Law School, emphasizes the "public law" through which the "new economics" is institutionalized in the United States. That system of law consists of three major elements; the laws governing fiscal and monetary

policy, the laws regulating the markets for products and services, and the labor law. "These three pre-existing bodies of law . . . are being drawn together into a new field of magnetic force by the influence of the Employment Act of 1946, which is giving them new dimensions, and new orientation, and a new momentum" (page 368).

This treatment of the institutionalization of the new economics represents an interesting emphasis which is, as far as I know, much less familiar in the United States than it is in Continental Europe, where "public law" is an established discipline within the broad field of jurisprudence. I would not be surprised if Rostow's book, and particularly the interesting methodological chapter, "The goals of legal action," should give rise to a controversy as to whether this topic can better be approached with the tools and concepts of political or those of legal science. Actually Rostow incorporates in his concept of public law realistic rules which in some cases are not only not incorporated into laws but may even run counter to conventional interpretation of existing laws. An example is his statement that "the normal rule . . . goes further to give the President and the Treasury something close to a veto over Federal Reserve policy" (page 175). While this statement has merits as a proposition of economic policy, it is questionable as a proposition related to existing law.

I find that in one respect the emphasis on the public law of the subtitle limits the author's interpretation of the main topic. Planning in a private enterprise economy is not only a function of government. It also requires that, for example, the investment and production planning of private enterprise is related to the public planning. Such a link between public and private planning can be created by establishing goals for the guidance of public policy, which then

may also become voluntary landmarks for private enterprise planning of business and for wage strategy planning by labor unions. I regard the establishment of such goals through national economic budgets and national economic projections as essential tools of planning in a private enterprise system.

Rostow discusses the need to develop objectives, particularly in an excellent chapter, "The economic claim of foreign policy," but he does not recognize the need of translating national and international objectives into quantitative and internally consistent targets as a prerequisite of public and private planning.

Rostow's book has a thoroughly optimistic tone. He believes that with proper fiscal and monetary policies, supported by antimonopoly measures, the main economic problems can be solved. Only in the field of international monetary relations does he see danger of the possibility that holdings in one particular currency (for example in dollars or pounds) can be converted into gold, which would "destroy the world's banking system" and would "lead either to a general financial crash or to a new wave of planned or unplanned devaluations" (page 204).

But I believe that Rostow is overly optimistic with respect to the capabilities of fiscal and monetary policy not only to promote full employment and economic growth but also (and at the same time!) to prevent "creeping" inflation. I believe more institutional innovations may be needed than are suggested by Rostow, particularly in the field of wage determination and collective bargaining.

Rostow is optimistic also in his belief that American society is not in danger of becoming overly complacent in an age of abundance. In contrast to the many current expressions of a pessimistic mood, Rostow believes that "the years of boom have been invigorating and creative, not stultifying" (page 384) and that the task of perfecting a new economic system of freedom is not boring but "interesting enough" (page 377).

The economic system which he sees emerging is neither capitalism of the laissez-faire variety nor socialism, concerning which Rostow quotes the saying: "Capitalism is the exploitation of man by man, Socialism the reverse" (page 378).

GERHARD COLM

National Planning Association,
Washington, D.C.