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April 20, 1956

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Class Material "Problems of Economics"

The enclosed material was prepared by John Hunter during the past several months for use at the National Institute of Administration. We thought you might like to have a copy of this material.

## Economic Councils in the Legislative Process

### Introduction

Since the deliberate creation of political institutions rests on certain assumptions and postulates concerning the way the political process works, it is necessary first of all to make clear what such postulates are. Thus can one avoid to some extent the undesirable unanticipated consequences which may flow from the newly created arrangements, and can increase the possibility that the consequences, both anticipated and unanticipated, will be in general as desired.

#### A. The legislature and public policy in a democratic system.

In a democracy, the legislature is the major instrument for developing public policy. This does not mean that it will formulate all social, economic and political policy, but it will be the primary center of such activity. For this reason it becomes important to consider carefully the various methods of operation in legislative bodies—the processes, structure, and bases of representation that have been used.

At the outset it is necessary to grasp the complexities of public policy in order to understand the difficult task the legislature faces in a democracy. The best public policy is that which represents a harmonization or an integration of the many diverse interests in the political community. Public policy, wisely, constructed, is not simply the sum of all the interests, or of the preponderant interests. Instead, it represents a common ground among them and often it represents a compromise. In most politically active communities where the climate for democracy exists, as is the case in Vietnam, the number and intensity of these various segments of the community may be great. Therefore, in a country such as Vietnam the legislature has the very difficult task of developing public policy in line with the interest of the whole nation by seeking a common ground among the strongly competing group interests.

One legislative device which has been tried in order to accomplish this goal is the "economic council" and since it is this device which we are considering in this paper let us see how it has worked in other countries.

#### B. Western European Experience With "Economic Councils".

In the instances where economic councils have been tried, they have proved to be of very limited value in accomplishing the aims of a democratic legislature.

1. Germany. Germany experimented with an economic council during the Weimar period. Article 165 of the Weimar Constitution provided for a Reichswirtschaftsrat composed of representatives of workers, salaried

employees, employers, and "other classes of the population". All bills of fundamental importance dealing with matters of social and economic legislation were required to be submitted in advance to the Economic Council for its opinion. The Council could also propose legislation, and the Government was required to submit it to the Reichstag even if the Government did not approve it. A member of the Council could be present in the Reichstag to advocate measures approved by the Council. In addition, powers of control and administration could be conferred on the Council.

In spite of these provisions, however, the Government and the Reichstag were jealous of their political powers and prerogatives, and seldom consulted the Reichswirtschaftsrat. The latter tended to disintegrate into a number of special committees of inquiry, and did not produce proposals on economic questions that represented a blending and integration of policy. The committee reports reflected the more specialized and limited interests of particular groups or social categories. Hitler abolished the Council when he came to power.

2. France. The French experience with an economic council has been greater than the German, and the results have perhaps been more positive. Even here, however, the results have been far from spectacular, and one can legitimately question whether the skills and knowledge absorbed by the work of this council could not be more economically employed through some other arrangement.

The first Conseil économique was set up by decree in 1925, and was enlarged in 1936. As was the case in Germany, the council's committees made a number of studies and reports, but had no important impact on legislation. However, after World War II a Conseil National Economique was provided for in the Constitution of the IV<sup>e</sup> République. This council examines in an advisory capacity projects and proposals concerning economic, financial, and social questions, but it cannot consider the budget. Its consultation is obligatory for legislation on the national economic plan and in the drafting of rules of public administration for the application of laws on which the council has been consulted. It is given a fixed time (usually 20 or 30 days) to render its opinion.

The council consists of 164 representatives of major social categories (labor, capital); major economic functions (agriculture, industry, distribution, consumption) and of various economic technologies. Laws determine which categories are to be represented, and a decree names the groups which will designate representatives. As had also been the case in Germany, there were many disputes on the question of determining representation.

Committees of the National Assembly are required to hear rapporteurs from the National Economic Council on bills which the latter has considered, and if the council's recommendation was not unanimous the Assembly is required to hear the minority views as well.

There is not adequate material available here to make a balanced appraisal of the work of the present economic council in France, but it is fair to say that the council has had little significant impact on French economic and social legislation.

3. Ireland. Ireland likewise tried out the economic council idea in the constitution of 1922. The results were negligible, however, and this idea was abandoned in the constitution of 1937.
4. Italy. A system of economic representation was set up during the Fascist regime, not so much to improve legislation as to facilitate national control of industry. In 1927 Mussolini set up 13 syndicates or unions: six for employers, six for manual workers, and one for intellectual workers. No other syndicates were authorized, and although citizens were technically not forced to join one, all had to contribute one day's pay a year toward their support. All were controlled by a Ministry of Corporations. After 1928, all members of the Chamber of Deputies came from these syndicates. Then in 1934 these syndicates were combined and redivided into 22 corporations, each composed of an equal number of employers and employees in a nation-wide economic activity. Finally, in 1939, the Chamber of Deputies was abolished and replaced by a Chamber of Fascios and Corporations. Over two-thirds of its members were direct delegates of the Corporations and the rest were officials of the Fascist party. All were chosen in a manner to insure that they would not oppose the Duce. This was perhaps not strictly necessary, as it was only an advisory body, none of its acts went to the King for signature without the Duce's approval.
5. A final example of this type of organ can also be drawn from the ranks of the dictatorships. Portugal under Salazar has an advisory "Corporative Chamber" in addition to its National Assembly. It includes representatives of local authorities and of industrial, commercial, and other corporations, including organizations of employers and employees. All bills must be submitted to this chamber for opinion before a final vote can be taken in the National Assembly. However, as in Fascist Italy, the dictator is in firm control. All parliamentary candidates are those sponsored by Salazar's party. These are long recesses between meetings, during which time Salazar rules by decree. Thus in Portugal as in the previous examples the economically-based council has been for the most part without significance.

### C. Evaluation of the Economic Council Idea.

The arguments in favor of an economic council stress its usefulness as a means of inserting expertise into the economic policy of the nation and as a means of integrating the economic interest groups of the country, i.e.; labor, industry, commerce, professional groups, etc. Experience in other countries shows that it has been of very limited usefulness as best. Instead the economic council has served as a means of central control and, in some cases, suppression. Its failure to achieve the liberal goals of some of its optimistic supporters has brought forth explanations of the shortcomings of the "economic council" idea.

One explanation is that the economic council instead of bringing about integration, tends by its very nature to fractionalize the body politic and to emphasize differences. It is because of this fractionalization that, instead of creating a national spirit, it causes the various economic groups to think of their individual interests and to lessen the chances for satisfactory compromise.

The economic council by its very nature develops an unnecessary and undesirable element of rigidity and conservatism in the nation. Because of the problems of reapportionment in such a council, the basic of representation can never keep up with the changes in society. As new groups form they cannot gain entry into the council in adequate proportions. Old well established groups, though they are diminishing in size, maintain an increasingly disproportionate amount of influence in the council. This can easily turn it into a very conservative body which will be out of touch with the real economic pulse of the nation.

Another explanation lies in the very nature of public policy. Governmental policy rarely can be defined as purely economic; and yet with an economic council such artificial division is created. A policy of government even though it may deal with economic matters always has broad social or political implications. Thus the legislature, in the end, must balance economic implications against other non-economic implications and come up with a policy which integrates and adjusts all of the ends of the nation.

The expertise of the economic council is not adequately used by the legislature for the above reason and also because the individual legislator is forced by public pressure (the pressure of his constituents) to exercise broader judgement than the member of the council. He must, in other words, in every vote he casts integrate the many desires of his public. He must be able to support his view in front of the members of his constituency.

This does not mean a legislature need operate apart from economic wisdom in making decisions on economic measures, but only that the legislatures of the world have succeeded in developing other means of inserting this <sup>wisdom</sup> and of integrating the views of differing economic interests.

D. A Successful Alternative.

A method for providing expert knowledge to members of the legislature is the committee system commonly in use in legislative bodies throughout the western world. These committees develop their own corps of experts through their own experience and through the employment of committee staffs. They are assisted by means of hearings and investigations which bring before the committee on foreign trade, for example, experts on foreign trade and representatives of groups interested in trade. While this method is far from perfect it has worked successfully and is a satisfactory alternative to a special economic council.

Of course there are other successful ways of insuring a flow of expert knowledge to the legislature. These can be used along with the committee system and committee staffs. For example, a legislative reference service might be used. The reference service is a staff of competent research personnel who are readily available to develop the background data or specific information upon the request of an individual legislator or a particular committee.

An additional possibility lies in the executive branch of government itself, which normally has at its disposal many experts in special fields. By written reports to the Assembly, by testifying before committees, and by being generally available to the legislature for information purposes, the members of the administrative branches of government help fill the need for expert knowledge by the legislature.

A special economic council is frequently useful as an advisory group to the chief executive. Such a small, appointed body serving as a group of economic expert advisors to the President may be very valuable. It could keep alert to the economic needs, pressures, weaknesses and strengths of the nation and advise on appropriate measures to meet the problems as they develop. Of course, this body would have no operational role, but would merely serve as a small but highly expert advisory body.

As for the need to integrate the economic segments of the population which is one of the goals of those who support the economic council idea, a successful alternative to the council has been the legislature itself. A legislature based on single member constituencies can be very responsive to the desires of the people without running the risk of becoming a means of suppression. Each of the legislators is constantly faced with the need for harmonizing the interests—economic, social, and political—of his district.

And within the legislature itself, processes can be developed which maximize the possibilities of compromise, integration of viewpoints, and harmony. If the legislature is given definite responsibilities for forming public policy, if it is based on a carefully thought through

democratic election system, and if it has the necessary expert testimony readily available to it, a separate economic council would not only not be necessary, but would probably result in some confusion, rigidity, and a considerable amount of wasted effort. The experience of other countries as well as the nature of the economic council proves this to be the case.