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OBITUARY

J. K. GALBRAITH

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John Kenneth Galbraith died on 29 April (born 15 October 1908), only a few years short of a century innings. And *compus mentis* almost right to the last.

Galbraith was a phenomenon in his own right, an author of prodigious output, an almost unparalleled stylist on matters economic, and a major public figure.

As an intellectual he was an extraordinary if flawed talent. He was a 'big picture' thinker, with telling grand generalisations, but also a little too glib at times. The glibness was manifest in Galbraith's rather crude periodisation of qualitative economic transformation. In his *The New Industrial State*, the essence of each historical period was to be found in the key locus of power which emanated from control of the scarce resource – in turn, control over land, capital and knowledge. In his 1993 *The Anatomy of Power*, power is exercised through the dominant medium – in turn, force, economic coercion/compensation, and psychological conditioning. There are good ideas here, but the two periodisations are not entirely consistent and the historical attribution is simplistic.

At his best, Galbraith had a capacity to capture an evolving big picture and infuse it with incisive contemporary detail (the latter talent being rarely recognised). Such a combination was displayed in his histories (*The Great Crash*, 1954; *Money*, 1975). More recently, the combination was displayed in a masterly analysis of the Savings and Loan debacle in the *New York Review of Books*, 18 January 1990. The destruction of the savings and loans sector (roughly equivalent to building societies, albeit coupled with government guaranteed deposits) represents the defining moment in the venality and stupidity of the deregulatory thrust in the US. Galbraith sums it up:

Not before in our history have so many strong influences united to produce so large a disaster ... Bureaucratic inadequacy and incompetence, perverse ideology, money in large amounts for the political protection of flagrant rascality, public lack of interest, and (for a long while) neglect by the press and the triumph of a hands-off administration, which relieved the presidency of any serious responsibility for ostentatious larceny – all these were present. Only now is the result in its almost unbelievable magnitude forcing itself on the public consciousness. The scandal, to repeat, will stand as one of the most appalling such events in our civil history, and undoubtedly as the most expensive.

The Galbraith obituaries have covered the spectrum from generous to disgraceful (that by P. P. McGuinness in *The Australian* plumbing the depths). Some writers in the financial and/or Right-wing press (the *Wall Street Journal*, the *Australian Financial Review*, the *UK Telegraph*, etc.) have taken the opportunity to attack this iconic figure. Part of the vituperation may have been a product of jealousy. Galbraith spent most of his academic career at Harvard, from 1948 (he had been a junior Instructor there in the 1930s) until his retirement in 1975. Though Galbraith never pursued wealth, his life was the model of comfort, representative of the American Dream, whose selectivity and adverse effects Galbraith exposed throughout his writings. More, Galbraith, partly by accident of serendipitous locations, had the ear of political, intellectual and business elites, internationally as well as domestically.

But the substance behind the antagonism of many mainstream economists was Galbraith's attempts to explain the American economy 'as it is', and to highlight the downside (naturally as a pre-requisite to improvement). A large component of Galbraith's intellectual endeavours was centred on confronting the presence of the large corporation, that institution so conspicuous by its absence in respectable economic theory and ideology.

The obituaries, in pursuit of a centre of gravity, have tended to label Galbraith as a 'Keynesian'. This attribution is a tolerable first approximation. Galbraith and Keynes were both politically progressive liberals (Galbraith more so than Keynes). As Galbraith later declaimed of the atmosphere in 1945 – 'Keynes had a solution without a revolution;

it seemed a miracle'. We could fix up capitalism without altering its *modus vivendi*, without having to face the cataclysm of overthrowing the established order.

Keynes and Galbraith also shared discontent with the monetary system. They were both deeply sceptical of monetary authorities and their inflated status – in possession of instruments structurally incapable of fulfilling progressive ends and hiding reactionary class agendas.

Galbraith certainly accepted Keynes' analysis, but he saw it as a partial blueprint for post-War economic policy. And he was sceptical of the crude textbook version and the often insensitive way in which macroeconomic instruments were applied. Indeed, Galbraith was scathing of the policy directions during the 1970s, and he claimed that structural changes necessitated a re-writing of macroeconomic analysis and a re-thinking of appropriate policies. (See, for example, 'The Conservative Onslaught', *New York Review of Books*, 22 January 1981, on US specifics and, more generally, his *A History of Economics*, Ch.20).

Whereas Keynes and Keynesianism float at the 'macroeconomic' domain of the economy, national and global, Galbraith's preoccupations and competence were more at the level of structure. An ancillary implication is that Galbraith was not an unthinking disciple of any one forbear, but his own man.

Galbraith hailed from rural Ontario and started life with degrees in animal husbandry and agricultural economics, reaching maturity during the 1930s Depression. This experience and context is crucial to understanding his later intellectual trajectory.

His then research focused on the devastation that the Depression wrought on farming communities. Galbraith confronted that agricultural prices had plummeted but prices of manufactured commodities had not. There was a profound asymmetry in the degree of price deflation, a structural transformation obliterated by a purely macroeconomic analysis. The explanation was that many manufactured products emanated from now concentrated industries, dominated by a handful of large corporations. After World War I, such companies increasingly adopted the practice of 'administered pricing', through which price became a strategic variable (in conjunction with market control) as a vehicle to stabilise revenues.

When the Depression hit, the corporations preferred to cut output rather than prices, in the interests of relative price stability. The historical volatility of agricultural prices was being further reinforced by structural changes in the economy.

In confronting the core importance of the large corporation, Galbraith fell in with the American economists who came under the loose label of 'Institutionalists', many of whose members played important roles in the Roosevelt 'New Deal' Administration. The Institutionalists' Temporary National Economic Committee was charting in minute detail the contemporary structure of American industry. Adolf Berle and Gardner Means had earlier emphasised the new layered duality of ownership and management in the large corporation, and the rise of a powerful managerial class.

Galbraith then had the accidental 'good fortune' of seeing the whites of the corporate eyes while working in the Office of Price Control during 1940-43, and as a writer and editor at *Fortune* magazine during 1943-48. The seemingly bizarre change of occupation was due partly to Galbraith having worn out his welcome as the price control Czar (Congressional politics moved Right, and the trade journals were saying 'Galbraith Must Go'), and partly his declining for family reasons to take up management of Lend-Lease in South Africa.

This insider experience with corporate America was to provide substantive raw material for his later writings. It is rather curious that Galbraith's detractors never acknowledged that Galbraith's trajectory encompassed domains other than ivory-towered academia.

After the War, Galbraith faced the conundrum common to all progressive liberals. He wanted the 'market' economic system to work for the good of all, but he confronted that the large corporation was the elephant in the room. It broke the rules, and, here is the crunch, it was never going to go away.

Galbraith's early attempt to rationalise the liberal dilemma was manifest in the 1952 *American Capitalism: The Concept of Countervailing Power*, in which the power of the corporation was not dissolved, but offset ('countervailed') by other rising sources of economic power – giant retailers, workers' unions and agricultural support schemes. This

resolution constituted something of an overstatement, with a heady dose of wishful thinking to complement the empirical and analytical gaps regarding both the extent and motivation of the changes. Apparently the Right-Wing of the British Labour Party was sufficiently impressed to claim that nationalisation of industry could now be erased from the Party platform.

In the US, the economics profession was not impressed. At a special session of the American Economics Association meetings in December 1953, the panel was critical to scathing, with the hostility of George Stigler (then of Columbia, but soon to become the backbone of the 'dry' economics at the University of Chicago) reflective of a lifetime's animosity.

What the ideological purists and the technique-driven economists missed was the substance in Galbraith's claims. He was chronicling (and not the first to do so), albeit imperfectly, the institutional rationalisation of the capitalist economy – in effect, the Hegelian momentum of Twentieth Century America. And the dissolution of arbitrarily constructed parameters between the 'economic' and 'political' domain (flatly refused by the economists) is an important means to seeing the changes.

This thrust to rationalisation was perceived particularly in Galbraith's initial specialist field – agriculture. Referring to a recent comprehensive publication on the history of US farm policies, Galbraith noted ('Economic Perceptions and the Farm Policy', *American Economic Review*, March 1954):

[The history] mirrors a remarkable and continuing determination by farmers to gain some control over market forces. The reader is left in little doubt that for a half century or more the free market has had little more appeal to the farmer than the unorganized labor market to the worker – or, for that matter, than an industrial market of atomistic purity would have for the modern corporate executive. Yet the free market is what is being urged on the farmer.

The denouement between Galbraith and the mainstream economics profession came early over his acknowledgment and (qualified) support of this trans-market process in agricultural policy. Galbraith highlighted

that the agricultural economists were deducing policy from first principles, not from the empirical detail (a phenomenon to be replicated in the Australian agricultural economics profession). Said Galbraith of his profession (*ibid.*):

If the economists who speak with the greatest authority on this matter are to be taken at their word ... then our present farm policy profoundly threatens our national well-being. Inefficiency, economic isolation, monopolistic exploitation, inflation, depress, and the economic serfdom and political debasement of farmers are all abetted by the policy. ... The prospect is alarming unless, the seeming unanimity notwithstanding, there is a chance that the economists are wrong.

In the 1967 *The New Industrial State*, Galbraith honed in on the 'technostructure', a new ruling managerial class that ran the large corporations in their own interest of self perpetuation. Contrary to the economist's paradigm, there was a 'revised sequence' of influence from producer to consumer.

Galbraith's tenure at *Fortune* magazine (and his more casual observations of Eastern bloc and Asian business entities) had provided meat for his generalisations. This particular form of 'class' analysis had the American Marxist Paul Sweezy taking an uncharacteristically acerbic swipe at the affable Galbraith (as in the *New York Review of Books*, 15 November 1973).

By the time of the 1973 *Economics and the Public Purpose*, Galbraith's 'liberal' optimism had worn thin. The large corporation was a power to itself – it dominated consumers, workers, small businesses, communities, the state apparatus itself.

Galbraith retired in 1975, and the last thirty years has witnessed a continuing stream of invective, if camouflaged in caustic wit, that refined the message in *Economics and the Public Purpose* as variations on a constant theme.

This later worldview (and its implicit pessimism) was reinforced in the 1992 *The Culture of Contentment*. *The Culture* was a lament on the Reagan era, during which economic and social polarisation were

conscientiously enhanced. Self-interest reigned over social inclusion. Galbraith's book was a precursor to Thomas Frank's 2004 *What's the Matter with Kansas?*. Frank's book was a lament for the reinforcement of the Reagan era under George W. Bush, in which a good part of the underprivileged now vote to entrench their own subjugation.

How much influence Galbraith exerted in the public domain is unclear. Galbraith enjoyed access to selective elites, but there were contrary forces in operation.

Immediately the War ended, a coalition of a newly powerful business class with a Congress dominated by a conservative/reactionary majority marginalised progressive bureaucratic forces. Those who wanted to forge a better world under the rubric of 'full employment' were symbolically and tangibly eviscerated in the emasculation of the Employment Act in Congress. The progressive instincts of President Truman (reflected in his cut-down 'Fair Deal' copy of Roosevelt's New Deal) were crushed under the eruption of Cold War anti-communism.

The eight-year Eisenhower administration then ushered in economic growth but on military industrial principles. Galbraith advised Adlai Stevenson, the Democrat Presidential contender against Eisenhower, but Stevenson was neither a strong nor courageous candidate and probably unworthy of his supporters.

Even on the inside in the Kennedy administration, Galbraith was on the losing side in the fight over how to stimulate the economy. He was rooting for spending on progressive causes, while the Democrat Right was arguing for corporate tax cuts. The latter won.

Surprisingly, there evolved mutual respect between Galbraith and the accidental President Lyndon Baines Johnson, in spite of their contrasting personas. Johnson generously funded a Galbraith-inspired suggestion for an anti-poverty youth jobs program. Albeit Johnson's broader Great Society program was driven by pragmatism, necessary to head off further decay within the black communities that had erupted in rebellion.

The larger forces constraining a greater influence of someone like Galbraith were not merely the powerful business community but the near-hegemonic culture of the Cold War and its crude 'anti-communism'

epithet. Galbraith was an early visionary in seeing the debacle that could ensue (financial and warped priorities) if the US escalated its involvement in Vietnam. But on this fundamental issue, Galbraith lost Johnson's ear to the Hawks, with draconian consequences.

However, Galbraith did have a peculiar impact on the political stage. By the accident of Galbraith's tenure as US Ambassador to India during 1961-63, he intervened to restrain Cold Warrior escalation of the Indian-Chinese 'war' over two worthless pieces of terrain, across which the mutual border had never been decisively determined.

Away from the centres of power, Galbraith's books sold millions and educated millions. The Right had to crank up Milton Friedman as an ideological antidote to Galbraith. Friedman could turn the odd phrase, but even with all that corporate money behind him and access to the corporate media, Milton never made it into the same league of economist celebrity.

All obituarists acknowledge Galbraith's magnificent literary style. Some commentators have begrudgingly claimed that this quality is the only one he possessed. Certainly a rhythmic language can carry the emotions. But for there to be a sustaining influence there has to be some substance behind the language. Galbraith's language enhanced the voice of a liberal conscience.

The early 1970s was possibly the apogee of Galbraith's public visibility. He was elected President of the American Economic Association in 1972 (his support amongst economists must have been greater behind the scenes than was ever manifest in public). Galbraith's Presidential address, 'Power and the Useful Economist', captured succinctly his characterisation of the contemporary economic system and his summation of this profession's magnificent failure to explain it. Quoting:

The most commonplace features of neoclassical and neo-Keynesian [textbook bastard Keynesian] economics are the assumptions by which power, and therewith political content, is removed from the subject. ...

If the state is the executive committee of the great corporation and the planning system, it is partly because neoclassical economics is its instrument for neutralizing suspicion that this is so. I have spoken of the emancipation of the state from economic interest. For the economist there can be no doubt as to where this task begins. It is with the emancipation of economic belief.

The early 1970s was also the apogee of criticism, including from within, of the economics discipline's preoccupations and prejudices. There has since been a self-congratulatory return to traditional ways within the discipline, a return that paralleled and reinforced the dramatic Rightward shift in politics and economic policy.

Galbraith encapsulated this shift cogently and damningly in 'The Conservative Onslaught' (*New York Review of Books*, 22 January 1981). Twenty-five years down the track has witnessed more of the same, only worse. We desperately need some Galbraith replacements on the beat.

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