

Book Review

Blandine Laperche, James K. Galbraith and D. Uzunidis, eds.
Innovation, Evolution and Economic Change: New Ideas in the Tradition of Galbraith
Northampton MA: Edward Elgar, 2006

Reviewed by Howard A. Doughty

In 1971, President Richard M. Nixon was widely quoted as saying “We’re all Keynesians now.” He didn’t say it. The man who did say it six years earlier in (where else?) a cover story by *Time* magazine was none other than Milton Friedman, the right-wing monetarist economist and the brain behind Chilean dictator Augusto Pinochet’s experiment in pure market economics. He maintained until his death in 2006, of course, that his words had been taken out of context and that he meant only that Keynes had an influence on 20th-century economics. It was the least he could do.

If Keynes was the iconic figure in the field from the Great Depression to the Great Society (neither of which turned out extremely well), John Kenneth Galbraith towered literally and figuratively over liberal economics during the second half of the century. Standing close to 6’ 9” (206 cm), he cast a long shadow over the United States and the world. From humble beginnings (he was born on a farm in Iona Station, Ontario and received an associate’s degree from the Ontario Agricultural College as his first formal academic credential, he rose in status to become an American citizen, a principal bureaucrat in the reconstruction of Europe, John F. Kennedy’s Ambassador to India, the author of numerous wildly popular (for an economist) books and a witty and able television personality. As public intellectuals of his day went, he was among the most talented, the most politely sardonic and the most able to hold his own with the likes of William F. Buckley with whom he was often paired for the enlightenment of American audiences. As Kurt Vonnegut described them, the friends “bickered amusingly for an obscene amount of money whenever a presidential election campaign afforded them the opportunity.”

It is often argued that Galbraith was less an economist than a popularizer of economic theories—most often those derived from Keynes. Put absurdly crudely, the idea the original Keynesians promoted was that it was the job of government to level off increasingly volatile business cycles by taxing in good times and spending in bad. Generally speaking, it seemed to work, at least until we largely ran out of good times.

Such a characterization is at least a little unfair. Galbraith’s own contribution to the understanding of modern economic life was formidable. It came, however, more in the outlines of the relationship between the corporation and the state and the ties between business and government which progressively strengthened and ultimately solidified the control of financial, commercial and manufacturing elites over the polity. By these lights, General Dwight D. Eisenhower could have been called a “Galbraithian” (if the term could come a little more smoothly off the tongue) when he warned of the emerging “military-industrial complex.” By that time, Galbraith had written his books *American Capitalism*, *The Affluent Society* and *The Liberal Hour*. Soon enough he would capture the imagination of a wide range of citizens with his volume, *The New Industrial State*. By the time of his death in 2006, he would have produced

more than fifty other books including *The Age of Uncertainty* (a companion to his remarkable BBC television series), a novel and a book about painting in India.

In producing a collection of essays intended to carry on his tradition, the editors (including his economist son, James K. Galbraith, and with the aid of a foreword by the great man himself) do something unusual in books of this sort: they do precisely what they said they would do. Not content to offer pious homilies and paeans to Galbraith's legacy, they genuinely push his ideas and, more often, his inspiration forward into the future. And, considering the future, if they have succeeded, they appear to have achieved their purpose in the nick of time. Galbraith passed away, after all, on the cusp of what some worry is a "perfect storm" of fiscal uncertainty, dubious "stimulus packages," unrelenting unemployment and enduring worries about inflation or (just slightly more likely but certainly more dangerous) deflation ... to say nothing of overpopulation, exhaustion of finite resources and climate change.

In a sense, the editors are fortunate that they produced their anthology immediately *before* the financial collapse of 2008. As a result, they escaped the temptation to lurch from headline to headline as various catastrophes emerged and receded, each one leaving an apparently indelible stain of the theory and practice of capitalism. By seeming to stand back, they afford some perspective.

Despite the hyperbole of the radical right, neither Keynes nor Galbraith were Marxists or anything remotely of the sort. Their efforts were designed to save capitalism from itself. They did this not only through sober policy advice to whoever would listen, but also in terms of adroit analyses of what seemed to be the obvious realities (and banal bromides) of their days. So it was that Galbraith, as appalled as anyone at the excesses of capitalist behaviour, refrained from overexcited moral conceits and performed a dispassionate deconstruction of the institutions and ideologies of the hegemonic capitalist economy. By revealing the world as it was, he let it speak for itself of its inadequacies and betrayals. Unlike somewhat simplistic class analysts who paid the bourgeoisie the high compliment of knowing what it was doing, Galbraith looked deeper.

Among the first to elaborate a theory of ownership of the means of production which actually separated share-owners from effective control and saw clearly how power had devolved to a new managerial hierarchy with specific knowledge of a firm's business practices, he helped muddy up the Marxian notion that ownership of the means of production alone conferred the ability to dominate any economic system and was therefore the singular locus of domination and exploitation of working people.

Galbraith's insight did not, of course, mean that exploitation did not exist, but it did leave some doubt about who, if anyone, was actually in charge. A major question that he raised was whether the new technocratic class has, in effect, replaced the owning class or merely colluded with it as comparatively high-priced help. In seeing that ownership itself has increasingly passed to collective entities such as worker pension funds, mutual funds and the like, Galbraith understood that the "absentee" owners of whom Adam Smith disapproved, had largely been supplanted by financial controllers with the capacity to make multi-billion dollar decisions with other people's relatively small individual but huge aggregate investments. In *Innovation, Evolution and Economic Change*, a pertinent chapter by Luc Mampaey and Claude Serfari deals with this and related matters and produces a post-Galbraith assessment of the state of the military-industrial

complex that makes it even more ... well, complex. The managers, especially of mega-corporations assembled by corporate acquisition rather than growth have, in their view, moved away from actual managerialism to enter the domain of financial and policy manipulation. So, while President Eisenhower might have feared the influence of generals and corporate CEOs in arranging a mutually supportive symbiosis irrespective of the public good, the tradition of Galbraith expands this to an understanding of ominous patterns of perpetual war and rumours of war orchestrated by a “military-industrial-congressional-ideological complex” with powers considerably greater than those of merely corrupt public servants and acquisitive entrepreneurs.

Understanding also that it has been the very success of capitalism that may also be the key to possible collapse. Sophie Boutillier takes up the theme in another excellent exploration of “the end of capitalism.” Following Galbraith’s lead, she does not foretell an apocalyptic uprising of enraged proletarians, but quietly outlines the “internal contradictions” expressed well enough by Marx, but also inherent in the early theory of Adam Smith and in the work of the twentieth-century economist Joseph A. Schumpeter, who gave us the charming idea of “creative destruction” as one of modern capitalism’s finest assets. It is the cancerous overproduction of a capitalism unmoored from a solid sense of social responsibility that is the ultimate source of disequilibrium.

Nor are ethical and moral concerns absent as the authors press Galbraith’s basic ideas down new and explicitly evolutionary paths into environments that are changing and intensifying in their demands. For Galbraith, there was an innate moral sense implicit in what was called the “consistency principle.” If a stable link could be forged among the goals of individuals, of organizations and of society, then an economic (or any other) system could be expected to flourish. The problem with the present state of capitalism is that this stability is threatened not immediately by restive and resentful forces within it, but by the asymmetries of power and of knowledge which distort relationships and may yet give rise to the unrest. According to contributor George Liodakis, the unabated quest for corporate profit—most visible in the casino capitalism of unregulated speculation, the marketing of derivatives and assorted toxic assets—is producing a system of “totalitarian capitalism.” Characterized by relentless transnational expansionism and fueled by monopolistic practices with regard to emerging technologies, this evolving economic dynamo presents real challenges and opportunities.

While it is easy to overstate the degree of real as opposed to perceived globalization (as Ian Fletcher has elsewhere pointed out, although “liquid financial capital can indeed flash around the world in the blink of an electronic eye, this is only a fraction (under 10 percent) of any developed nation’s capital stock.” Moreover, as Canadian banker-politician John MacCallum has argued, even regional trade is not as extensive as some imagine it to be for, despite the encouragements of the North American Free Trade Agreement, “trade between Canadian provinces is on average *20 times* as large as the corresponding trade between Canadian provinces and American states.” Nonetheless, international and regional interdependency is a strong and possibly growing force. It therefore calls into question issues of control, national sovereignty and the role of the state.

The authors are generally agreed that both the reality and the rhetoric of free markets is woefully inadequate. Complacent to the point of delusion, we describe what is, in fact, an oligopolistic global economy in the language of the eighteenth-century farmer’s market, and we too often stand bewildered and ineffective when our economic structures unsurprisingly fail to yield the

prosperity and security which the great Enlightenment thinkers forecast. So, for instance, Jerry Courvisanos, Andrée Kartchesky and Muriel Maillefert, in their contributions, look at the political economy and decision-making arrangements in contemporary industrial capitalism and the pattern of change they displays—not always a pattern that assures us of a healthy outcome. Their purpose, like that of their colleagues, is to distinguish between ideas and ideologies. The results are uniformly well supported, well argued and sometimes surprisingly penetrating reassessments of what has become received wisdom in policy-making circles. In doing so, they set up both capitalism's internal drive for innovation and the pressures of still at least minimally democratic governments and public interest groups as the principal mechanisms whereby the dynamo might yet be controlled and put to better use if, that is, it does not blow its gaskets too soon either producing catastrophic conflicts, collapse of the systems of production and distribution or the failure to control systemic ecological breakdown.

Throughout, both technology and the organization of technological change through various public and private bureaucracies—the technostructure—are rigorously examined from the perspective of Galbraith's assumption that it is technical knowledge and not capital itself that is the crucial strategic factor of production. How asymmetries of knowledge, backed up by remaining stores of material wealth and the state's exclusive monopoly on armed force can restore the balance among individual, institutional and societal goals is presumably the supreme political test of our time.

Shaping the discussion of this test, the contributors to this volume bring a variety of backgrounds and particular skills to the task. Though they are mainly of European origin, they represent a substantial diversity of cultures and professional insights. They can therefore be trusted to apply their cosmopolitan knowledge to common problems without excessively catering to parochial ideas and interests. Disdaining the overarching pessimism that too easily terminates serious discussion of real problems, they offer no more than qualified and conditional suggestions for tonic change, all rooted in both a thematic and chronological understanding of Western society's passage to the present. There is not much more that attentive readers can legitimately ask.

In the process, they acknowledge their debt to John Kenneth Galbraith, but they are not in thrall to him. They take both what can be applied directly and what can be modified and adapted to meet new circumstances. Lacking a doctrinaire commitment to his precepts and occasionally displaying the tempered good humour which he embodied, they set about a serious project with calm determination. Occasionally light-hearted but never light-headed, they offer sage advice when they can and meticulous diagnoses, even when the proper therapy is not immediately apparent.

In doing so, they keep alive the civility that was, for Galbraith, the precondition for useful work.

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