

CHAPTER TWELVE

The Need for Planning

As liberals emerge from a protective crouch that has lasted three decades, the inadequacy of their policy vision must be faced. The various goals of expanded health insurance, universal preschool, job training, and cap-and-trade programs for carbon dioxide are assuredly well intended—except that once we have all those things, we will not yet have solved the fundamental problems to which they are addressed. Health care costs will still be uncontrolled. Jobs will still be in short supply. The rich will still have a big educational edge over the working poor. And climate change will still go on. The polite solutions to these problems have a common drawback: they do not do enough. To deal with them effectively—and to deal with them all together—requires the use of a dirty word: *planning*.

In the discourse inherited from the age of Reagan, syphilis, leprosy, and planning more or less rank together: they are all no longer frightening, slightly ridiculous, curable afflictions from another time. What Joseph Schumpeter thought drearily inevitable, what Friedrich von Hayek denounced as the greatest threat to freedom, a later generation has reduced to a sound bite. After all, the Soviet economy was planned, and it collapsed. Does anything more need to be said? (Instinctively, the epithet *central* is affixed to the word *planning* in order to discredit it.) No economic topic except price control is more easily pushed off the table; no declaration comes more easily than that one favors the market and opposes planning. This needs to change.

The experience of the wider world—even that of the most despised countries—provides no general case against economic

planning and also none in favor of unfettered markets as a substitute for a planning system. On the contrary, it shows that in a properly designed system, planning and markets do not contradict each other. They are not mutually exclusive. Rather, the choice of one or another for any particular problem is a matter of what works best for the purpose: it's a question of a social and political division of labor, of what tools are needed for what goal.

Markets distribute today's production to consumers. This they do reasonably well: in ensuring that everyone eats, cash and also food stamps (an effective market-friendly solution to the problem of hunger) are less obtrusive and more efficient than rationing, soup lines, or the distribution of surplus cheese. Very few who live under rationing long regret its departure, and in a matter like food, individuals for the most part can be trusted to make their own choices.* Choices and variety are not only instrumental, a way of satisfying diverse preferences. They are also intrinsically desirable: they give people the satisfaction of making judgments, and therefore an element of genuine personal control, in the comparatively simple spheres of daily life.

Planning, properly conceived, deals with the use of today's resources to meet tomorrow's needs. It specifically tackles issues markets cannot solve: the choice of how much in the aggregate to invest (and therefore to save), the directions to be taken by new technology, the question of how much weight and urgency are to be given to environmental issues, the role of education, and of scientific knowledge, and culture. Decisions on these matters involve representing the interests of the future—interests that are poorly represented by markets. And in the modern world, planning happens: it is what corporations exist to do. The only issue, therefore, is whether the planning function is to be left entirely in the hands of private corporations—and therefore to a business and especially to a banking elite, some of them domestic and others foreign—or whether the government and the larger public are entitled to play a role.

Planning can be narrow-minded. It can be entirely corrupt. It can be misguided. In China, the planners can build the Three Gorges Dam, increase the electrical capacity of the entire country by 10 percent, and relocate millions of people in its path. Environmentalists warned that the lake would silt up within a few years and that it would turn into the world's greatest cesspool—and they were right. No market would have built the Three Gorges Dam or have permitted it to be built. But then no market would have built the Hoover Dam either, and that one worked out reasonably well. Moreover, the market did not give the United States jet air travel while Europe built its trains: those were planning decisions, for better or worse in each case.

In real life, planning cannot be avoided. The questions are: Who will carry it out, according to what principles, and to what effect? In the case of the United States, state planning largely occurs inside the national security cocoons of the Defense and Energy departments. Here again the record is mixed. The history of atomic energy on the North American continent is a sad one of technological forcing, lax standards, and environmental poison. Likewise the history of jet air travel is one of dual-use technologies and subsidies to a firm of military importance. The same is true of the history of information technologies, perhaps most dramatically the Internet itself, which migrated from the military to the civilian sphere (giving us instant free communication at the price of universal surveillance). The history of compulsory planning cannot be purged of its warts; this is the conservative and the libertarian case, and it does no good to deny the force of their argument. But this does not make planning unnecessary or mean that one can do without it.

Again the issue is, In comparison to what? A state that does not plan does not, by default, turn this function over to the market. Even if the market is perfectly efficient, it still suffers from two ineradicable defects. The first relates to the distribution of income and power: the market conveys signals only in proportion to the purchasing power of the individuals transmitting them. The poor do not matter to the

market. The second relates to representation: people not yet born do not turn up at the stores. They send no market signals at all.

Defenders of markets talk about futures markets, or long-term contracts, arguing that these serve the needs of the future and obviate the need for planning. This is a misunderstanding. Such markets and contracts serve only the needs of today's economic actors; they are a way of projecting the needs and interests of the present forward into the future, of managing risks for today's market actors. They have nothing to do with preparing for, protecting, or representing the needs of the future. (In theoretical models favored by academic economists, this problem is elided by assuming that economic agents live forever and enjoy perfect foresight over all future states of the economy.) In the market economy, no one speaks for those who will follow. Speaking for the interests of successor generations is a function that has to be imposed on the market by outside agency and regulatory power; it is an act of imagination. The great fallacy of the market myth lies simply in the belief, for which no foundation in economics exists, that markets can think ahead. But they cannot. The role of planning is to provide that voice, if necessary *against* the concerted interest and organized power of those alive today.

A country that does not have a public planning system simply turns that function over to a network of private enterprise—domestic or foreign—which then becomes the true seat of economic power. And that is why the struggle over planning is, and remains, such a sensitive issue: it is a struggle over power. It is a struggle not between democracy and the corporation, but between those—scientists, engineers, some economists, and public intellectuals—who attempt to represent the common and future interest and those—banks, companies, lobbyists, and the economists whom they employ—that represent only the tribal and current interest. It is an uneven struggle. It is a struggle in which, outside of wartime and the zone of permanent planning called the Pentagon, the planners have prevailed on only rare occasions, notably during the Great Depression. But it is an inescapable struggle. If the future is to be

provided for, you must have a community of planners, and some way must be found to support them, to permit them to develop their plans and resolve their differences, and to give them access to the levers of public power. To walk away from this problem with a shrug about “markets” is to disenfranchise the future. To enable planning guarantees nothing. But to “rely on the market” is to guarantee that the interests of the future will never be provided for.

The American reality for the present is that state planning is for emergencies—for that protected category of public policy issues covered by the flag of national security. Here planning is accepted. It is even demanded—even or perhaps especially by conservatives—when clear and present danger warrants. World War II led, in this respect, to the cold war and the global war on terror: each served to justify—with a diminishing degree of authenticity as time went on—the reservation of a sphere of American economic activity to a planning process. But now all of that is to be superseded by a global state of emergency that will not go away.

On August 29, 2005, as Hurricane Katrina tore through the levees that had protected New Orleans, it exposed exactly what markets cannot do: it focused attention, albeit too briefly, on the most massive failing of American government in the twenty-first century, which is its incapacity to plan effectively in advance of great dangers or in response to them. The catastrophe that hit the population of New Orleans, southern Louisiana, and the Mississippi Gulf Coast on the days that followed stemmed from the wilful neglect, decline, and disintegration of coherent public forethought, carried out deliberately by a political class that has used the metaphor and myth of markets to abandon the responsibility to plan.

About 500,000 people lived in New Orleans on August 29, 2005. It was well known, to those who had responsibility for them, that a hurricane of level three or higher on the Saffir-Simpson scale would, if it came ashore below New Orleans, destroy the system of levees that kept the city from complete destruction in a flood. It was known that sooner or later, this disaster would happen. Three years earlier,

the *New Orleans Times-Picayune* had printed a precise account of how the disaster would occur, as the counterclockwise winds of a north-bound hurricane delivered a storm surge over the levees separating the city from Lake Borgne, to the east, and from the canals that ran into Lake Pontchartrain, to the North.*

Given those facts, the public obligation was clear: either the levees should have been reinforced until they could cope with an event substantially less probable than a Force Three hurricane, or the low-lying areas of the city should have been abandoned and the levees rebuilt around the areas that could be protected. As a conceptual matter, plans actually existed; this was not a case where the underlying technologies were unknown. The Army Corps of Engineers knew what the levees required. But the will, the ability, and the compulsory authority—in one word, the public power—to carry out the plan did not exist. Moreover, owing to the demands on the army budget of the war in Iraq, funds for even basic levee maintenance had been cut. Levees subside when they are not maintained, and the city was in a deep state of vulnerability when Katrina struck its glancing but fatal blow.

New Orleans did have an evacuation “plan”—or the elements of one. That plan was quite simple: people were to get into their personal cars and drive out of town; the interstate highways would be turned into one-way escape routes. And this plan (known as contraflow) worked. But it worked only for those for whom it had been designed: the car-owning part of the population. In any large city many people do not have private cars or could not drive them if they did: the elderly, the disabled, the poor, and those who, for whatever reason, simply prefer to live without the expense and trouble. In New Orleans, as would be the case in any other substantial city in America, their numbers ran into many thousands. No provision had been made for them; they had no places to gather, no buses were dispatched to pick them up, and if there had been, there would have been no places for them to go. For the survivors, these details were worked out after the fact. The price of failing to plan properly was, in the first place, unnecessary death, and in the

second, a vast and costly improvisation after the fact. And as with the levees, the main issue was not a failure to think: it was the absence of public authority, will, and money to turn thought into execution.

In the months following the hurricane, once again the failure to have a plan—or, more precisely, to have a credible planning mechanism with compulsory authority—remains the central obstacle to recovery in New Orleans. A master plan would have told exiled and returning residents alike what to expect and when, by way of reconstruction, services, and security. In this way, it would have tried to overcome the collective-action problem inherent in all such situations: the fact that no one will rationally invest in rebuilding a destroyed neighborhood until they can be reasonably sure that their neighbors will do the same. A plan would have provided credit and commenced clearance of neighborhoods that could not be resettled or rebuilt, whether because of long-term inability to provide for their security or simply because of low population densities. None of this has happened, and even though the levees are largely repaired, the City of New Orleans is today largely a ruin.

New Orleans encapsulates the dilemma of planning writ small. Global warming raises the same issues writ large. The publication in 2007 of the Fourth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) makes clear, in a way that cannot be gainsaid, that the problem of technological planning and disaster management will soon enough become the central security issue facing every part of the planet.* And it will become so in a way that must necessarily remove a central element of economic life—control over the sources and uses of energy—from the purview of private corporations and place it under public administration. Indefinitely. That is the reality of climate change if we are going to manage climate change and not simply succumb to it. Taken in its essentials, the impending climate catastrophe is a phenomenon for which the basic evidence is clear and well within the understanding of the ordinary educated person. We know the relationship between global temperature and carbon dioxide concentrations in the atmosphere.

We know that rapid growth in carbon burning places the current concentration of carbon dioxide in the atmosphere outside all historical limits. We know that there will be severe consequences for drought, flood, agricultural productivity, and storm damage in much of the world.

Ultimately we know that if this process is not controlled, the West Antarctic ice sheet and parts of the ice sheet covering Greenland will start to collapse. We do not know when this will happen, but the possibility is there that it could be within the lifetimes of children now being born, or within the lifetimes of their children. We know that when half the ice in these two places is gone, sea levels will rise by twenty feet. We know that the consequence will be the loss, through flooding, of every beach, every low-lying island, every coastal marsh, and nearly every coastal city on the face of the globe, as well as the ports, airports, power plants, refineries, and other seaside infrastructure that has been built up over three hundred years. We know that carbon concentrations sufficient to begin an irreversible process of ice-sheet melting could be reached in this century. And we know that the process of averting this must begin quite soon if this prospect is to be avoided.

Suppose we do not act. Ultimately in the United States, New York City, Boston, South Florida, Houston, and much of the Bay Area will flood. In Great Britain, London will be lost. The Netherlands will largely disappear. So will large parts of Bangladesh and the city of Shanghai. On the hotter, drier land, about half of the existing global biodiversity will be lost. The implications for farming, manufacturing, and the trade that delivers goods from their producers to their consumers remain to be determined. There is little doubt so far that the human species will ultimately survive. But its numbers will be greatly diminished, its patterns of industrial society disrupted, if not destroyed. This will happen unless, within a few decades, greenhouse emissions are reduced by at least half, and possibly much more—to within the capacity of the biosphere to absorb them.

What can be done? What should be done? At this moment, we do not yet know in detail. In the IPCC, we can come as close as humanity has ever come to a trusted voice on a scientific matter. Yet politically we have not advanced beyond setting broad targets and timetables for the reduction of carbon emissions, and we are not meeting the targets.

For the purposes of argument, let's stipulate a concrete technical goal: to get gasoline out of automobiles and coal out of power plants within thirty years. To achieve that we will need a plan, set by an authority with public credibility as the IPCC, and a far greater amount of public power than that organization has. The power must be sufficient to bring the auto companies into the forefront of a technical transformation and to quell the inevitable rebellion of the oil companies. It must also be sufficient, on the international front, to prevent the oil and coal not burned in the United States from being burned somewhere else. In other words, it must have a national dimension, aimed at conservation and technical transformation inside the United States, and a global dimension, aimed at capping the worldwide emission of greenhouse gases. A first task—the urgent, immediate task—will be to bring the entity necessary for this purpose into existence. The requirement for economic planning on this scale—essentially a global effort to delay and ultimately avert the collapse of organized civilization on this planet—brings us squarely into conflict with certain economic freedoms and certain classes of personal choice. Large parts of the current consumption pattern of the rich countries will be changed, and those of the developing countries cannot be allowed to evolve toward the present consumption patterns of the rich.

It is true that until the day the emergency arrives, the forms of coercion required to make the essential changes on a crash basis are likely to be unacceptable, and the attempt to apply them risks provoking the political collapse of the entire project. But if the emergency is allowed to arrive, then, as with New Orleans, the emergency itself will cripple the capacity to respond. The fate of New Orleans will become the fate of the country as a whole—and even

more so that of the wider world. The path to survival of the existing human way of life requires acting now, in ways that the political system can support, to achieve goals within three or four decades that can avert a catastrophe that is, at a reasonable guess, somewhere between six decades and two centuries off. Nothing quite like it has ever been attempted.

Achieving the goal will require something far more than compulsion. It will require the agreement and the cooperation, plus the active insistence, of a mobilized population—a population that must be not only willing to change its patterns of economic life, but also willing to demand that the choices offered to it by the planning system comport, practically above all other priorities, with the larger goal of reducing greenhouse gas emissions. In other words, it must be a population that is aware of the danger, conscious of the need to act, and mobilized to act in ways that promote rather than obstruct the objective.

What are the elements of such a plan? A rough template can be drawn from the only major example of successful planning in the history of the United States: the economic mobilization for World War II. That mobilization doubled GDP within four years, reduced unemployment to zero, placed an army of 11 million men and women in the field, controlled inflation, and established both the technical and financial foundation for a generation of stable prosperity and social progress—albeit founded on ever-increasing use of fossil fuels. Unraveling fifty years of burning will require economic transformation on a similar scale, begun with an almost similar intensity of effort, but designed to be carried forward on a sustained basis for a longer time. It will be, for all of these reasons, substantially more difficult to pull off. The major elements are, however, just as they were before.

A first one is education. The job of alerting the broad public—in America and around the rest of the world—to the consequences of climate change and the means of its prevention cannot be left, in the end, to the initiative of Hollywood and Al Gore. It must become part

of the fabric of public education in the United States, just as art, music, math, civics, evolution, and racial tolerance are all part of that fabric today. It must also become a part of the fabric of higher education, deeply incorporated not only into special programs of natural science but also into undergraduate and graduate instruction in engineering, business, economics, and public policy. For the moment, courses, curricula, and teachers in these areas barely exist. They must become mainstream, and universal, in time for this generation of American children to grow up understanding their own responsibilities in this matter.

Second, there is science. The United States has a distinguished world leadership in funding scientific research in universities and government facilities, including the nuclear laboratories at Los Alamos, Livermore, and Sandia; the health research centers at the National Institutes of Health and the Centers for Disease Control; and the National Aeronautics and Space Administration. Where is the Center for Climate Change and Energy Transformation? It does not yet exist. But it could be brought into being within months if the will and the money were put into place.

Third, there is engineering. World War II posed for the United States specific problems of industrial mobilization: capital resources and labor had to be found to meet incredible targets for the production of aircraft, tanks, and ships within a very short period of time. In part, this was a matter of making technical choices on the basis of scientific judgments—for instance, in deciding, within the Manhattan Project, the efficient path toward the atomic bomb. But in substantial part it was also a matter of finding resources within the civilian economy that could be most efficiently transformed to military use. The great economist Simon Kuznets here played a vital role, showing how labor utilization could be increased—it was doubled, at least—without incurring increases in hourly labor costs, through a combination of increasing shifts and cutting out time-and-a-half payments for extra hours. Beyond this, civilian production in critical areas—rubber tires, private automobiles—had to be forcibly curtailed so as to free essential resources for the most rapid expansion of

weapons production. Something similar will ultimately be required to make the technical transformation from gasoline engines and coal-fired power plants to successor technologies based, no doubt in part, on storable electricity and solar power. A role for economists comes in managing the price and income effects of the transition. It lies in keeping inflation at bay while making sure that appropriate prices help to structure the many private choices that will remain. Gasoline and heating oil will not, after all, disappear. But how much should they cost? That is a complex question that cannot be answered properly by the market. It depends not merely on supply and demand, but also on the costs that never surface in market calculations: the increasing scarcity of petroleum required for future generations and the environmental damage associated with burning too much of it at any one time. The price of fossil fuels needs to reflect both the consequences of their use and the interests of the future in having a residual supply on hand for purposes that cannot be easily replaced.

Yet having decided the valuations best associated with environmental necessity, you cannot simply fix the price of gas at (say) ten dollars a gallon and expect the larger economy to adjust. There are inescapable questions of fairness: people who cannot make the switch from gasoline to some other transportation technology will suffer. Up to a point they deserve—and they will certainly demand—a measure of compensation for their loss. One key is to keep the loss, and any required compensation, small by ensuring that feasible technical alternatives—for transportation, heating, and other basic needs—come into existence as they are needed. That is a matter of engineering, of the investment plan. Another key is to deliver compensation in deferred form—in effect, as an illiquid bond that generates purchasing power not in the present while the available technologies remain destructive, but in the future when they will have become more sustainable. This job—controlling the time flow of purchasing power to match the pace of technical transformation—is the economists' job. Inevitably the present-day economy will have to shrink as we all get busy creating the new one that must come to be born. The success or the failure of

the enterprise will depend on timing perhaps more than anything else. People must be persuaded not only of the necessity of action but of the possibility that a better life can be created through action. And they must be assured that they themselves—personally and their heirs—will emerge from the crisis as well as one may reasonably expect.

The final task of the planner is to manage the markets that will in part help to implement the transition. Markets will have a role. Properly designed and rigorously enforced cap-and-trade systems can (for instance) encourage private holders of diversely efficient carbon sources, from power plants to feedlots to landfills, to seek the least costly means of reducing total emissions. In this way, the efficiencies achievable by the mere reduction of waste can be most effectively exploited. Simple higher prices for fuel, imposed and kept in place by a fuel tax or a carbon tax, will encourage transportation economies, and in a society like the United States, which is built on a vast waste of available energy, this alone can make a measurable impact. Corresponding subsidies for (say) home weatherization and the purchase of hybrid vehicles can magnify the effect, accelerating the transition to efficient use of known technologies. These are market mechanisms, price mechanisms, and they exploit the virtues of decentralization and choice in two important respects: they permit individuals to substitute against carbon-emitting products and processes in whatever way they see fit (thus, the way likely, under the circumstances, to do the least damage to happiness), and they permit producers to choose the least costly approach to emissions reduction. Within the limits of its capabilities, the market is useful.

But the limits are severe, and what the market cannot do is replace the planning system. Either the problem of climate change will be planned out, by a public authority acting with public power, or it will be planned away, by private corporations whose priorities lie in selling coal, oil, and gas-burning cars. If the latter happens, then within a century or two, the industrial and developed world as we have come to know it may no longer be around. Nor will many of the

people whose lives that world has showed itself, uniquely, capable of supporting. The transition will inevitably be ugly.

Climate change is not the only area of public policy requiring a planning process; it is merely the most cosmic and most pressing among a considerable number. The United States has many public investment needs—in the areas of transportation infrastructure, environmental systems, water resources management—that have been severely neglected for thirty years. Energy security remains an important concern. The complexities of fiscal federalism, in which vital needs depend on the errant and fluctuating fiscal fortunes of state and local governments, is a major obstacle to rational planning. These issues too need to be thought through—which is to say, planned out—in any process under which the broader issue of climate change is confronted.

The avatars of the Predator State have understood very well what is at stake. That is why climate change denial and free-market ideology now go together. The right wing realizes that dealing with climate change must empower the scientific and the educational estate and the government, that it must involve a mobilization of the community at large, and that it will impose standards of conduct and behavior and performance on large corporate enterprises that the leaders of such enterprises would greatly prefer to avoid. In this view, they are entirely correct. For those who take the challenge of climate change seriously, it does no good to pretend that these issues can somehow be avoided.