Anarcho
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In memory of a flawed economist whose work is worth reading as he understood the role of power in the market.



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April 29th saw the death of economist John Kenneth Galbraith at the grand old age of 97. While his books were popular in the 1950s and 1960s, his influence and ideas grew out of fashion in the 1980s with the rise of neo-liberalism. This is understandable, as his analysis was far too realistic to be useable by the ruling elite to justify their power, profits or policies.

Galbraith firmly saw the role that economics played in justifying capitalism and elite rule. In Galbraith's vision, economic power was a fact which could not and should not be ignored and any form of economics which did was just apologetics for injustice and inequality. As he put it, "the most damaging feature" of mainstream economics "is the arrangement by which power … is removed from the subject." He noted that while it may hard to ignore such an obvious fact, economists do manage it.

His analysis of the economy was based on the obvious fact of corporatepower. One section of the economy reflected, to a degree, the vision of many competing firms but the other, dominant, section did not. Here was corporate power, with substantial economic and political power and economics, consequently, had to analyse it in a different way. Sadly, most economists did not follow his lead.

In response to rising economic power, Galbraith pointed to the development of what he termed "countervailing power." For example, the rise of corporate power saw the rise of union power to protect their workers. While anarchists may suggest getting rid of economic power to start with, Galbraith's starting point was correct – an awareness of reality and the current structure of the economy. Such a perspective goes not make you popular in elite circles, unlike those economists who justified the weakening or elimination of such countervailing institutions as trade unions in terms of an economic model which ignored capitalist power.

Nor were his ideas were popular with mainstream economists firmly wedded to the mathematical illusions of neo-classical economics. This did not surprise Galbraith, for as he put it economics is dominated by a perspective in which "it is a far, far better thing to have a firm anchor in nonsense than to put out on the troubled sea of thought." He rightly recognised mainstream economics for the nonsense it is, arguing that its vision of society "is not real." Rather than analyse reality, economics evaded it and asserted that the economy worked "as if" it matched the unreal assumptions of neo-classical economics. No other science would take such an approach seriously. In biology, for example, the notion that the world can be analysed "as if" God created it is called Creationism and rightly dismissed. In economics, such people are generally awarded professorships.

While anarchists may reject his reformist strategy and statist perspective, his critique of capitalism and economics is thought provoking, realistic and witty. Little wonder he never got the so-called Nobel prize in economics (that it was awarded to that charlatan Milton Friedman says it all). If economics ever does become a science, Galbraith will be fondly remembered as one of its key trailblazers. For anyone interested in his ideas, I would recommend **"The Essential Galbraith"** (Mariner Books, ISBN: 0618119639) as an excellent starting point.



His most famous quote is, I think, his concise summing up of supply-side economics (or neo-liberalism as it is called today), namely "that the rich were not working because they had too little money, the poor because they had much." Ironically enough, a few weeks after his death corporate capitalism proved his words are still as applicable today as telecommunications corporation Cable & Wireless has triggered a row with the Communication Workers Union (CWU) by unveiling a £220m bonus scheme for senior managers just weeks after announcing 3,000 job losses.

The bonus scheme (rightly condemned as "outrageous" by the CWU) comes just before the company is expected to announce full-year profits of about £220m, a drop of £148m down from last year. The plan is to see the two divisional bosses have their salaries raised to £600,000 and give them the chance to earn £22m each if certain targets are reached at the company. Meanwhile the groups managing director is to receive a similar amount and an additional 1m shares (with no performance criteria).

That must be a new definition of performance related pay – see profitsdrop and get a pay increase! Meanwhile, workers received an email earlier this year warning them of job losses and telling them they all needed to work harder. In other words, work harder or be fired. As such, it is hardly surprising that the company thoughtit could follow up the job losses with huge new pay packages for directors. Job losses are a great way to increase profits by making the remaining staff work harder for longer. There is nothing like fear to keep wages down and profits up.

Of course, it may be considered strange that such high amounts are required to get the executives to do what, surely, must be considered part of their normal job but Galbraith would not be surprised. That is why he is still worth reading today, in spite of his flaws.