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THE PRAGMATISM OF JOHN KENNETH GALBRAITH

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For this essay, to honor Professor Kolodko, I take up the case of an older pragmatist whose circumstances and achievements I knew well – that of my father, John Kenneth Galbraith. While I cannot do full justice in this space to the life and work of 97 years, what I hope to show is how the application of my father's background and experience in a world of mundane knowledge and urgent problems led to his development of a compelling critique of classical and neoclassical economics, and to his presentation of a world-view that stood, for a time, as the leading vision of industrial capitalism in the modern age. That this vision was swept aside, and largely dismissed or ignored, by the professional academic economists is, under the circumstances, merely a continuing testimony to its merit, and to the threat it poses to a comfortable, but wholly impractical, world-view.

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The New Pragmatism of Grzegorz Kolodko prompts reflection on the larger role of pragmatism in economic thought. For if there is one trait of which the dominant strands of academic economics are innocent, it is pragmatism and practicality. And yet, Kolodko's assertion of a "new pragmatism" presupposes the earlier existence of an older strand.

The basis for this presupposition is not far to seek. It lies plainly in the dominant economists of the mid-twentieth century, who were not self-inflated ivory-tower theorists or second-tier apologists for the financial sector. They were instead people who had been thrust into positions of major responsibility at a critical time – much as Professor Kolodko would be in the 1990s. In Poland Michal Kalecki and Oskar Lange were important examples of the type; in Britain Keynes, Kaldor and Balogh, in the Soviet Union Leonid Kantorovich, and in America a raft of New Dealers and war managers, including in the latter group Simon Kuznets and Wassily Leontief, among those who continued after the war as pre-eminent academic economists of their day. One could continue around the world but this list is a sufficient illustration of what economics was, back in the time when it was useful.

For this essay, to honor Professor Kolodko, I take up the case of an older pragmatist whose circumstances and achievements I knew well – that of my father, John Kenneth Galbraith. While I cannot do full justice in this space to the life and work of 97 years, what I hope to show is how the application of my father's background and experience in a world of mundane knowledge and urgent problems led to his development of a compelling critique of classical and neoclassical economics, and to his presentation of a world-view that stood, for a time, as the leading vision of industrial capitalism in the modern age. That this vision was swept aside, and largely dismissed or ignored, by the professional academic economists is, under the circumstances, merely a continuing testimony to its merit, and to the threat it poses to a comfortable, but wholly impractical, world-view.

A PRACTICAL MAN

He was not an "educated man." He had no languages other than English. No higher mathematics. No knowledge of and little interest in music. His college degree was in animal husbandry, his PhD in agricultural economics, his thesis on the expenditure patterns of county governments in California. His literary tastes ran to Trollope, Maugham, and Robertson Davies, bard of the Ontario back-country. He had a decent collection of the economic classics of his era: Marshall, Taussig, Veblen, Schumpeter, Keynes. How deeply he perused them – apart from Marshall and Veblen – is anyone's guess. Very late in life he remarked to me that "Schumpeter was a fraud." Why he said so, he didn't say; I suspect though that he found the man's airs insufferable.

He grew up on a farm in Canada. Horses, cattle and the machinery of the day were second nature. So was the larger economy in which progressive southern Ontario agriculture was embedded – a world of marketing collectives and government extension agents, of self-improvement on the cusp of the automobile-and-tractor age. His father – my grandfather – doubled as director of an insurance company and as the local leader of the Liberal Party. They lived in a substantial house, not extravagant but solid, which still stands. A peasantry, this was not.

He learned to write, first on farm issues for the local paper, then from the English department at the Ontario Agricultural College in Guelph, then at Berkeley while working on the economics of beekeeping and similar themes. Practical matters. He was lucky; in the Great Depression the crisis of the farms was a matter of first importance. Franklin Roosevelt as Governor of New York knew these issues. Suddenly in 1934 John Kenneth Galbraith was in Washington at the Agricultural Adjustment Administration, on his way to Harvard where a specialist on farm policy was needed. Only then did his interests broaden, to the problems of industrial concentration, mass unemployment – ultimately leading to a year at the University of Cambridge where he read John Maynard Keynes but did not meet him, and made friends with the inmates (Nicholas Kaldor, Joan Robinson) while leaving no perceptible trace on their thought. By this time he had married, to an accomplished linguist, and with her traveled through continental Europe, notably to Germany and Italy, seeing the rise of fascism first-hand. Against the political demerits the apparent economic recovery of Hitler's Germany did not escape his notice.

Returning to Harvard in 1938, he was among the "Young Turks" seeking to bring modern economics of Keynes and related radical ferment to that most staid and self-important institution. He stood on behalf of Alan Sweezy (older brother of Paul) who was purged for radicalism from the economics department; the stance cost him any prospect of promotion and he relocated to Princeton, which he loathed. At the first chance, then, he returned to practical work, first at the National Defense Advisory Commission, locating ammunition plants for the forthcoming war – something I only learned 33 years later, doing research for an undergraduate thesis in the Army library at the Pentagon. Here his farming background was again relevant; explosives are made from fertilizer; the plants were intended for civilian use after the war.

Then came appointment as deputy director for prices of the Office of Price Administration (OPA) and Civilian Supply – a post with effective control over the entire economy of the United States. He was 33 and had been a US citizen for three years. On the Sunday following Pearl Harbor (7 December 1941) there was a meeting on critical war supplies; according to family memory they went through the list in alphabetical order, taking a long time to reach “r” – for rubber. Rubber is essential to all machinery, as the farm-boy knew; the Japanese navy was at Malaya. Galbraith and an OPA lawyer, David Ginsburg, left the meeting and drafted an order banning the sale of rubber tires. They had no authority to issue the order. So they took it round to the members of the War Production Board, got the approvals needed without giving their names, then returned to their own offices and called the networks. By next morning, rubber tires were unavailable to civilians in the United States.

Price control in wartime was (and is) a critical exercise in applied economics with both macro and micro dimensions. The key is to foster a psychology of stabilization, so that consumers retain confidence in the currency and the public debt, and do not flee from money or bonds into whatever commodities they can acquire – forcing the government to finance the war effort either by confiscatory taxation or hyperinflation. For this, it is better that basics be rationed and that many durables, like new cars, be wholly unavailable than that prices become an object of uncertainty, anxiety and fear. Keynes had imagined, in *How to Pay for the War* (1940) that the matter could be handled almost wholly by macro-measures, which he called “forced saving,” while Galbraith had believed, at first, in selective price control. Events disabused him; in May 1942 came the General Maximum Price Regulation imposing comprehensive controls which with modifications held through the war. I once asked my father how he found the 17,000 civil servants for this job, and he answered, “land grant colleges. I hired all the economics professors.” Keynes visited the OPA in 1942; his interest was to discuss the corn-hog cycle, or as he phrased it: “maize and pigs.”

At one time or another, much of what became the post-war liberal political movement in the United States passed through the OPA – not to mention at a low level Jessica Mitford, the colorful and entertaining communist whose memoir was titled, *A Fine Old Conflict* (1978). And postwar conservative economics devoted itself to obliterating the memory of the success of wartime inflation policy, to establishing “free markets” and “free prices” as the mechanisms of adjustment and equilibrium, as well as synonyms for freedom itself. The effect of this on monetary and state stability was illustrated most vividly in 1990s Russia. In China, by contrast as a new Cambridge dissertation by Isabella Weber (2017) has shown, the reform economists followed traditional price stabilization practice – and they had also read and studied the US experience under Galbraith’s controls, which he wrote up in a book, *The Theory of Price Control*, in 1952.

After 18 months, with Stalingrad (23 August 1942 – 2 February 1943) and the war’s outcome not in doubt, the politics of price control defeated him, and he was cast back into private life. Depressed, he attempted to enlist, however aware that his great height – two meters – would make him ineligible for the Army. Henry Luce provided a lifeline, as editor of Fortune, then a crown jewel of Time-Life and a window on the American corporate and financial system, through which no one who looked would confuse the view with "free markets." Luce would say later that "I taught Ken Galbraith how to write and I've regretted it ever since." For my father, Fortune open the paths that would lead, twenty years later, to *The New Industrial State* (1967).

In 1945, a further practical assignment: to direct an independent study of the economic effects of strategic bombing on Germany and Japan, the US Strategic Bombing Survey (USSBS). For this purpose my father assembled one of the most eclectic groups of economists ever brought together on a team: Nicholas Kaldor (assisted by one Kari Polanyi, daughter of Karl, now 95 and still going strong), E.F. Schumacher (later author of *Small is Beautiful;* when he appeared in Germany in American uniform his parents would not receive him), E.F. Denison (later at Brookings), and Paul Baran, who my father described as the worst soldier in the history of the Army: "he never tucked in his shirt, never polished his boots, and never saluted an officer unless standing next to one at a urinal." According to one family story Piero Sraffa was also on the Survey but I do not have a written record of his name.

The Survey showed that bombing had produced reorganization of German industrial production and intensification of its focus on war material, releasing labor from civilian tasks as housing and factories were destroyed. But it failed to destroy machine tools or to interdict rail lines; the firestorms of Hamburg and Dresden were terror attacks, mainly effective against civilians; the destruction of Dresden served also as a message to the Red Army, which was approaching from the East, and the needless barbarity of it haunted my father – not in any serious way but from time to time when the subject came up – to the very end of his life. From Berlin in 1945 my father wrote home that the Soviet soldiers were clean and disciplined, although they did appear to have wanted, to a man, to shit in Hitler's offices and that the one guarding the entrance to the Führer's bunker was regrettably incorruptible.

As for the atomic bombings at Hiroshima and Nagasaki, the USSBS is emphatic: Japan would have surrendered without an invasion even if the bombs had not been dropped. In a useful lesson on the costs of truth-telling, the Survey's adverse view of the military effectiveness of strategic bombing did not go down well. Friends at Harvard of the USAAF (later, the Air Force) nearly blocked my father's return and promotion to tenure in 1948; it took a resignation threat from President Conant to get it through. A sympathetic Air Force colonel remarked: "The trouble with you, Ken, is that you're too damn honest." He would continue to show that honesty, and a basic clarity of mind, through the remainder of his political engagements. These included drafting the Speech of Hope given by Secretary of State James Byrnes in Stuttgart in 1946, setting out the parameters for a return to self-government in western Germany, a prelude to the Marshall Plan. He resisted, and survived, brushing inquiries into his loyalties in the McCarthy era; it developed decades later that he had a large file with the FBI. In the 1960s, his USSBS experience informed his opposition to the bombing of Vietnam.

Thus, as I've presented him, a practical man. His formation in academic economics was by comparison eclectic, largely incidental and, one might argue, insubstantial. This proved a great advantage for it kept his head clear and open, un-"fuddled by nonsense" as Keynes had put it in 1929. By the late 1940s and 1950s his reading interests centered on theories of organization and management, on James Burnham, Herbert Simon, Adolf A. Berle and Gardiner Means. He maintained close links to practical economists such as Nicholas Kaldor and Thomas Balogh in the UK, to Gunnar Myrdal in Sweden, more distantly to Shigeto Tsuru in Japan, and to Stanislav Menshikov in the USSR. At Harvard his closest friend among the economists was the eminently practical Russian, Wassily Leontief. As a rising celebrity in the 1950s, he cultivated a friendly sparring relationship with Milton Friedman (and later with William F. Buckley, jr.); in politics during the Republican years of the 1950s he maintained close links to his 1935 Harvard pupil, then Congressman, then Senator, John F. Kennedy, and to his 1940 Alexandria Virginia neighbor, by then Senate Majority Leader, Lyndon Johnson. In the 1960 campaign after a minor debacle Senator Kennedy at one point stated his role: "Ken, I don't want to hear about farm policy from anyone but you. And I don't want to hear about it from you, either."

Unlike Keynes, he had no "long struggle to escape." His independence from textbook dogma was complete from the beginning, and literary success – *American Capitalism, The Great Crash, The Affluent Society* (1952b, 1955, 1958, respectively) – brought him an audience unrivaled by any peer. And not merely in the industrial and democratic West, but in rising Japan, Fabian India, and the Khrushchev reform period of the USSR, even (though we were unaware at the time) in Maoist China. In the United States, he was so widely read that Milton Friedman eventually made him into an object of attack (*Capitalism and Freedom* 1962) and then emulation (*Free to Choose* was Friedman's reply to his 1977 BBC series *The Age of Uncertainty*). Economics took steps to ensure that no one like him could come around again. In this, it succeeded brilliantly. The practical person posed a lethal threat to impractical thought. But this is getting ahead of the story.

THE ECONOMIST WHO DEFINED HIS AGE

My father's rise to global fame came through four books published between 1952 and 1967: *American Capitalism, The Great Crash 1929*, *The Affluent Society*, and, after an interval of nearly a decade, *The New Industrial State*. Other books appeared during these 15 years, including a technical essay on price control (*The Theory of Price Control*), a collection of essays (*The Liberal Hour*), a diary (*Ambassador's Journal*), a memoir (*The Scotch*) and two works of satirical fiction (*The McLandress Dimension* and *The Triumph*). These years were in addition my father's main period of political engagement, including two years of diplomatic service in India, from the Democratic Policy Council of the 1950s to through the New Frontier and the design of the War on Poverty and Great Society programs, culminating in his leadership of Americans for Democratic Action, Negotiations Now! and the broad movement against the Vietnam war, leading ultimately to the Eugene McCarthy presidential campaign. A bitter ending came in 1968, a year marked by assassinations, the police riot at the Democratic National Convention in Chicago in August, and the election of Richard M. Nixon to the presidency in November. Thus began the strange death of American liberalism and the deepening reaction of the remaining 38 years of his life.

The opening prologue to the second edition of *American Capitalism* (1956) raises a qualification – that his work "would not seem very relevant when viewed from the radioactive debris that would remain after a war, even a victorious one." He was not in favor of "sudden, massive and very high-temperature extinction" – and the thought of this possibility was never very far from his mind. It would be restated in the final word of his final book, *The Economics of Innocent Fraud*, in 2004, when he was 94.

That said, *American Capitalism* is a book about economic success – about the great success of the American industrial system in the years following World War II, which were years of expansive prosperity and the sustained fruits of the New Deal social and political innovations, including social security, labor rights, the minimum wage, a strong public presence at the forefront of industrial research and public investments, especially in higher education and the transportation system. The irony and pleasure of the book lay in the discomfort this success caused for business leaders and conservative economics, to the former because of their ingrained adverse view of socialism and Keynesianism – or of any social order they did not themselves control. And to the latter, because the American system could never be confused or reconciled with their ideal of competitive equilibrium or the self-sufficient free market. The antitrust movement, too, was nonplussed by events and circumstances, their approach plainly absurd in an economy driven by rapid development of new techniques, products, technologies and energy sources. Countervailing power – "checks and balances" in the economic sphere – was the practical answer, and the path between free market utopians on one side and the problematic monomania of state socialism on the other. The book captured the spirit of a moment and sold, if memory serves, about a quarter of a million copies.

The Great Crash 1929 was a summer's writing project in the Dartmouth library in 1955, and it worked new threads into Galbraith's intellectual tapestry. These threads would reappear periodically in later work – in *Money: Whence It Came, Where It Went* (2017a), in *The Age of Uncertainty* (1977) and in *A Short History of Financial Euphoria* (1994). They dealt with the highly unstable institutions and comic follies of money and credit, with the susceptibility to ingenious fraud of capital markets and with the pompous self-regard of the powerfully self-inflated gentlemen who liked to rule over Creation from Park Avenue and Wall Street. *The Great Crash 1929* told an eternal story through the vignette of a single episode, living memory in 1955, largely culled from the newspapers of that hour. It again tweaked the economists, for whom financial events were never properly causal of – but could only reflect – deeper "real" phenomena.

By far the largest seller of my father's books, *The Great Crash 1929* has never been out of print save for a few months in early 1987; it was brought back rapidly when the stock market fell by a third on October 19 of that year. I remember calling my father that evening; it was difficult to get through, but when I did, his words were reassuring: "Not to worry. I've been in cash for three weeks."[1] In 2003 I met Fidel Castro; his first words to me were, "*The Great Crash!* My favorite book! I have a copy on my night table." In 2009 alone it sold over 50,000 copies.

We come now to *The Affluent Society* (1958) – a book dedicated in part to me – and of my father's work the one that most decisively marks his place in the history of economic thought and in the literature of the mid-twentieth century. It is here that the phrase "conventional wisdom" first appears; here that the "revised sequence" and "problem of social balance" are defined; here that we read of "private opulence and public squalor." As Amartya Sen remarked at my father's memorial service a half-century later, it was "like reading Shakespeare: full of quotations!" But the book's strength and importance lay in its frontal assault on the core of neoclassical economics and in setting a vast progressive agenda for the decades to come. It was not accidental – as I learned years later while giving a memorial lecture honoring the civil rights lawyers Clifford and Virginia Durr in

[1] There followed a pause, and a shift in tone. "But I'm sorry to say the same cannot be said of your mother. She finds it very difficult to sell the General Electric her family bought from Edison for a dollar."

Montgomery, Alabama – that the Rev. Martin Luther King Jr. had two books with him as he composed the *Letter from the Birmingham Jail:* one was the Bible and the other was *The Affluent Society.* Nor was it by chance that a decade later, three Greek economics professors imprisoned by the fascist junta chose this book – no doubt, among others – to rebind with used match-sticks and shellac. I have that inscribed copy in my library today.

The Affluent Society is incontestably the most accessible and most widely-read general critique of neoclassical economics ever written. It is also, more arguably, the most profound. For *The Affluent Society* cuts to the core proposition that economics is about scarcity, and therefore to the bedrock assumptions of utility-maximization in consumption and profit-maximization in the conduct of the business firm. Unlike the theories of imperfect competition of Joan Robinson and Edward Chamberlin, introduced in the 1930s, *The Affluent Society* is not merely a departure from the ancient dichotomy between pure competition and pure monopoly. It does not hold "perfect competition" as the opposite or ideal case; the task of policy, therefore is not to try to approximate that supposed ideal. Anti-trust, the favored tool of those holding such a view, is therefore mostly irrelevant. And unlike in Keynes' *General Theory*, a book for economists and largely misread by them – there is no full employment world in which the competitive market comes into its own even as a special case. There is thus in *The Affluent Society* no scope for the "neoclassical synthesis" whose practical consequence was for decades the division of instruction into "macro" and "micro" – distinct and unconnected fields separated by the blessed oblivion of Christmas Break. Nor, in contrast to Schumpeter did Galbraith describe the world as it is – a task from which Schumpeter did not shrink – only to accept it as the best one can do. In *The Affluent Society* the task of defining and facing problems cannot be escaped or evaded.

Galbraith's point of departure is surely Veblen and his 1898 characterization of economic man: "The hedonistic conception of man is that of a lightning calculator of pleasures and pains, who oscillates like a homogeneous globule of desire of happiness under the impulse of stimuli that shift him about the area, but leave him intact. He has neither antecedent nor consequent. He is an isolated, definitive human datum, in stable equilibrium except for the buffets of the impinging forces that displace him in one direction or another. Self-poised in elemental space, he spins symmetrically about his own spiritual axis until the parallelogram of forces bears down upon him, whereupon he follows the line of the resultant. When the force of the impact is spent, he comes to rest, a self- contained globule of desire as before." (Veblen 1898: 389–390).

This hypothetical person – commodity-obsessed, asocial, one-dimensional, insatiable, "rational" but in a way that any competent psychologist would qualify as insane – forms the bedrock of the neoclassical vision, the basis of its theory of value and hence its theory of markets and prices. It is the pure expression of a religious creed, without parallel in any life science, a pseudo-physics of particles imbued with Will, redolent as Veblen says in the same essay of "when Nature abhorred a Vacuum." To borrow a phrase from Keynes, this not only is nonsense, but *it sounds like nonsense* to any ordinary uninstructed person who bothers to examine the matter with a fresh and open mind. To the neoclassical economist, as Galbraith put it, "wants originate in the personality of the consumer." All economic policy, in turn, is geared toward maximum production, and this is justified by the urgency of those original, insatiable wants. Galbraith wrote: "Were it so that a man on arising each morning was assailed by demons which instilled in him a passion sometimes for silk shirts, sometimes for kitchenware, sometimes for chamber pots, sometimes for orange squash, there would be every reason to applaud the effort to find the goods, however odd, that quenched the flame" (Galbraith 1958: 153). But not so if production "only fills a void that it has itself created." In that case, one "might wonder if the solution lay with more goods or fewer demons."

With a "vested interest in output" corporate capitalism resembles state socialism but now the critical difference comes into focus. State socialism defined and generally met basic *needs* – food, clothing, shelter – according to patterns set by planners concerned (in principle) with input-output efficiency. They were not particularly adept for the most part at managing a labor force, at distribution networks, and they were not interested in novelty of product design. Art, architecture, music and film were not subordinated to the commercial world. Corporate capitalism recognized the prior necessity of framing *wants,* of designing products around which wants could be framed, of triggering the impulse of emulation, and of constructing a relatively narrow, focused and effective production system – the corporation itself – which though necessarily large and integrated did not face the Cyclopean task of organizing production on the national scale nor of balancing every need against every other.

A successful corporation needs only to grow at the same rate as all the others. A hyper-successful corporation may grow faster, but only for a finite time. With somewhat decentralized units concentrating on specific industrial segments and coordinating on the growth of total effective demand, the problems of creating-and-meeting induced wants is solved in a robust way. But it is a way that exposes the hollowness of the entire social system, that aggravates rather than resolves inequalities and hierarchies, that is profoundly anti-democratic, predatory and even totalitarian in its repression of those who advocate some other system. Henry Ford said the Model T could have any color so long as it was black; American democracy tolerates any social system so long as it is capitalism. But it is a system that prospers only when resources are cheap, inequalities tolerable and when the environmental costs may be safely neglected.

The appeal of *The Affluent Society* to the critical spirit of the 1960s lay in providing a definitive demolition of the 20th century's leading efforts to disguise corporate capitalism as a system of "free markets" with "sovereign consumers." It exposed the universal microeconomics as ridiculous, and did so without recourse to Marxist polemic, to class analysis or dialectical materialism. While my father's approach to Marx was always respectful it was never deferential; he writes for instance that if "Marx had been entirely wrong he would not have been influential." I suppose this attitude may have played a role in the non-publication of *The Affluent Society* in the Russian language until this year; otherwise Galbraith's works were published in the USSR and fairly widely read. In the United States the leading current of radical economics consisted largely of Marxians who maintained methodological dialog with neoclassicals and owed their academic survival to the latter's need for a foil. These radicals tended to maintain a wary, though respectful, distance from Galbraith. He was, after all, a New Dealer, a liberal and a Keynesian, an adviser and friend to Kennedy and to Johnson, and an intellectual threat no less to them than to the neoclassicals. Even though in academic disputes over hiring decisions in economics, he would side with the radicals, there was never a radical push to create a permanent niche for Galbraith's disciples in academic economics, and no such niche exists or has ever existed.

My father wrote that *The Affluent Society* was a window; *The New Industrial State* was the house. *The New Industrial State* was drafted in the late 1950s, stored in a bank vault during the Kennedy years which we spent in India, and finished for publication in 1967, in the midst of the Great Society, the War on Poverty and the war in Vietnam – perhaps the peak year of American corporate power, of military hubris, of postwar prosperity and social progress. It was also a moment when the American Way had its peak reputation in the world, as a model and as a threat. Jean-Jacques Serban-Schrieber's *Le Défi Américain* expressed the ambivalent mood – the Yankees had a superior corporate form and it was going to take over in Europe.

For economics, *The New Industrial State* was a defining moment. It expressed the imperative of placing organization on a plane above markets, for it was organization – ruthless, efficient, large-scale – and only organization that permits the division of tasks required for the deep application of technology, the long lead times required for product design, the management of specific demand, so that sales can be assured and renewed and the management of aggregate demand so that investment and scrapping plans can be coordinated. In general, organization permits comprehensive control of a Planning System, of the corporate planets around which the rings of small and medium businesses revolve. For those who continued to insist on the latter as the ideal type, my father expressed amused contempt: “The person who sets out to study buildings in Manhattan on the assumption that all are alike will have difficulty passing from the surviving brownstones to the skyscrapers. And he will handicap himself even more if he imagines that all buildings should be like brownstones and have load-bearing walls and that others are abnormal” (Galbraith 1967: 77).

The New Industrial State described the American economy – along with its power structures, mitigating and countervailing forces, also its government and the military-industrial complex – as it was. The portrait is not on balance hostile; this is not Baran and Sweezy nor Bowles and Gintis. To Galbraith the system had advantages and disadvantages, flaws and challenges, but the available alternatives did not include utopia achieved at low social cost. Always the practical man, to Galbraith realism in analysis presaged realistic problem-solving. He never believed in the day when all problems would be solved, when (as Irving Fisher wrote in 1929) stocks would reach a permanently high plateau, or when (as Robert Lucas wrote in the early 2000s) the economic problem of recession and the risk of depression would go away. It was sufficient to work toward the Good – not even necessarily the “Great” – Society; *The Good Society* (2017b) would serve as the title for a later book. To this end, all practical measures might be deployed. Including those with which the practical man had practical experience, the stabilizing regulation of prices and wages.

As I have mentioned before, a good deal of the success of the Chinese transition can be traced to a Galbraithian understanding of the macro-economic – specifically inflationary and more broadly confidence-building or confidence-destroying – role of specific prices, above all those which unlike general price indexes ordinary consumers can actually observe. Among these in China, the price of rice and bread and cooking oil are key; in the United States the price of gas and the rate of interest. These generally adjust by rising, only rarely by falling – and when they do fall, it tends to be a harbinger of depression, since the consequences fall in the first instance on producers whose costs are sunk. Rising prices, when sufficiently rapid to be perceptible, provoke runs, speculation, hoarding and other disruptive and antisocial behavior. They also make it hard for governments to sell debt, especially over long terms. All this was obvious to the Chinese. In American economics, where the price mechanism is left to the free market and the rate of inflation to the tender mercies of the central bank, it was not obvious at all. Or one should say that the point was willfully obscured, as it would be again in Russia in 1992, as American economists and economics were being imported wholesale. For my father the need for stabilization of specific prices was second nature. And when on August 15, 1971, President Richard Nixon imposed price control, the Washington Post called him for his comment. He replied, “I feel like a street-walker who has just been told, not only is her profession legal, but the highest form of municipal service."

It is not easy at a remove of 50 years to reconstruct, nor to overstate, the effect of *The New Industrial State* on American political culture and its threat to the established economics. It was at the time the big book by the most widely-read economist since the death of Marx, speaking from a perch at the peak of academic prestige in the most powerful country of the moment. In an alternative universe, the economics profession might have simply folded up and followed Galbraith to the development of a new economics suited to the world of large organizations. It could, perhaps, have met his challenge with innovation along Schumpeterian lines, accepting the reality of large institutions and acknowledging their problems but refusing the tools to address them – this would have been the fascist riposte. Or it could double down on its fixed beliefs, and simply deny that a material difference exists between the skyscrapers and the brownstones.

The latter course was chosen. It was accompanied by a prodigious pretense to the status of science, a deepened commitment to impenetrable algebra and a consequent attempt to read Galbraith out of the economics profession. In so doing academic economics retreated to a Neverland of obscure formal models, dogmatic policy rules and intellectual incoherence, behind which lurked lobbyists and paymasters. Monetarism, supply-side economics, and then rational expectations came and went. Eventually the discipline closed in upon itself and ceased, largely, to interact with the outside world, leaving only its second-tier representatives in public life to implement dogmatic policy rules that are locked into place. The story is dreary and it is also dull, and I do not plan to pursue it here.

GALBRAITH IN THE TWENTY-FIRST CENTURY

So far I have shown how the economic beliefs of John Kenneth Galbraith were framed by practical realities, political experience and problems-to-be-solved. They were sometimes ornamented by the currents of economic thought, but only on rare occasion such as his encounter with Keynes's *General Theory* at Cambridge in 1937 did the academic constructs of the day influence him directly. Instead Galbraith drew on managerial sociology – on Weber, on Berle and Means, on Markham and Simon – to try to drag economics into the age of the corporation, the Planning System, countervailing power and social balance.

He did not succeed. Indeed in the last half-century economics has maintained a disciplined *cordon sanitaire* around Galbraith's ideas and work. It is not that he is engaged and rejected; he is simply ignored. And the sting of his prose style and his gift for image and metaphor are taken to detract from his *bona fides* as an economist. Real economists are supposed to be dull, and as their students know, in this one thing they largely succeed.

My father was both a creature and an architect of his time. He played a small role in the New Deal, a large one in World War II, he was involved in the postwar recuperation of Germany and Japan, writing the "Speech of Hope" delivered in Stuttgart by Secretary of State James Byrnes in 1946, and he advised on the Marshall Plan. His ideas suffused the New Frontier, the Great Society and the War on Poverty. More importantly perhaps in the long run, they framed a critique of corporate power and an agenda of new challenges – meeting public needs, sustaining countervailing power, defending the environment, liberating women from their assigned role in postwar capitalism as full-time managers of household consumption.

He favored decolonization, introducing (according to one recent history) the Algerian representatives of the FLN to Senator John F. Kennedy in 1957; he bitterly opposed the neocolonial and Cold War attack on Cuba in 1961 and the war in Vietnam, which he opposed in Kennedy's and Johnson's counsels from 1961 forward and in public from the start of the major escalations in 1965. Perhaps most important, he connected economic life to the problem of survival in the nuclear age, and worked to link the US and the USSR in a common quest for coexistence and convergence. In the fall of 1963 Kennedy asked that he consider taking the United States ambassadorship in Moscow. The purpose would have been to end the Cold War, twenty-five years before Reagan and Gorbachev achieved it.

For these reasons my father's intellectual approach was by instinct as well as conviction evolutionary. He was neither a revolutionary, nor a business cycle man, nor and above all not an equilibrium theorist. He wrote of the conditions of his time, which was the postwar era of the great American industrial corporation. He knew that glory was fleeting, and indeed he lived long enough to watch the world he had described unravel. This does not diminish his work; no more than (say) the fact that the USSR no longer exists devalues the contribution of those who studied it when it did. But for the main line of academic economists it is not actual conditions that matter but the construction of long-term equilibrium states; in this way they seek an intellectual immortality not available to the evolutionary mind. The cost is that to them the sequence of real world history is ephemeral; when specific conditions of this or that moment pass, they can be forgotten. And so it was with *The New Industrial State.* One of the most widely-read economics texts of all time, it was out of print in the 1990s, and practically unavailable when my father died in 2006. It has since reappeared in several editions, including one by Princeton University Press and another in the Library of America series, assuring that it will remain accessible, from this point forward, for future generations.

Let us therefore examine how the evolution of economic life over the past fifty years looks when observed from the point of departure of *The New Industrial State*. Here are some of the most crucial transitions:

- The breakdown in 1971 of the stabilizing postwar monetary regime created in 1944 at Bretton Woods, under pressure from the destabilizing policies of the United States, especially the Vietnam War, in an increasingly unfavorable competitive environment marked by the recovery and rise of Germany and Japan.
- The rising cost of resources, notably oil, in the 1970s, which undermined the cost structures of American industrial firms, combined with higher and unstable interest rates and periodic slumps, which placed them under financial pressure.
- The rise of competing industrial planning systems with technologies better adapted to the new conditions, notably in Japan but a bit later in Korea, and ultimately in China, whose low-cost consumer goods raised real wages while imposing a ceiling on money wages in the US and pressing against the labor share of total income.
- The financial counterrevolution of 1979–1982, which crushed the industrial unions, blasted the companies they worked for, resurrected the international dollar, and ultimately created the finance-dominated world in which we presently live.
- The reorganization of the technological function into highly-valued independently-capitalized firms, directly descended from and closely allied with state and military research and development, which then became in effect predators or parasites on the large integrated industrial corporations of which they were once a part.
- The world debt crisis of the early 1980s, bringing with it the collapse of world-wide economic development as it had been conceived-of in the post-colonial period, along with the collapse in the mid-1980s of resource prices and the breakup in 1991 of the Soviet Union, ending after seven decades the disciplined competition of an alternative system.
- The rise of a techno-financial state in America, with a bicoastal distribution of prosperity and the status of Global Minotaur in the structure of world trade, that is of a private-consumption economy fueled mainly by private debts, especially in housing but also automobiles, credit cards and student loans, with growth of the artifact of unsustainable and corrupt lending practices.
- The Great Financial Crisis of 2007–2009 and in its aftermath a world of slow growth, low investment, deteriorating public capital, flagrantly increasing inequalities of wealth and economic security and disillusionment, mitigated for incomes only by the effective continued functioning of the central institutions of the welfare state.

There are other aspects, but these seem to be the essentials. Bretton Woods was the overarching financial framework of the hegemonic American system established in 1945 as the British (and French) empires faded and the Cold War loomed ahead. It was predicated on American industrial supremacy and effective dominance if not monopoly of "free world" gold supplies. It could therefore not forever withstand the recoveries of Germany and Japan, the multinationalization of American industrial corporations and the US slide, accelerated by the Vietnam war, into permanent trade deficits. Only four years after the publication of *The New Industrial State*, Nixon closed the gold window and devalued the dollar, declaring himself a "Keynesian in economics" just as stagflation – the mixture of inflation and unemployment previously thought impossible – undermined the MIT-Keynesians' confidence in their ability to micro-manage the macro-economy. Galbraith cheered the imposition of price controls as a concession to practical necessity but the philosophical victory was Pyrrhic. Nixon's purposes were short-term, political, cynical and successful.

The oil price shocks of 1973 and 1979 were linked to political events – the 1973 Egyptian-Israeli war and the 1979 Iranian Revolution – but they were in part a reaction to the fallen dollar, in which oil was priced. They were experienced in America as general inflation, provoking the deployment of high interest rates as the anti-inflationary response. These in turn cut against the by-then aging US industrial capital stock, giving cost advantages to rising systems in Japan (and later, Korea) that minimized in-process transportation costs and inventories. The effect was a hard blow against countervailing power as trade unions declined, and a start to deindustrialization in the Great Lakes region, undercutting the political base of American social democracy, which had been rooted in the autoworkers, machinists, steel and rubber workers – a fact that 45 years later would fuel the rise of Donald Trump.

The competing Planning Systems especially of Germany and Japan meanwhile grew and flourished, under post-war demilitarization, New Deal-inspired social democracy and assured access to larger markets, Europe in the case of Germany and the United States for Japan. Neither country ever abandoned their Galbraithian corporations nor the countervailing powers that protect those enterprises from control fraud, "*nomenklatura* privatization", looting and self-destruction. And so they grew, eventually displacing major US industrials not only in third-country markets but within the US itself. The process could be managed to a degree with quotas, known as "voluntary export restraints," but only with the somewhat perverse effect of moving the newcomers into higher-quality, higher-cost and higher-profit market segments, thus setting them up for market dominance as incomes grew.

The financial counterrevolution launched by Paul Volcker in 1979 and supported by Ronald Reagan when he took office in 1981 accelerated these changes. It blasted the corporations and crushed the unions, restored the dollar and deepened the trade deficit, reduced tax rates and so gave those who controlled companies a powerful incentive to distribute earnings, especially to themselves. An economy of organizations gave way to an economy of oligarchs; industrial power gave way to financial power, which in turn fostered a new wave of consumer prosperity built on globalized production systems and private debts, combined with remilitarization supported by public debts. In this way prosperity gained from financial power could be (and was) translated into purchasing power, but on an increasingly unstable base of rising inequalities in the underlying incomes.

As control shifted to finance, the industrial sector reorganized, separating and concentrating its technological functions to take advantage of the digital revolution, and not coincidentally to isolate and concentrate financial wealth in the hands of those who controlled the technologies. This in turn occasioned a spatial reorganization of the country: the rise of California (and the West) as the technical counterpart of the financial East, with “flyover country” in between. The world-dominant US industries were now the most advanced and most closely linked to the American military, such as informatics, communications, and aerospace. Again a political transformation followed, as America’s wealth centers attracted and fostered social liberals and libertarian progressives, giving the Democratic Party, now disconnected from the industrial working classes, a new political base. Reagan’s California became the country’s most important Democratic state. But for the old-line industrial corporations, the loss of the technical function meant a further relative decline. Apple would become a trillion-dollar corporation by market capitalization; General Electric and IBM would struggle to survive.

The financial counterrevolution overthrew decades of developmental industrialization around the world, forcing much of the world into a new dependency on the American market as the one sure source of global purchasing power and financial self-defense. Commodity prices and producers collapsed, undermining and eventually destroying the USSR while the US market for consumer goods opened to a rising China. When the Soviet Union fell, the followers of Hayek, Friedman and Samuelson moved in; prices were decontrolled and industrial production collapsed, unleashing a human calamity comparable in the effects of doctrine on life to the Irish famine or the Versailles Treaty. It took Russia two decades to recover in part, and some parts of the old USSR, notably Ukraine, have not recovered still. But China remained resolutely Galbraithian. Practical price stabilization is as old as the Chinese empire and (as noted above) the Chinese had read and studied Galbraith on price control. That his influence extended there was something I came to realize in the early 1990s when I was hired to serve as

Chief Technical Adviser to the State Planning Commission for Macro-economic Reform and Strengthening Institutions. That China's success came in part at the expense of the American industrial corporation goes without saying. But it may also be said that, looking out over the industrial terrain of the 21st century, the three greatest success stories – Germany, Japan, and China, alongside Austria, Korea and a few others – are the three Galbraithian States. The question whether Russia will join them hangs in the air.

Meanwhile America has moved on. Our faith is in technology and finance buttressed by military power – an unbalanced and unstable system dependent on a transient dynamism and the caprice of private debts. Already in the early 2000s we exposed the hollow character of military power projection in a modern world where decisive advantages always rest with the indigenous population and the defensive technique. Iraq and Afghanistan continue to underscore this reality; Syria has recently driven it home. So we now take up the financial weapons – tariffs and sanctions. But what can these evoke except an eventual change in the world financial regime? For the moment such a change appears remote; the US financial advantage lies in size and stability. But for how long?

And the American population, though still largely stable and prosperous, and bolstered for the moment by the return of low-cost energy in the form mainly of natural gas, is deeply worried, insecure and increasingly angry. Slow growth on one side and climate change on the other: intractable challenges hang over us all. People know when they are expendable, and they react. Donald Trump is the cross we bear for failing to recognize this sooner, and for failing to plan to avoid it. It is, in short, precisely the eclipse of John Kenneth Galbraith's ideas in the country that spawned them, which sketches out for us the perils of our present direction.

CONCLUSION

In these conditions, a New Pragmatism is most urgently required. We are fortunate to have Grzegorz Kolodko to argue, with his ferocious energy and eloquence, for the imperative of a down-to-earth, practical and pragmatic economics, rooted in the problems that we actually face and must address both for the well-being of our countries and economies, but also for the survival of human and indeed all forms of life on the planet. This volume attests – perhaps – to an awakening along these lines. Perhaps the seeds of a new pragmatism will now take root, and help us find the way out.

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