

Reasserting Institutional Insights on the Good Society:
30 years after Petr's call for a Mixed Economy

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Abstract: In this paper, I revisit the issues raised by Jerry Petr (1987) in "The Nature and Necessity of the Mixed Economy." The institutionalist mixed economy is still a sound model for the good society. However, Western industrialized countries have been losing ground on the goals of the mixed economy. The struggle to defend pragmatism over ideological attachment to neoliberalism, has evolved into a distributional struggle that cannot be resolved without institutional change.

Reasserting Institutionalist Insights on the Good Society: 30 years after Petr's call for a Mixed Economy

In 1987, Jerry Petr labeled his pragmatic approach to economic policy making a mixed economy. "The mixed economy, then, is an evolving attempt at shaping a pragmatic, sensible, instrumental combination of institutions and policies drawn from, diverse points in the intellectual universe, not dedicated to adherence to any one version of revealed truth, and directed toward the creation and maintenance of an adequate, sustainable, equitable, democratic system of provision." (1456). Since Petr's analysis was published, the Soviet Union collapsed, destroying one of the symbols of the two ideological extremes that Petr was arguing against. This led to a new world order in which only one ideological position, neoliberalism, prevailed. Petr's goals and his pragmatic approach never gained traction as neoliberal orthodoxy evolved into a chaos in which uncompromising conflict between vested interests cannot be resolved. His model of the good society remains sound, but the social context in which to defend it has changed.

Failure to Achieve Petr's Goals

In the years since Petr (1987) described the benefits of a mixed economy, the United States and Europe have by most measures failed to achieve the goals of the good society: adequacy, sustainability, Equity, and Democracy. In a mixed economy these goals should be achieved through a combination of private and public institutions. Institutions that develop out of specific cultural circumstances and based on empirical truths rather than ideological commitment.

The economic system of the United States is not adequate. Adequacy requires that "the economy must succeed in the fundamental task of provisioning the community with an appropriate level of

consumables, goods and services, public and private, proportionate to the level of productive effort expended” (Petr 1987, 1450). In the United States over 40 million people were below the official poverty level in 2016 (Semega, Fontenot and Kollar 2017, 12). However, the official poverty threshold does not cover a “living wage” (Glasmeier 2017). For example, the concept of poverty fails to take into consideration the need to provide care for children when mothers must work in paid employment. According to the Economic Policy Institute, costs to care for an infant range from \$4,822 to \$22,631 depending on where you live (Economic Policy Institute 2016). According to the National Low Income Housing Coalition (2017) there is no place in the country where a person earning minimum wage for 40 hours a week can afford a one-bedroom apartment. There is a gap between the ability to afford necessities and the eligibility and adequacy of government help. The living wage concept also recognizes the need to pay for health insurance. According to the Kaiser Family Foundation (2017b) the number of uninsured nonelderly adults decreased from 44 million to 28 million after the implementation of the Affordable Care Act(ACA). Of these 1 in 5 forgoes needed medical care. Although inadequate, the progress of the ACA is uncertain. Subsidies for insurers, the mandate to obtain coverage, and even funding for the Children’s Health Insurance Program¹ are under attack by the current Republican leadership. Social Security and Medicare are also potential future targets increasing the risk that the elderly will not receive adequate provisioning.

The economic systems of European countries are less able to guarantee provisioning after the financial crisis. Even before, many welfare state protections had been in decline. Provisions to

¹ Although the Children’s Health Insurance Program receives bipartisan support, funding ran out in September and, unless Congress acts, families will not have insurance starting January of 2018 (Kaiser Family Foundation 2017a).

support women's work-life balance have been the exception (Daly 2011). However, the austerity response to the financial crisis has affected women disproportionately because lone mothers and female pensioners rely more heavily on state provisioning. Cuts in public sector jobs and cuts in public services have undermined market provisioning for women who are unable work for pay because it becomes harder to combine work and family responsibilities (Bargawi, Cozzi and Himmelweit 2017). Markets in countries hardest hit have not provided adequate employment opportunities. For example, according to Eurostat (2017) the under 25 unemployment rate is as high as 47 percent in Greece, down from almost 60 percent in 2013. In Italy, the unemployment rate for young workers was at its lowest just before the crisis, but the low was still over 20 percent, making it hard to build a solid economic foundation.

None of the economic systems in the world can truly be considered sustainable. Environmental protection is threatened by globalization and the frenzy towards deregulation, but overly simplistic solutions to environmental protection threaten sustainable communities. According to the Global Footprint network (2017) earth's inhabitants consume 1.6 times the capacity of the planet. While some countries consume less than their biocapacity, resources are being shifted elsewhere. On average, citizens of the United States consume more than most other countries. Global climate change, decreasing biodiversity, and contaminated water crosses borders requiring international cooperation that is no longer part of the United States foreign policy agenda. Ideological commitment to the market undermines efforts to address ecological challenges. In the United States, the tendency for Trump and his supporters to frame economic rights as a zero sum game (Schnurer 2017) further undermines building institutions that protect the environment. For example, efforts to replace coal means putting coal miners out of work. However, the liberal

framing of the problem makes externalities, such as the environment, part of government responsibility, but treats employment as the responsibility of the invisible hand, leaving communities devastated by structural change out in the cold. As Daniel Underwood, Donald Hackney, and Dan Friesner (2015) point out, it is important to consider alternative employment opportunities in developing policies for the environment because sustainability also requires maintaining communities.

The United States has been on a trajectory towards greater inequality since before Petr's article. According to World Bank data, the Gini index rose from 34.6 to 38.2 during the Reagan-Bush years and then continued to 41 where it is today. Particularly troubling is the inter-generational persistence of economic inequality that results from extreme inequality (Mitnik et al. 2015). Meanwhile, Western European economies have been much more successful. Sweden and Denmark have increased inequality, but remain below other European countries. Even European liberal market economies, such as the UK and Ireland have lower and declining Gini indices compared to the United States. Paul Krugman (2009) discovered that this gap is not due to a particular set of market inevitabilities. The shift in American institutions that led to unequal outcomes is the result of a distributional politics that reinforced its own momentum. The rich changed the rules of the game. Krugman correctly predicted the political tension within the Republican coalition between those who perceive a racial conflict over distribution, anti-black workers who are also anti-immigrant, and pro-immigrant and pro-trade business interests. It continues to surprise liberals that this coalition holds, but the rich have much to gain from the current political climate.

While gender and racial equity has improved, progress is slow and political forces against progress are increasing in strength especially in the United States. According to the Institute for Women's Policy Research, (Hegewisch and Williams-Baron 2017) the gender wage gap has fallen to 19.5 percent in the United States, but for black women earnings are 37.5 percent below white men.

White women are projected to reach parity with white men in 2056, but black women will have to wait until 2124 and Hispanic women 2248 (Institute for Women's Policy Research 2016).

However, a backlash may be coming. According to the Guardian newspaper (Topping 2017) women in their 20s in London are experiencing a widening pay gap. Occupational Segregation continues to be a source of inequality for women (Hegewisch et al. 2010) and institutional factors effect the persistence of racial inequality (Hamilton and William A. Darity 2017). Recent normalization of patriarchal white supremacy in United States politics is a step backwards.

Progress towards systemic workplace democracy has been stalled. Petr (1987) cites Germany's codetermination, which requires worker representation on the governing boards of firms, as an example of an expansion of democracy into workplaces. However, multinational firms in Germany have been able to find ways to avoid these requirements (Royle 1998) and in the thirty years since Petr wrote there has been no effort to expand these requirements to other economies despite evidence (Blinder 1990) of the positive effects of worker participation in decision making on efficiency. In the United States, the decreasing bargaining power of employees has created an environment in which employers feel justified in dictating their employees smoking habits, even at home; birth control choices; and political beliefs. For example, one of my students reported her work environment at an oil company as one in which it is unacceptable to express opposition to the Keystone pipeline, belief in global climate change, or even support for a local University that

has a strong program on alternative energy. Worker cooperatives might represent a trend in the opposite direction, but they represent a small share of cooperatives, with few workers and low worker compensation (Artz and Kim 2011).

Electoral democracy is regressing. Both the United States and Europe face the rising popularity of far-right groups. In the United States, gerrymandering and policies aimed at blocking the black vote have spread through state government (Anderson 2016). In the United States, many of the unwritten norms of our democracy have eroded and there is an increasing influence of vested interests funding attack ads against judges and politicians (Brennan Center for Justice 2016).

Russian innovations in how to manipulate the public and undermine faith in democracy and truth have been tried in both Europe and the United States. By promoting fake news or fake social movements on social media decisions are made based on false information or seeds are sown for a broad culture of skepticism rather than trust. Europeans have been more successful and thoughtful about how to combat these tactics, but Europeans also face challenges to the political legitimacy of the European institutions fueled by neoliberal ideology (Duroy 2014).

Pragmatism and the Good Society in Petr's Arguments for a Mixed Economy

At the core of Petr's "mixed economy" is the idea that policy makers should adopt practical evidence-based solutions to economic problems as opposed to policies consistent with one or the other of the extremes embodied by the idealized systems facing off during the cold war. Petr's achievable model for the good society exists within a context of broad consensus of economic goals. Traditionally, an economic systems framework involves evaluating an economic system based on a series of criteria, all of which are desirable, but which may involve trade-offs. For example, Okun (1975) argued that there is a trade-off between equality and efficiency, although Okun

thought that sacrificing some efficiency for equality was desirable. The shifting environment over the last 30 years first involved the primacy of neoliberal ideology that has undermined pragmatism. However, neoliberal ideology emphasized self-interest which, especially in the United States, has manifest in a broad rejection of consensus or even compromise. The very idea of the common good or the good society has become suspect. Thus, institutionalists face setbacks in the struggle for pragmatism over ideology, but it is more troubling that comparative economic systems institutionalists have also lost broad support for the basic premise that there is such a thing as a good society. Instead, everything is framed as a distributional conflict. The rich have embraced the Marxist idea of class struggle, if not his prediction of their inevitable defeat. Thus, equity ceases to be a goal that can improve overall well-being, but instead is someone trying to take something from you. Ideology becomes a tool to win distributional conflict. Neoliberalism works with some and patriarchal white supremacy works with others.

Institutional methodology leads the rational observer to a “Mixed” economy. It explicitly recognizes that institutional structures from different ideological perspectives can be useful for achieving economic goals, rejecting pre-conceived biases against policies linked to capitalism or socialism. In keeping with the basic principles of institutionalist policy making (Bush and Tool 2003), Petr argues that the exact policies of the mixed economy need to be based on empirical observation of what policies work and policies need to be tailored to specific circumstances.

Pragmatism always wins over ideology in a competition to achieve the same goals, because pragmatism asks which policy best achieves a goal. However, as Petr recognizes, reasonable people might disagree about the “precise content or the unfailing attainment of any of these objectives” (1450).

Nevertheless, the Western societies and global power brokers, such as the IMF and World Bank, chose ideology. The end of the cold war could have undermined the United States nationalist imperative to support anti-communist reflexive thought patterns, but instead it was treated as a victory for a neoliberal ideological position. Culture did not matter. The same policies of reduced government involvement in the economy in all circumstances were thought to work everywhere at every level of economic development in every time. Growth became the only criteria for economic success. Structural adjustment policies were imposed on developing countries to serve the neoliberal agenda.

Unfortunately, neoliberalism was not broadly successful (Chang 2002; Galbraith 2008; Gualerzi 2005), but it did not matter. In the era of Trump, it has become painfully obvious that ideology is not what shapes policy. Policy is justified by finding the right ideology. Ideology would be an improvement over the current environment, in which anything stated enough times is true or, perhaps, truth simply does not matter anymore. What determines policy is the self-interest of those who control policy. This shift from defense of neoliberal ideology to the power of vested interests is not as new as it might seem. James Galbraith (2008) identified this problem during the George W. Bush years. Public discourse is less about what kind of policies lead to the good society and more about which group should benefit from economic policies or rather which group should be excluded from consideration in economic policy making? While many European leaders continue to champion notions of a collective good, nationalist electoral victories, such as Brexit, the movement for Catalan independence, or the seats won by Alternative for Germany (AfD), suggest a fragmentation of economic interests that lead to distributional conflict between and within European states.

Neoliberal ideology serves the vested interests of the rich and, so, it is supported despite its failure as a viable predictor of economic outcomes. The Trump administration and congressional Republicans simply assert that growth from cutting taxes on corporations and wealthy incomes will compensate for decreased revenue without evidence. Arguing otherwise is labeled a liberal conspiracy, fake news, or the elitism of the educated class.

Neoliberal ideology does not serve the interests of poor white folks, but Steve Bannon has been able to build political support for political leaders who enact policies that support the financial interests of the rich by stoking racist sentiments. Bannon discovered the resentment of young white men and has been able to capitalize on it (Boburg and Rauhala 2017). By framing policy as a distributional conflict between black and white or immigrant and native-born playing on insecurities of white masculinity, Bannon has been able to mask the real beneficiaries of the Republican agenda.

For most of the rich, losses to farmers or to the tax base for social security and Medicare from curtailing immigration, especially refugee resettlement, are small compared to the gains from reduced regulation of their business activities and reduced taxes. The tech industry, with a large immigrant labor force, may be an exception. For the financial sector, the stock market growth speaks for itself. Fossil fuels benefit from greater access to public lands and less environmental oversight, while lower prices in energy support industry in general. Industries across the board benefit from weakened labor regulations, which may even compensate for the loss of immigrant labor. Internet service providers benefit from an end to net neutrality.

Conclusion

Petr's mixed economy is still the model for a good society, but there are some additional steps necessary to achieve it. In 1987, the most important task was to replace the goal of manifesting the neoliberal ideal with a pragmatic and evolutionary approach to building an economy that is adequately provisioned, sustainable, equitable, and democratic. The current rejection of a unified vision for the economy, in which citizens broadly share the goals Petr has laid out, cannot be reduced to ideological disagreements, but instead represents a distributional conflict that has intensified.

Today, the first step must be to re-establish a unified vision of a society that can be broadly perceived as good. This involves busting myths, such as the idea of the free market, but it also involves a better understanding of a shifting landscape in which myths rapidly evolve to co-opt criticisms. This shifting landscape can only be understood as the defense of the vested interests of powerful elites. The neoliberal market method of distribution does not offer a viable solution to distributional conflict. What is needed is to nurture institutions that can broker compromise between interests and can identify and challenge rent seeking behaviors aimed at disenfranchisement.

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