When Economists Took Socialism Seriously

If there's one thing worth taking away from the White House report on socialism, it's that economics is a political argument, not just a technical exercise.

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The Council of Economic Advisers in 1949. Leon Keyserling (third from left), its second director, was subject to several congressional loyalty investigations (Truman Library)

When was the last time anyone talked about the Council of Economic Advisers? We are certainly far from the days when Walter W. Heller, chairman of the CEA under Presidents Kennedy and Johnson, appeared on the cover of Time magazine twice in two years. On Tuesday, the CEA made its first newsworthy move of the Trump presidency, releasing a seventy-two-page "report" warning that "socialism is making a comeback in American political discourse." The reaction has been universal mockery, which the report and its authors richly deserve. Most of the pages are given over to a potted discussion of the failures of state socialist agriculture and the decline of Venezuelan oil production under Chavismo. There is a confusing discussion of the Scandinavian countries, which are presented variously as being nonsocialist, suffering lower standards of living because of socialism, and benefiting from the inborn tendency of Nordic stock to high incomes. These lessons in comparative history are tenuously connected to U.S. politics through constructions like, “The socialist narrative names the oppressors of the vulnerable, such as the bourgeoisie (Marx), kulaks (Lenin), landlords (Mao), and giant corporations (Sanders and Warren).”

The report has drawn comparisons to “a middle school book report assigned by the Heritage Foundation” and “a Red Bull–addled college freshman’s attempt to parse their introductory economics course through a first-response paper.” The resemblances are certainly there, right down to an appeal to “the Oxford English Dictionary, which defines socialism as…” and the caveat that certain socialists are “different in these important ways.” But reading the document and following the citations, you find a range of references that goes beyond casual Google searches and chain-email folk memory, to include serious socialist thinkers like John Roemer and Alec Nove. There are also references to the work of two CEA staffers, Tyler Goodspeed and Casey Mulligan, perhaps a clue to the authorship of the collectively attributed document.

One thing in particular jumped out at me: the authors of the report are still worked up about fights that happened in the economics profession decades ago. This, as much as the popularity of Elizabeth Warren and Bernie Sanders, accounts for the report’s animus (and for the otherwise inexplicable focus on revolutionary land reform.) The authors lament that, in 1976, “Paul Samuelson, the first American to win the Nobel Prize in economics, expressed surprise that the Soviet collective farms were not more productive than private land allotments.” Worse, Samuelson and William Nordhaus could still write in 1989 that the “Soviet economy is proof that, contrary to what many skeptics had earlier believed, a socialist command economy can function and even thrive.” John Gurley, a radical economist who was apparently at one time “one of the 11 managing editors of the American Economic Review," is taken to task for a positive evaluation he made of the Chinese economy in 1969. Going back even further, the radical British economists Joan Robinson and Sol Adler are rebuked for their 1958 claim that in China "the agricultural producers' cooperatives have finally put an end to the minute fragmentation of the land."

In other words, the report's authors remember, in a way that perhaps few outside the profession do, that mainstream economists throughout the twentieth century treated socialism and communism extremely seriously, and occasionally even sympathetically. (Tyler Cowen, in one of the few defenses of the CEA report, picked up on this theme: "Nor is an endorsement of actual socialism so far removed from the history of the economics profession.") If there's something worth taking away from the report, then, it's the recognition that economics is a political argument, not just a technical exercise. This is a point that some of the report's liberal critics seemed reluctant to accept. Former Obama adviser (and Casey Mulligan's University of Chicago colleague) Austan Goolsbee told the New York Times: "It feels like the C.E.A. has a lot of free time on its hands. Normally, the C.E.A.'s time is spent as a think tank for the president, adding up numbers. There's not time to be contemplating Karl Marx."

Around the time of its establishment in 1946, the Council of Economic Advisers itself was one of the country's major economic controversies. For many, the very idea of an economist, especially a government economist, was tied up with the New Deal, and the idea of the New Deal was hard to separate from Communist subversion. Marshall Planner Calvin B. Hoover remembered a meeting with the head of the House Appropriations Committee, Representative John Taber, in the late 1940s: "In the course of our friendly discussion, in which it became apparent that Mr. Taber was using the terms 'economist' and 'communist' as substantially synonymous, I remarked to Mr. Taber that I also was an economist. 'Well,' said Mr. Taber drily, 'doubtless there are some economists who are not communists.'" Taber might well have been thinking of someone like Solomon Adler, a New Deal economist accused of Soviet espionage who, after losing his U.S. passport, defected to the People's Republic of China and produced some of the thoughts on agrarian reform that the Trump CEA cites in its report. In its early years, the CEA became politically explosive under the leadership Leon Keyserling, an energetic liberal who had helped draft the Wagner Act and been the subject of several congressional loyalty investigations. According to Businessweek in 1951, it was Keyserling's "recurring fever to manage the economy that weakens the influence of the Council with Congress and the country." When Eisenhower won in 1952, the Republicans very nearly got rid of the CEA, allowing its funding to lapse before ultimately deciding to keep it around. Even then, when Eisenhower's chief of staff met newly appointed CEA chair Arthur Burns, he "had a sinking sensation. If someone had asked me to describe the mental image I had of the type of New Deal official we were in the process of moving out of Washington, this was it—a glassy stare through thick lenses, peering out from under a canopy of unruly hair parted in the middle, a large pipe with a curved stem." Conservatives learned to live with Burns, who was, after all, a conservative ("Republicans Need Economists, Too," read the Fortune headline). But the image of the CEA as a decidedly political body and (at least potentially) the germ of an American planning board persisted into the 1960s, when Walter Heller and his successor Gardner Ackley graced the covers of newsweeklies against backgrounds of line graphs and headlines like "Kennedy's Economic Planners."

There are many reasons the council no longer provokes the excitement it once did. Academic expertise, always suspect, is now more widely distrusted than ever. Trump's marginalization of the credentialed is the consummation of a deep-seated trend: Ronald Reagan sat through the resignation of two successive CEA chairs, Murray Weidenbaum and Martin Feldstein, who left when they discovered the president preferred the magical thinking of amateur supply-siders to the hard math of fiscal discipline. George W. Bush took advice from textbook authors Glenn Hubbard and Greg Mankiw; Barack Obama drafted Christina Romer, a former vice-president of the American Economic Association, to oversee the bailout. But the arc of U.S. politics clearly bent toward Reagan's sunny ignorance rather than the foxhole Keynesianism of the Bush-Obama years.

But the most important factor in the eclipse of the CEA is the rise, since the late 1970s, of the Federal Reserve as the locus of discretionary macroeconomic steering. The rule of central bankers depoliticizes political economy, allowing those who govern to avoid responsibility for their role in determining output and distribution. As J.W. Mason has put it, "the conscious planning that confines market outcomes within tolerable bounds has to be hidden from view because if the role of planning was acknowledged, it would undermine the idea of markets as natural and spontaneous and demonstrate the possibility of conscious planning toward other ends." This debate about planning and its ends once played out more freely in editorial pages and college courses. (Various editions of Paul Samuelson's paradigmatic introductory textbook, later co-authored with recent Nobel winner William Nordhaus, used to feature extended discussions of the history of economic thought, the socialist calculation debate, and alternative economic systems; today, you can read plenty of economic texts that don't even use the word "capitalism.") With central banking no longer working like it used to, and global warming forcing the question of planning with an urgency heretofore only seen in wartime, those debates are likely to begin again. And that is perhaps the only good thing augured by the Trump CEA report.

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