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March 1988

Book Review: *MANAGING MACROECONOMIC POLICY: THE JOHNSON PRESIDENCY* by James E. Anderson and Jared E. Hazelton

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May, Ann Mari, "Book Review: *MANAGING MACROECONOMIC POLICY: THE JOHNSON PRESIDENCY* by James E. Anderson and Jared E. Hazelton" (1988). *College of Business Faculty Publications*. 21.
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Published in ***Journal of Economic Issues*** 22:1 (March 1988), pp. 291–293.

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178), *t*ypothesis (p. 296)—but a few are sure to confuse students. For example, when referring to the Marxian profit rate, the expression is written as "s/c + v" (p. 163) not "s/(c + v)" as it should be. Some nonstandard notation is used as well. When a mathematical expression is first written, a period was *occasionally* placed between symbols to represent multiplication; that is, "a.b" stood for "a" times "b." This is particularly troublesome when, as on page 75, the period happens to fall at the end of a line. Mathematicians would prefer either a dot—"a•b"—or nothing at all, simple "ab." This is not to say the mathematics is cumbersome or excessive; it is not. Kalecki used mathematics much more than Keynes or Marx, and a review of his work cannot ignore mathematics altogether, but this reader would have preferred fewer mathematical stumbling blocks.

The Economics of Michal Kalecki is a good introduction to the work of the economist some called the greatest economist in the world. It should be essential reading in post Keynesian and neoinstitutionalist macroeconomics. Kalecki's work on oligopoly pricing, the source of capitalist instability, and planning criteria will help as we devise new policies in the future. Unfortunately, the people who could benefit the most from studying Kalecki—new classicals, monetarists, and neoclassicals of all persuasions—are likely to ignore this book. They may want to pick it up after the next recession. The big one.

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Reference

Minsky, Hyman. 1986. *Stabilizing an Unstable Economy.* New Haven: Yale University Press.

MANAGING MACROECONOMIC POLICY: THE JOHNSON PRESIDENCY. *By James E. Anderson and Jared E. Hazelton,* University of Texas Press, 1986. Pp. 285.

The emergence of active countercyclical stabilization policies in the 1960s presented politicians with the problem of formulating economically desirable policies that were politically feasible as well. Economists have traditionally concerned themselves with the technical aspects of stabilization policy, leaving the analysis of actual policy formation to

political scientists. James Anderson and Jared Hazelton, in *Managing Macroeconomic Policy: The Johnson Presidency,* present us with an analysis of macroeconomic policy in the Johnson presidency that bridges this gap by attempting to determine how the "intermixture of economic and political considerations shaped and limited the actions of those involved in the development and administration of macroeconomic policy" (p. 42).

In so doing, Anderson and Hazelton provide us with an interesting account of the evolution of major policy decisions in the areas of fiscal and monetry policy, incomes policy, and foreign economic policy. They remind us that policy recommendations are the result of a collective, developmental process and reflect not only the ideological preferences of the president, but also the political realities constraining economic policy. They alert us to the difficulties of coordinating monetary and fiscal policies in an institutional environment where the Federal Reserve has at least a certain degree of independence. They go beyond the analysis of traditional stabilization policy to demonstrate how the Johnson administration utilized other "non-traditional tools" to attain desired economic targets. Furthermore, they demonstrate how policy actions may be important, not so much for their immediate economic impact, but as symbolic acts that serve to direct our attention to various economic problems. In short, their analysis contributes much to our understanding of the actual macroeconomic policymaking process.

In their analysis of macroeconomic policy, Anderson and Hazelton analyze presidential decision-making by focusing on what has been called the economic subpresidency—the groups and individuals who interact directly with the president to help shape and determine economic policy. Recognizing that the policy recommendations of the president reflect a collective process, the authors carefully analyze the influence of various individuals in the Council of Economic Advisors (CEA), Bureau of the Budget (BOB), the Treasury, the Federal Reserve, the cabinet, the administration, and outside the governmental structure. While focusing the analysis on the subpresidency, rather than on LBJ himself, no doubt leads to a less colorful narrative, it provides us with the useful insights into the policy formation process.

The evolution of the 1968 surtax demonstrates how economic policy often reflects what is politically feasible rather than what is economically desirable. According to the authors, the need for a general tax increase was recognized by Johnson's advisors as early as December 1965. Johnson, apparently believing that Congress would not pass such a tax increase without asking for major cuts in the Great Society pro-

grams, chose instead to ask for a "bits-and-pieces" revenue act and minor reductions in governmental spending to cool inflationary pressures.

The formation of fiscal policy proposals is complicated by the uncertainty surrounding Federal Reserve policy and the tension that periodically exists between the Federal Reserve and the administration. Anderson and Hazelton describe how the CEA's actions were constrained by the Federal Reserve in early 1965 when it was feared that the Federal Reserve would move prematurely to tighten monetary policy. They go on to demonstrate how this uncertainty and disagreement led to more formalized communication between the CEA and the Federal Reserve.

We often forget how innovative policy-makers can be in attempting to achieve their economic goals and targets. Anderson and Hazelton demonstrate how the Johnson administration used various nontraditional policies to keep inflation figures down. For example, the Department of Defense was encouraged not to buy steel from companies that had raised their prices in an effort to gain compliance with price guideposts, and even went so far as to switch from purchasing large eggs to purchasing medium eggs to reduce the inflationary impact on the Wholesale Price Index, since only large eggs are counted in the WPI (p. 162).

Finally, the authors are to be commended for acknowledging the symbolic uses of economic policies. They point out that while the wage-price guideposts may have been rendered less effective by virtue of their lack of enforceability, they none the less were significant in "creating a degree of sensistivity on the part of the business community . . . who had the desire to be viewed as responsible" (p. 176).

If this book is disappointing, it is merely because the authors have failed to provide us with a solid, exegetical framework in which to view these insights into the policy-making process. The themes of decision-making under uncertainty, institutional adaptation in a changing economic environment, and the importance of issues such as the perception of justice and equity in program administration are present, but are obscured by the detailed historical accounts of the evolution of policy. On the whole, however, this book is certainly a contribution to our understanding of the policy-making process and constitutes worthwhile reading for those interested in macroeconomic policy.

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