

*Great Society: A New History, Amity Shlaes*

I bought the book after reading a short review in *The Economist*. Then I saw Shlaes interviewed on TV and she left me with a good impression. Many years ago, I read her book on the depression, *The Forgotten Man: A New History of the Great Depression*. I vaguely remember being disappointed by it. I was expecting something in the nature of a statistical economic analysis, including graphs and charts with some kind of mathematical demonstration that policy X cost Y dollars and had Z effect and deepened or alleviated the depression by some economic metric. That reflects my own preconception of what an economic analysis should look like. No doubt there are plenty of books like that and I've read a few but I never walked away with a satisfying understanding of the character of the depression or The New Deal. Shlaes "new histories" of both the Great Depression and Great Society are not statistical analyses that "prove" the efficacy of some policies compared to others. Instead, both are stories about the characters who conceived and implemented the policies and some of the characters who formed the context that the policies addressed.

Both the New Deal and Great Society involved serious government intrusion into the economy. Both involved make work programs, poverty alleviation programs, wage and price controls, tax components etc. The New Deal was a reaction by FDRoosevelt to an economic downturn that began in the Hoover era but lasted into WW11, whereas Great Society was initiated during a wartime boom and was hoped to be fueled by an additional peace dividend when America won the Vietnam War which was expected to be very brief. Completely different economic and military contexts, but the same basic strategy: Government will reorganize broad categorical economic relations within the country for the benefit of all. In both, the spin involved demonization of business success and glorification (moral superiority) of the suffering of the poor.

Of course, all of these programs involved politicians posturing as compassionate benefactors to win votes and elections – that may be a universal phenomenon – however, I assumed that the ideologues or philosophers or economists or lawyers who supported the politicians and who crafted the details of these demonstrations of compassion were people of principle who were trying their best but had mistakenly adopted erroneous principles. I know plenty of people who have vague soft-left economic leanings which I consider to be errors that derive primarily from the cost of knowing better. The "cost of knowledge" is a concept developed (perhaps created) by Thomas Sowell. The idea is that some knowledge requires a lot of effort to acquire. He was concerned with what I might call "institutional knowledge" as for example, the administrators of the law to prevent discrimination on the basis of race in employment couldn't possibly have the dispersed knowledge about all the individuals who apply for a particular job, and if they tried to acquire that knowledge, the acquisition would be extremely costly. Personally, I am concerned with the knowledge involved at the individual level as opposed to institutional knowledge -- even individuals making economic decisions affecting themselves will make choices that, in particular cases, are more costly than alternatives that a thorough economic analysis would disclose – the problem is that thorough economic analysis is much more costly than following an established heuristic (an intellectual shortcut) that works well enough in most cases. I assumed that the

thinkers behind the New Deal and Great Society (not the politicians but their technical advisers) were intellectually honest but mistaken. And I was interested to understand the honest intellectual errors behind these economic adventures. But Shlaes' books offer no discussion of underlying principles. From reading her books, it's not even clear what side she's on. Does she favor soft-left interventions in the economy to assuage the suffering of the least fortunate among us? It's not really clear.

And I think that's why I was vaguely disappointed with *The Forgotten Man*. I was hoping to find a compelling denunciation of The New Deal. But it wasn't there. It wasn't in *Great Society* either, but instead of disappointment, I come away satisfied.

I imagine *Great Society* is pure history to most people just as the Great Depression was to me when I read *The Forgotten Man*; however, *Great Society* was my era -- familiar territory not ancient history. I felt I knew most of the characters Shlaes refers to and could put a face to most names. I was a student in the era of student revolts. The Vietnam war, the draft, the Democratic convention in Chicago, the trial of the Chicago Seven were all center stage for me. I was in the advance guard of the baby boom, born in 1944 before the baby boom officially began in 1946. "Baby boom" is the formal name given to the generation but there was another term then in common use that I think is much more descriptive: generation gap. My parents' generation had just lived through the Great Depression and WW11, really one continuous episode of arduous suffering for almost everyone. Everyone was immensely grateful for the end of the war and it seemed a straight-forward matter to apply the newly rejuvenated work ethic to achieve a satisfying normality. Unfortunately for the Greatest Generation, their children (who knew nothing about their parents' trials) were not grateful that the depression and the war had ended. Instead, the new prosperity was an opportunity for unrestrained cultural exuberance -- unrestrained because the new generation swamped the older in pure numbers, and because the older generation was taken completely by surprise. To the older generation, it was incomprehensible for their children to be anything but grateful for the deliverance from the evils of economic depression and war. The cultural exuberance of my generation involved music and clothing and drugs and sex. There may be a musical connection between the big-band swing dance that preceded the war and the music that followed but our parents regarded Little Richard and Jerry Lee Lewis as savages compared to Benny Goodman and Jay McShann. While my parents dressed neatly, formally and respectfully, my generation's clothing was ripped and dirty and dishevelled as a matter of taste. Alcohol was common to my parents and over-indulged by some, but there was no limit to my generation's indulgence in all manner of drugs. And there was the sexual revolution: the abandonment of sexual restraint and free love, as it was called. The greatest generation's explanation for my generation was that it had gone crazy. In an effort to understand the new generation, mainstream press sought to identify "spokesmen" who could explain it. Of course, there were no legitimate spokesmen and there was no coherent philosophy or set of principles that my generation followed -- it was capricious, unrestrained cultural exuberance of teens and young adults. Nevertheless, some individuals put themselves forward as spokesmen and leaders. These were the social revolutionaries that Shlaes describes: Abbie Hoffman, Tom Hayden, etc. All phony. They did not represent anybody and followed no coherent set of principles. It was the normal ambitious grab for the brass ring of teen fame and adulation. One of the characters making a play for spokesman/leader was Hillary Rodham. As a student speaker at her Wellesley College graduation, she

criticized black Sen. Edward Brooke, the guest speaker. He was nice enough to speak at a girl's college graduation and didn't realize that times had changed. She interpreted some of his comments as patronizing and condescending to the girls (what today might be called "micro-aggression") and she took him to task. It caused a national sensation and her career as spokesman and leader of her sex and generation was launched. Her speech was widely published and is still available, but it contains nothing of genuine insight – pure attitude.

I knew these characters, my contemporaries, and I knew that they had no particular intellectual insight into the social phenomenon they purported to lead; rather they were normal ambitious pretentious youngsters. And so when Shlaes describes the participation of these pretentious youngsters, there is of course no discussion of social principles because there were none. The youngsters were in search of principles. Their personal motives and ambitions were very strong, but there was no intellectual underpinning – just the generic nebulous soft left compassion for the suffering of the least fortunate among us and the betterment of society in general. Though Shlaes doesn't discuss this explicitly, I take her description of my contemporaries as confirmation of my own prior impressions.

But if the young revolutionaries were intellectually vacuous, what about the politicians and their credentialed advisors? They certainly were not intellectually vacuous. Some of their achievements were genuine and they deserve a respectful hearing. You might presume that the brightest minds and the highest office holders in the country would be operating under well thought-out principles when initiating the most far-reaching federal intrusions into the national economy. I presumed there was a case to be made for Great Society programs. I might disagree with that case but I would like to understand it and come to my own conclusion. And that's why I wanted to read Shlaes book in the first place: to understand the case for the Great Society and come to my own conclusion whether or not I agreed with it. As with her description of the participation of my contemporaries, her description of the participation of the Great Society principals does not touch on discussion of underlying social principles. The great office holders and their advisors stand on nothing deeper than the same perfunctory generic soft-left compassion for the suffering. The political motivations are clear as are personal motivations of the advisors, but there is no intellectual underpinning. The total absence of discussion of underlying principles was a bit shocking to me because it violated so completely my presumptions about serious intellectuals like Daniel Patrick Moynihan or Arthur Burns, but on the other hand, it coheres completely with my own approach to understanding the behaviour of government as a group of individuals who behave as individuals according to the personal incentives available to them individually. Of course, for some individuals, acting in the public interest is their highest personal reward (that is the definition of integrity in government service), but for most, personal benefit trumps general benefit if they conflict. Only Arthur Burns demonstrated hesitation, but he succumbed to the flattery of contact with Nixon. Perhaps I am misinterpreting but I take Great Society programs to be politically motivated social experiments based on the flimsiest economic conjectures. The least serious intellectual underpinnings to the most serious governmental intrusions into economic relations. There is no principled case for redistribution as an expression of governmental compassion. My cynicism is vindicated and Shlaes book is satisfying. Maybe I should read her earlier book again.

What lessons are to be learned? Are things any different now? I don't think so. Biden's Build Back Better follows the same tradition of The New Deal and Great Society. Today he ordered forgiveness of student loans, a telling sequel to his shamelessly misnamed Inflation Reduction Act. The politics of personal incentive is universal and in the American liberal democracy, the cost of knowing better is higher than the voting public is willing to pay. And besides, most people get a check from government, for one reason or another, and vote with the hope of getting more.

My initial interest in this book was understand the economic case for left wing redistribution and I'm now tentatively satisfied that there is no case, that it's an inexcusable hypocritical scam to buy votes. But what then should be government's role in the economy?

There's a serious economic crisis every generation or so and each time, the central bank (and the whole economic establishment) is taken by surprise. Each time, the principles of governmental economic prudence are rewritten by academics only to be disproven by the next crisis, suggesting that economists do not understand fundamental aspects of the economy. Until the recent and sudden take-off of inflation, central bank monetary policy was intended to induce 2% inflation (with subtle variations of forward guidance). Even if that were a good objective, history demonstrates that no government has the capability to avoid huge damaging economic swings, never mind the precision to maintain 2% inflation. What should be government's economic object? After each crisis, economists always identify outside factors that were not included in their economic models. No economist could reasonably have predicted Putin's invasion of Ukraine or the Covid pandemic in time to prepare for them. No one can predict what these outside factors will be but there are always outside factors. My suggestion is that instead of trying to direct the economy in one direction or another, the government recognize the likelihood of overwhelming outside factors that cannot be predicted or controlled – outside factors which could be damaging or beneficial in unanticipated ways – and try to build resilience into the economy, resilience from shocks in any direction. Resilience is more important than optimizing affluence or privileging the least fortunate among us. In my view, resilience comes from a culture individual responsibility—the necessary concomitant of individual freedom. In a variation of the tragedy of the commons, the high cost of knowing better allows politicians to undermine resilience by offering short term benefit to individuals to the long term detriment of everyone.

Sid Barnett

I had my own view of FDR the man (I disliked him) and that didn't change after reading Shlaes' *The Forgotten Man*. However my opinion of FDR went up after reading Nigel Hamilton's description of Roosevelt's handling of the war. Roosevelt (rather than Churchill) deserves credit for the successful outcome of the war, but somehow, leadership in war seems to me quite separate from economic leadership.