

# Devastating Iconoclasm

KCSen

The Affluent Society by John Kenneth Galbraith. Hamish Hamilton. London, 1958. Pp 277. Price 21s.

PROFESSOR GALBRAITH has achieved fame by the brilliant and incisive manner in which he has been employing his critical and iconoclastic skill in analysing the economic, and partly the sociological, aspects of American society. His exercises in iconoclasm—he frankly declares that destructive criticism is the first necessity in America have exposed many fallacies underlying what he has termed the "conventional wisdom", which, he shows, was really applicable to an age of mass poverty but is no longer, in the main, applicable to the "affluent society" of modern America; for instance, the theory of the free market and competition, Ricardos iron law, the Marxist prophecy of the increasing misery of the masses, the self-correcting law of trade cycles, the consumers' sovereignty operating in purity, the undesirability of state interference, the necessity for balanced budgets, etc.

In his *American Capitalism*, published in 1952, he showed how industry in that country had ceased to be strictly competitive and was, in the main, oligopolistic, and he formulated his theory of "countervailing power" arising out of trading corporations, departmental store chains, co-operative buying organisations, etc, which have developed power as buyers to keep in check the market power of those from whom they buy.

## Production Sacrosanct

In America, production has achieved the sacrosanct position of the supreme goal of all industrial activity; and to support it has arisen the "dependence effect" by which wants are artificially created by advertising, salesmanship and expansion of consumer credit. Thus production has lost "its pristine urgency" and "reflects the low marginal utility of the goods to society". At the same time, as the process of production continues to be of nearly undiminished urgency as a source of income, thus reflecting the high total utility of a livelihood to a person, income and employment are to be regarded as the basic economic concern of American life.

The preoccupation with production at any cost has resulted in certain obvious imbalances. One effect is creeping inflation, against which monetary and fiscal controls are largely ineffective and undesirable; one is in conflict with the emphasis on growth and the other is sharply at odds with the commitment to a level of output that ensures full employment and economic security. The second serious consequence of the emphasis on production is that an inadequate margin is left for defence, technical progress, social priorities, municipal services, education and other public services. What has to be spent on such objects is regarded as a burden on the community, as opposed to the desirability of investment for increase in production

## Unemployment Compensation

Two important remedies suggested by Galbraith for the correction of the present imbalance, which threatens not only social security but production itself, are a system of unemployment compensation, in addition to the current unemployment insurance, old age and survivors' Insurance, etc and a more expanded use of indirect taxes like the sales tax. As regards the first, his proposal is that unemployment compensation should be increased as unemployment increases and diminished as full employment is approached—a system designed by him as Cyclically Graduated Compensation or, more conveniently, C G C. This would break the nexus between output and economic security and eliminate the hazard of depression unemployment for the worker, and by stabilizing demand would go far to mitigate the threat of depression. The effect of C G C would be to make tolerable the unemployment which is associated with price stability.

The rationale of the sales tax is provided by the fact that the community is affluent in privately produced goods while it is poor in public services. The opposition of the liberals to this tax has made them the effective enemy of social balance. Galbraith's remark on such

opposition is that it provides an interesting example of how ideas, as they remain stereotyped in face of change, can force those who hold them into roles inconsistent with their own professions. The increased use of the sales tax, however, is not intended to be a substitute for the income tax.

## Social Imbalance

Galbraith also considers it possible to take limited action to restrain the interaction of prices and wages; e.g. when wage increases are held to require a price increase they might be subject to ratification by a public tribunal or one on which representatives of management, labour and the public participated.

There is no ground for the suggestion that to divert more resources to public use will be to imperil private production. The risk lies in another direction—that the reliance on private goods is by methods that threaten the stability of demand, and that social imbalance imperils the prospect for long-run economic growth. Though it is difficult to formulate a precise definition of social balance or equilibrium, when the balance is reached, after traversing a long distance from the priority given to private goods, "the opulence of our private consumption

## Notice to Subscribers

Subscribers are requested to inform us regarding non-receipt of their copies within a fortnight from the date of publication.

It will not be possible to replace a missing issue, free of cost, unless timely intimation is given.

Complaints can be attended to promptly, if subscribers kindly remember to mention their Subscription Number while writing to us.

**The Economic Weekly**

104, Apollo Street,

Bombay-1.

January 3, 1959

will no longer be in contrast with the poverty of our schools, the unlovetiness and congestion of our cities, our inability to get to work without struggle, and the social disorder that is associated with imbalance".

### Security and Survival

The main argument in this book has been directed to showing how extensively the present preoccupations of the affluent society of the United States mostly all with the production of goods are compelled by tradition and by myth. The final chapter is entitled "On Security and Survival". It refers to the Soviet Union's "breath-taking series of scientific and technical advances." and the author has drawn the moral that American failure to match this achievement was the result of failure to concentrate on the requisite resources for the desired ends this, in its turn, is the result of the fact that the economy, and the economic theory used to rationalise its behaviour, "immobilizes all but a minor fraction of the product in private and, from the standpoint of national security, irrelevant production". The problem is that of a new attitude towards the goals of society itself. This problem would remain even if the Russians were to disappear from the world.

Incidentally, Galbraith has no faith in the safety or security which derives from an increasing arms race; if the possibility exists, he would prefer the risks of negotiation and settlement. The basic demand on America will be on its resources of ability, intelligence and education the rest being the effectiveness of the investment in men; this generalization, in a day of grandiose generalizations, Galbraith says, can be made with confidence. The final hope for survival security and contentment rest on the nation's capacity for guiding resources to its most urgent needs: this is the next task for American society.

### No Comment on Public Ownership

The book purports to be a study of the economic facts and problems of the USA and it is doubtful how far its conclusions can serve as a guide to other countries. Conditions in Great Britain are dissimilar; the 'Economist' has characterised the book as "perverse, muddleheaded, provincial and dangerous", and as likely to encourage delusion. The

Proposed C G C would be regarded in most other countries as undesirable feather-bedding of labour. The imbalances in American society may not entirely be due to the "conventional wisdom" in the shape of outdated economic theories or ideas. Such theories may exercise a psychological effect on some people but can hardly suffice to explain the general behaviour of a whole population. A campaign for proper perspective and higher ideals for the regeneration of society, however massive, may achieve very limited success. Nor is it likely, unless the public are converted, that the government of any country will be able to carry through legislative and fiscal or monetary controls that an ideal theory may demand. There are powerful vested interests which will fiercely resist such controls,

A complicated system of taxation, as the sales tax has proved to be in this country, would be limited in its efficacy in raising the revenue for the purposes Professor Gaibraith has in view. He has no comment to make on public ownership and the share it may have in shouldering the finance needed for public services, or on government-sponsored aid to underdeveloped countries as an outlet of the country's productive power for the satisfaction of human needs elsewhere. In a recent article in 'Foreign Affairs' he has found that the conditions in India are so unlike those in the U S A or the Soviet Union that it is undesirable for our country to be guided by the model of either country. But at least his penetrating analytical skill, his humanity, his passion for finding the right foundations of his nation's happiness, the devastating iconclasm and the courage with which he lays bare the falsehoods and illusions of his contemporaries all these deserve to be emulated by all in our country who apply their minds to economic matters.

Professor Gaibraith has sounded a warning against continuance of the present economic system of his country and the outlook and attitudes that stem largely from the Keynesian system: Keynes did not foresee that what was implicit in his ideas would "soon bring us to the time when not total output but its composition would become the critical matter". In this sense this is an exercise in revolutionary criticism. The constructive and remedial parts of this book are not

strong, but this is because its chief motif, as he himself says, is not constructiveness but destructive criticism, and a stringent analysis, which are surely its sufficient justification.

## The Economic Weekly

Available from:

### Allahabad :

*The Universal Book Company,*  
20, Mahatma Gandhi Marg.

### Aligarh :

*The Singhal News Agency,*  
Parao Dubey.

### Aurangabad :

*Vootan Agencies.*

### Bikaner :

*The Rajasthan Pustak Grah,*  
Kote Gate.

### Bombay :

*The International Book House*  
*Private Ltd.,*

9, Ash Lane,  
Mahatma Gandhi Road.

*The People's Book House,*  
15, Cawasji Patel Street.

### Calcutta :

*Foreign Publisher's Agency,*  
15/3, Chowringhee Road,  
Grand Hotel Arcade.

*Parija Bros. & Company,*  
81, Harrison Road,  
College Street Junction.

*Sree Gopal Grantha Mandir,*  
41B, Rash Behari Avenue.

*W. Newman & Co. Ltd.,*  
3, Old Court House Street.

### Gauhati :

*People's Book Forum,*  
Panbazar.

### Imphal :

*P. C. Jain & Company,*

### Jodhpur :

*Dwarkadass Rathi.*

### Lucknow :

*British Book Depot,*  
Hazratganj.

### Mathura :

*Rath & Company,*  
Tilohi Building, Bengali Ghat.

### New Delhi :

*The Central News Agency,*  
23/90, Connaught Circus.

### Rajkot :

*Universal Book House,*  
Railway Junction.

### Tiruchirappalli :

*M. Palani & Company,*  
Teppakulam.

### Trivandrum :

*Prabhat Book House,*  
Main Road.