

## Mitchell's Musings 8/8/11: Missing the Big Picture?

Two developments last week – one local; the other national - got me musing on the capacity to miss the Big Picture in various settings. First, below in italics is an extract from an article that appeared in the Los Angeles Times on August 2.<sup>1</sup> The article deals with the California food stamp program which allows recipients to use the stamps in restaurants if they have “don't have the means or ability to prepare their own meals.” Those running the program want to educate such recipients not to consume unhealthy junk food. News articles nowadays often provide human-interest examples and this one is no exception. Here is the article's introductory text:

*Anna Harrald likes to eat at Taco Bell because the hard-shell tacos are "nice and cheap and good." From KFC and El Pollo Loco, the chicken she stores in a friend's refrigerator will feed her for days. The 46-year-old homeless woman, who sleeps by a canal along the 710 Freeway in Long Beach, is one of at least 141,000 people in Los Angeles County eligible to use their food stamps at local restaurants under a state program aimed at helping the elderly, homeless and handicapped get a meal...*

Now it is understandable that someone in charge of the food stamp program should be concerned about Anna Harrald's eating habits at Taco Bell. But isn't Ms. Harrald's real problem that she “*sleeps by a canal along the 710 Freeway*” as compared to her “*hard-shell tacos*”? The Big Picture here seems to have gotten lost.

As noted, the LA Times article happened to appear on August 2. That was the date the federal House-Senate-President debt-ceiling deal was reached - the second development that got me musing. Much of the subsequent news analysis focused on the drama of the negotiations process – a topic that I dealt with in last week's musing. After the drama story came analysis of the details of the deal and what federal programs might be cut. Finally, there was discussion of the general economic impact and the effect on state and local governments. Experts were quoted. These components of the story are all worthy items for analysis, of course. But is there an underlying Big Picture missing?

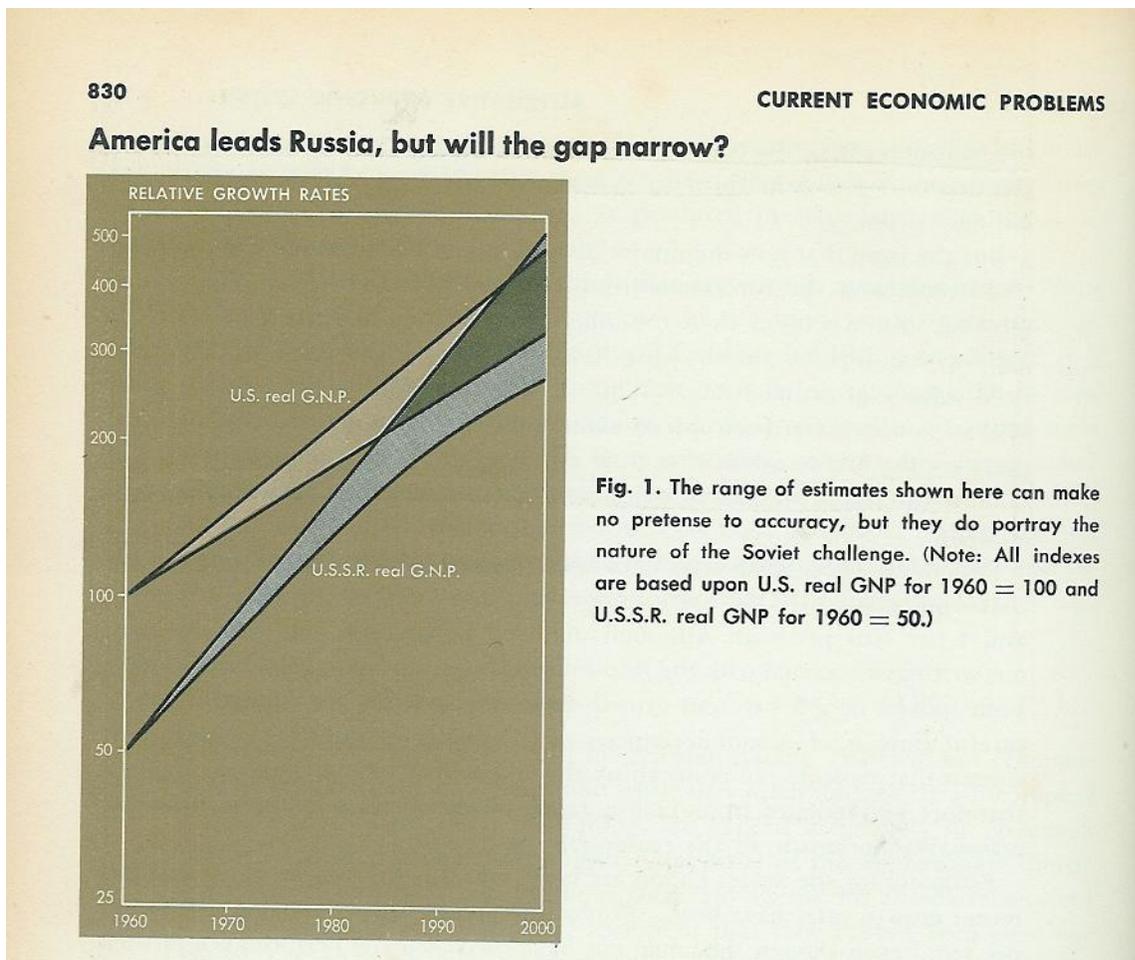
Note that the debt-ceiling deal came shortly after another development that I referenced in an earlier musing – the end of the U.S. space shuttle program. If you think back to the 1950s and 1960s – this author is old enough to do that – it was evident then that the first man on the moon would either be an American or a Soviet astronaut/cosmonaut. No one would have thought that even if the first to get there were Americans, the Soviets – who had launched Sputnik before the U.S. had an orbiting satellite – wouldn't eventually put a man on the moon. But they never did. Totally inconceivable was the idea that *no one* would be on the moon in the early 2000s – remember the late 1960s film “2001”? It was inconceivable that the Soviet Union would not exist at all by 2001 – or that, to the extent that Americans might go into space after 2011 - it would have to be on a Russian rocket, a remnant of the Soviet space program.

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<sup>1</sup> The full article is at <http://www.latimes.com/news/local/la-me-food-stamps-20110802,0,7994181.story>

Even as the Soviet Union was in the process of collapsing in the 1980s, none of the many U.S. Sovietologists-analysts predicted there would be no Soviet Union for them to study within a few years. I remember as an undergraduate in the early 1960s taking a course on the Soviet Union. Soviet experts back then would analyze whether some speech by a Soviet functionary was said in the official transcript to be followed by “applause,” “prolonged applause,” or “prolonged applause – all rise” as an indication of who was moving up or down in the governing hierarchy. The experts were almost as enmeshed in the details of the Soviet system as the functionaries themselves.

There was debate when I was an undergraduate as to whether, by 1990, the Soviet GNP (back then – there was an N rather than a D between the G and the P) would exceed the American GNP. The chart below, from the 1961 edition of Paul Samuelson’s standard and influential textbook on economics was typical of the discussion at the time.<sup>2</sup>



Despite all the detailed expertise of Sovietologists, the Big Picture – the fact that the Soviet system could collapse entirely by 1990 - was missed. And it continued to be missed until the actual event. The

<sup>2</sup> Paul A. Samuelson, Economics: An Introductory Analysis, fifth edition (New York: McGraw-Hill, 1961).

Sovietologists were not alone. The functionaries running the Soviet system also did not anticipate the collapse, even when it was soon to occur.

In the 1980s, but well before the Soviet collapse, an economist who was a Soviet expert told me that he had spent considerable time in the Soviet Union in the 1970s and had talked with elite economic experts there. As part of the elite, they had access to western journals and western thinking and had an interest in reforming the Soviet system to function more efficiently with markets, etc. But they could not see how to do it. They had the goal but not the means.

The transition seemed to these elite insiders to be an impermeable barrier. What would happen in the transition if the army didn't get its potatoes? That was a question one of them had asked to illustrate the transition problem. So what you had was an elite ruling group that viewed the system they were running as flawed in major ways but that couldn't see any way to change it. They could see the system's dysfunction but assumed that it would nonetheless continue as is indefinitely.

So what does this history suggest? I am sure that in the aftermath of the federal debt-ceiling deal, researchers will be doing analyses – as they should - of the deal's economic impact and focusing in particular on its employment aspects. But there are enough symptoms in recent developments to suggest that just focusing on those effects could put us in the same category of those experts who tracked whether some Soviet official merited "applause, "prolonged applause," or "prolonged applause – all rise."

Perhaps we need some folks with expertise in the history of the rise and fall of empires. Or maybe we need some organizational experts who can tell us how folks within a system, or close to it, can miss the tell-tale signs of major developments that will soon fundamentally change it. We may be missing the Big Picture, developments which could have a more profound effect on jobs - and on economic prospects more generally - than the usual estimates of employment multipliers would indicate.