

# Rescuing Galbraith from the conventional wisdom

Unknown

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We have yet to see that not the total of resources but their studied and rational use is the key to achievement — J. K. GALBRAITH.

But as soon as we look at Political Economy from this point of view, it entirely changes its aspect. It ceases to be a simple description of facts, and becomes a science, and we may define this science as: The study of the needs of mankind, and the means of satisfying them with the least possible waste of human energy. — PETER KROPOTKIN.

JOHN KENNETH GALBRAITH'S *The Affluent Society* is the only modern book on economics to become a best-seller. Comparisons have been made with Tawney's *Acquisitive Society* and with Keynes's *General Theory of Employment, Interest and Money*, and praise has been lavished on the book from the political right, left and centre. The *Financial Times* found it "a stringent and stimulating piece of social analysis", the *Daily Telegraph* thought it might provide the 'sixties with "the popular tools of thought for handling the unfamiliar problems of our already rich society". Even the warring factions in the Labour Party were united in praise of it, from Mr. Crosland who declared that "I am wholeheartedly a Galbraith man" to Mr. Crossman, who believed it to be "the most entertaining and profound exposure of post-war Western society that has yet been published", and *Tribune* which saw in it a "magnificently iconoclastic assault on economic illusions". It even has its admirers on the other side of the iron curtain, where Galbraith himself is the only leading Western economist to have lectured on the economics of capitalism, and one of the only ones to seek an exchange of professional and personal views with his opposite numbers in Moscow, Warsaw and Belgrade.

The book's title has been bandied about so much as a description of contemporary Britain and America that we have already grown tired of it, while the phrase about "private opulence and public squalor" has provided the Labour Party with the succinct new campaigning point which it urgently needed. Ironically, since Galbraith so devastatingly attacks the Conventional Wisdom of accepted ideas, he has fallen victim himself to it. This part of his argument has been absorbed into the conventional wisdom of liberal thought, while his most radical, and from our point of view, most valuable, observations have been widely ignored.

This is partly his own fault. You cannot blame him for not being what he never set out to be, but when one week we see him on television, billed along with various beat writers and militant pacifists as a pillar of American dissent, while another week we learn of him as one of the eggheads in Kennedy's presidential campaign, we feel strengthened in our view that academic intellectuals are more useful as critics of politicians than as their aides. American liberals who voted for Kennedy on the strength of his intellectual entourage have only themselves to blame when they find their idols pushed into the background by the practical men of affairs. Margaret Halsey, in the October *Liberation* remarked that there was something rather touching about the belief that the qualities lacking in the presidential candidate could sneak in by the back door through his advisers. It reminds one, she said, of the Victorian theory that a drunkard can be reformed by the love of a good woman, and she observed that it is a theory that can work both ways. "Is there not an equal possibility that Jack and Bobby Kennedy's opportunism and ruthlessness might rub off on the Schlesingers, Galbraiths and Commagers?"

Now it is reported that Kennedy has decided to send Galbraith to India as American Ambassador, and the *Guardian* comments that "It is a tribute to Mr. Kennedy that a man of Professor Galbraith's calibre should be eager to serve under him." This is a different version of the Victorian theory, and we might again reverse it to say that it is no tribute to Professor Galbraith that he should be eager to serve under a man of Mr. Kennedy's calibre. Ambassadorships are one of the traditional spoils of office in the American political system, and while an economist of Galbraith's brilliance and unorthodoxy could be of service to India, this is the very role which as a diplomat he would be precluded from playing. And again, while his observations on the problems of a conspicuously non-affluent society would be valuable, they are the very observations which as a diplomat he would be precluded from making — except to President Kennedy.

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Galbraith's dabbling in Democratic politics, his urbane and witty manner, and the relatively trivial nature of his more recent writings, have successfully concealed his book's revolutionary implications. Richard Crossman, in a recent review, regretting that *The Liberal Hour* is by no means the successor to *The Affluent Society* for which its readers had hoped, suggest that the new book's title

"is aptly chosen to explain how a man who is so rigorous and extreme in theory yet manages to remain the confidante of successive Democratic candidates. Like his predecessors, Hobson and Keynes, the two most subversive thinkers of our century, Galbraith shields himself from the logic of ideas by studying economics in isolation from politics and power. 'It is sufficient for me to master one discipline' he seems to tell us. 'I leave it to other academic revolutionaries to subject our political institutions to the kind of devastating analysis I have applied to the economic institutions of the Affluent Society'."

Crossman goes on to suggest that just as Hobson unwittingly provided Lenin with the ideas which "could be vulgarised into a revolutionary myth that destroyed the whole system of colonial imperialism" so Galbraith may have already performed "a similar historical role by providing the prolegomena to any modern socialist theory of capitalism, while remaining, in his political attitudes, staunchly anti-socialist." Crossman is referring to the development of Galbraith's view of the role of governmental intervention in the economy, as evinced by *American Capitalism: The*

Concept of Countervailing Power (1952), *The Affluent Society* (1958) and the essay on inflation in *The Liberal Hour* (1960), but his assumption about the particular historical role of Galbraith's book is as questionable as his assumption about Lenin. Its importance lies elsewhere.

What *is* the book about? It is about the end of scarcity. The second thing every student of economics learns is the assumption that "goods are scarce: economics is a study of scarcity and the problems arising from scarcity". But what happens when scarcity is no longer a necessary condition? America's productive capacity, Galbraith observes, is so much greater than its needs that a significant slice of the gross national product — eleven billion dollars worth of advertising — is devoted to the frantic manufacture of wants which the actual productive machine has subsequently to satisfy. Want-creation through advertising has become the key to the whole economic system, and is the most important industry, since it alone keeps people and factories at work. And production is vital, not for the sake of the goods produced, but because the worker's income, security and purchasing power depend on it. "Production has become the solvent of the tensions once associated with inequality, and it has become the indispensable remedy for the discomforts, anxieties, and privations associated with economic insecurity". It is also

"buttressed by a highly dubious but equally accepted psychology of want; by an equally dubious but equally accepted interpretation of national interest; and by powerful vested interests. So all embracing, indeed, is our sense of the importance of production as a goal that a first reaction to any questioning of this attitude will be, 'What else is there?' So large does production bulk in our thoughts that we can only suppose that a vacuum must remain if it should be relegated to a smaller role."

The shortcomings of economics, he says, are not original error but uncorrected obsolescence. In the interpretation of social phenomena there is a continual competition between what is relevant and what is merely acceptable, and in this competition "all tactical advantage is with the acceptable". Audiences of all kinds most applaud what they like best, and people approve most what they understand best — "we adhere as though to a raft, to those ideas which represent our understanding. This is a prime manifestation of vested interest. For a vested interest in understanding is more preciously guarded than any other treasure. It is why men react, not infrequently with something akin to religious passion, to the defence of what they have so laboriously learned". This consensus of acceptable ideas is what Galbraith has named the Conventional Wisdom. There is a conventional wisdom of the left as well as one of the right, and it is to be found in economic theory as much as in any other field.

Adam Smith's classical formulation of economic liberalism was viewed with alarm when first published, but soon afterwards it became the conventional wisdom and "there were solemn warnings of the irreparable damage that would be done by Factory Acts, trade unions, social insurance, and other social legislation". Now, the conventional wisdom accepts the welfare state and holds that these measures "softened and civilised capitalism and made it tenable" though there have never ceased to be warnings that the break with *laissez-faire* was fatal. It has been the same story with the gold standard and the balanced budget and again it was only circumstances which defeated the conventional wisdom. The American budget never balanced during the depression, but it was not until 1936 that Keynes made the unbalanced budget respectable. Keynesian theory itself has now turned into a body of conventional wisdom, the obsolescence of parts of which, in Galbraith's view is now well advanced. He makes fun of the different conventional wisdoms,

from Social Darwinism to Marxism, which substitute acceptable ideas for observable facts, and in particular, of the economic shibboleths to which all right-thinking Americans subscribe — most of which, however, are "cherished almost exclusively either in the second person or in the abstract".

Rugged champions of free enterprise thus scorn the *quest* for security, having first insured their own, and the advocates of bold risk-taking are often those who have never, individually or corporatively, taken a risk in their lives. "The preoccupation of workers with unemployment insurance or old age pensions has usually seemed most supine and degenerate to business executives who would be unattracted by companies in which they were subject to arbitrary discharge or which lacked adequate pension arrangements." The conventional wisdom is, indeed, selective in its preoccupation with production. It lauds it when it is sanctified by profit and gratifies private acquisitiveness, but deprecates it when its purpose is to satisfy social needs; thus cars have an importance greater than the roads on which they are driven. Education is unproductive but the manufacture of the school toilet seats productive. Vacuum cleaners are praiseworthy but street cleaners are an unfortunate expense. "Partly as a result our houses are generally clean and our streets are generally filthy."

This disparity, he points out, is not accidental. The economy is kept at an inflationary level, and discrimination against the public services is an organic feature of inflation:

"The line which divides our area of wealth from our area of poverty is roughly that which divides privately produced and marketed goods from publicly rendered services. Our wealth in the first is not only in startling contrast with the meagreness of the latter, but our wealth in privately produced goods is, to a marked degree, the cause of crisis in the supply of public services."

The relevance of this line of argument to what Mr. Macmillan calls the opportunity state and what Professor Titmuss calls the irresponsible society is all too obvious, but this is not the most important thing about Galbraith's argument.

The important thing is that the Professor of Economics at Harvard has come round to the point of view, not of the contemporary socialist economists, but of the "utopians", in espousing the principle of 'to each according to his need'. For he argues the case for divorcing income from employment, divorcing production from security. "We have seen," he says,

"that while our productive energies are used to make things of no great urgency — things for which the demand must be synthesised at elaborate cost or they might not be wanted at all — the process of production continues to be of nearly undiminished urgency as a source of income. The income men derive from producing things of slight consequence is of great consequence. The production reflects the low marginal utility of the goods to society. The income reflects the high total utility of a livelihood to a person."

You cannot seriously argue that we "miss" the goods which are not produced in a depression. It is the hardship due to unemployment which depresses us. Thus "good times" are identified with full employment rather than with high production. Galbraith therefore proposes to "break the connection between security and production" and to eliminate the hazard of depression unemployment for the worker by what he calls Cyclically Graduated Compensation — unemployment

compensation which, as unemployment increases, is itself increased to approach the level of the weekly wage, and diminishes as full employment as approached.

Even worse, from the point of view of the conventional wisdom, he is no longer impressed by the cult of productive efficiency:

”If the modern corporation must manufacture not only the goods but the desire for the goods it manufactures, the efficiency of the first part of this activity ceases to be decisive. One could indeed argue that human happiness would be as effectively advanced by inefficiency in want creation, as efficiency in production. Under these circumstances, the relation of the modern corporation to the people who comprise it — their chance for dignity, individuality, and full development of personality — may be at least as important as its efficiency. These may be worth having even at a higher cost of production. Why should life be made intolerable to make things of small urgency?

”Can the North Dakota farmer be indicted for failure to labour hard and long to produce the wheat that his government wishes passionately *it* did not have to buy? Are we desperately dependent on the diligence of the worker who applies maroon and pink enamel to the functionless bulge of a modern motor-car? The idle man may still be an enemy of himself. But it is hard to say that the loss of his effort is damaging to society. Yet it is such damage which causes us to condemn idleness.”

Now, if the cult of efficiency, like the cult of production from which it derives, is a hangover from the days of scarcity, what other social criteria are there? Galbraith suggests that ”other tests — compassion, individual happiness and well-being, the minimisation of community or other social tensions” — now become relevant, and that what must now be counted one of the central economic goals of our society ”is to eliminate toil as a required economic institution. This is not a utopian vision”.

It might be objected that Galbraith’s debunking of the religion of productivity ignores two important social facts: firstly that Western affluence is an island in a world of poverty, and secondly that in America itself there are large pockets of poverty. He has in fact a chapter on American poverty, pointing out that 7.7 per cent. of U. S. families had in 1955 incomes of less than 1,000 dollars, and that a very large number of individuals, not members of families, were in this income class, but he makes the point that neither the ”case” nor the ”insular” variety of poverty is susceptible to elimination merely by increasing production of goods and services. On the question of the poor countries and the responsibilities of the rich ones towards them, the point again is that the output of goods and services in America has, as such, little effect on their problems. He remarks that the obvious remedy to the ”problem” of over-production of food in the United States is to give the surplus to people who can eat it, a solution regarded with horror by the conventional wisdom, which has invented the euphemism of ”the soil bank” for its own remedy of taking acres out of production, while

”To wish to give milk to Hottentots became, for a while, a symbol of advanced economic irresponsibility. Ultimately the necessities of the case triumphed. Under the guidance of an impeccably conservative Secretary of Agriculture, world-wide gifts of food in large quantity became an established policy. But again elaborate disguise

was essential. The receiving countries 'bought' the products with their own currency, which meant that they supplied money that cost them nothing and which the United States agreed not to use in appreciable amount."

Even the sharing of surpluses has to be disguised as an "economic" transaction in terms of the conventional wisdom. The rational distribution of the products of industry is not a matter of productive capacity but of social attitudes, and the spread of the appropriate social attitudes is just what the conventional wisdom of economics inhibits.

Galbraith enunciates two principles which strike at the roots of economic thought: firstly that we should break the connection between income and production and secondly that we should cease to regard productive efficiency as the test of utility in production. There is nothing original about this of course; the important thing is that it comes from a twentieth century economist, not a nineteenth-century socialist. In immediate terms the implications of the first of these two principles are governmental — his idea about Cyclically Graduated Compensation as a new foundation for unemployment compensation. This in itself is simply a refinement or extension of Keynesian remedies for depressions, and not one which would recommend itself to the ideologists of the present government of this country. Galbraith himself, in *The Liberal Hour* says confidently, "One day we shall remove the economic penalties and also the social stigma associated with involuntary unemployment. This will make the economy much easier to manage." And he adds "But we haven't done this yet". When it comes, either in America or here, it will come for economic rather than for social reasons, but undoubtedly it will come. In the long term perspective, the popularisation of this view represents a big step towards the recognition of the "free access" principle which Kropotkin heralded seventy-five years ago in his essay *Anarchist Communism*, declaring that

"There is a tendency, though still a feeble one, to consider the needs of the individual, irrespective of his past or possible services to the community. We are beginning to think of society as a whole, each part of which is so intimately bound up with the others that a service rendered to one is a service rendered to all."

Its ultimate implication is of course, as Kropotkin emphasised, the abolition of the wage system itself.

The consequence of the second of Galbraith's two neglected principles — the dethronement of "efficiency" is not of course to put a premium upon inefficiency, but to adopt a different test of efficiency, the test of human utility rather than that of economic utility. To the followers of his main theme it implies the irrelevance of arguments about the scope and nature of the public services based upon economic criteria, or arguments, for instance, about the railway system based on the idea that it should pay its way. To others it suggests taking a new look at the idea of industrial democracy — which is always written off because of its alleged (and unproven) inefficiency in economic terms. Others may observe that an acceptance of the idea is in such complete opposition to the realities of competitive capitalism that it is meaningless, in view of the unending pressure to reduce labour costs. To which students of productivity like Seymour Melman would answer that in unplanned societies a high rate of capital investment is only achieved by forcing the cost of labour above that of raw materials. To Galbraith's more radical readers it must imply the irrelevance of the whole idea of a market economy in a society which has the productive capacity for an economy of abundance. But what happens when we weave these themes together

and combine them with the various models of a planned economy postulated by Western Marxist economists, or with the ideas of Polish and Yugoslav economists about a "socialist market economy"? Various economic writers like Ben B. Seligman in America or Peter Wiles here, have sketched out the paradoxical relationships between "capitalist" notions of marginalism and a market economy, and the feasibility of workers' control, but no modern writers have brought together the idea of industrial democracy, the idea of separating security from production, and the idea of an economy based on social needs without the intervention of the market. (Except perhaps Paul and Percival Goodman in their extraordinary and original book *Communitas* with its three alternative "paradigms" for (a) efficient consumption, (b) the elimination of the difference between production and consumption. and (c) planned security with minimum regulation.)

No-one is better fitted than Galbraith to undertake this new synthesis. But since it seems unlikely that he is going to elaborate these themes himself, we have to look for a new school of economic and social thinkers who will rescue his ideas from being submerged into the conventional wisdom of American liberalism or British Labour politics, and will develop and expand them with at least something of Galbraith's own wit and lucidity.

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