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# Sisyphus as Social Democrat

By *J. Bradford DeLong*

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If there were justice in the world, John Kenneth Galbraith would rank as the twentieth century's most influential American economist. He has published several books that are among the best analyses of modern U.S. history, played a key role in midcentury policymaking, and advised more presidents and senators than would seem possible in three lifetimes. Yet today, Galbraith's influence on economics is small, and his influence on U.S. politics is receding by the year.

In this lively and thoughtful biography, Richard Parker sets himself the task of explaining Galbraith's career: why it was so dazzling, and why its long-term impact has turned out to be so much less than expected. The result is not only the story of a smart, witty, and important man, but also a fascinating meditation on the rise and fall of twentieth-century American liberalism.

## A MAN FOR ALL SEASONS

That Galbraith's career has been dazzling nobody can dispute. Professors of post-World War II American history can still do no better than to assign his books *The Affluent Society* and *The New Industrial State* to teach students how the midcentury U.S. economy came to dominate the world (and what should have been done to make it work better). Anyone wanting to learn about the beginning of the Great Depression should start with *The Great Crash*; there is no other history of the stock-market crash of 1929 that is as short and even half as worthwhile. During World War II, Galbraith helped run the Office of Price Administration, working to square the growth-inflation circle by pushing production far above economists' measures of potential output without sparking runaway price increases that would threaten the economic mobilization. And after the war, his work on the Defense Department's "United States Strategic Bombing Survey" made Washington rethink the efficacy of its standard war-fighting policy -- staying high in the sky and dropping lots of explosives on all kinds of people far below -- although perhaps the rethinking did not go far enough.

Lots of ideas in the background of contemporary U.S. political and economic thought are Galbraith's. His work as an economist was a scattered but comprehensive attempt to think through the consequences of the transition from a nation of small farms and workshops to one of large factories and superstores. In doing so, he took on many of the questions most central to the new U.S. economic landscape: How much can advertising shape demand? In a world of passive shareholders, autonomous managers and engineers, and firm decisions that emerge out of internal bureaucratic contests, just what are the objectives that drive big firms? How does competition work when its principal dimensions are quality and marketing rather than price? And critically, how do the limits of polite discourse allow the system to hold itself together while constraining its flexibility?

For decades, Galbraith's influence in politics was unmatched by any other economist. The pieces of his advice best remembered are those that went against the "conventional wisdom" (a now ubiquitous phrase that Galbraith coined): strategic bombing did not win World War II; Vietnam was a strategically unimportant quagmire where the United States would do more harm than good;

macroeconomic "fine tuning" is likely to blow up in the face of policymakers; the businessman's capacity for self-delusion is nearly infinite. Galbraith sees the United States as a would-be social democracy that has lost its way, assuming that if only the self-serving declarations of the right could be wiped away, the benefits of a bigger, more activist government would become obvious to everyone. The right-wing claim that the most efficient economy is one in which the gales of perfect competition scour the land is, in Galbraith's view, nonsense. Modern industrial and post-industrial production is a large-scale process, large-scale processes require planning, and planning requires stability -- which means that the gales of the market must be calmed.

This political vision, however, has been in retreat since the early 1980s. Nobody wants to hear about the importance of Big Government, Big Bureaucracy, or Big Labor (which hardly even exists). Galbraith's economic views have undergone an even more distressing eclipse. Among economists (excluding economic historians), the 70-year-olds have read Galbraith and think he is very important; the 50-year-olds have read Galbraith and know that the 70-year-olds think he is important but are not sure why; and the 30-year-olds have not even read him.

Parker has an explanation -- a relatively convincing one -- for the retreat of Galbraith's politics. The story behind it is the Democratic establishment's loss of nerve. Too many party intellectuals and politicians drink cocktails on Martha's Vineyard, in Parker's view, and too few spend time on the shop floor learning what issues are important to those sweeping up or manning an assembly line or tending the convenience-store cash register from midnight to six a.m. Thus, the mass base of the Democratic Party has withered, and without a mass base Democratic politicians listen too much to their rich contributors and turn into Eisenhower Republicans -- people who are interested above all in balancing the budget. Galbraith, a committed social democrat, has wielded his pen and his tongue in an effort to halt this decades-long rightward drift. But he has failed: his allies are too few, and the loss of nerve among the party elite is too complete.

Parker also has an explanation -- also a relatively convincing one -- for the eclipse of Galbraith's economic thought. The story here is of the blindness of an academic establishment steeped in Paul Samuelson's *Foundations of Economic Analysis*. Economists, Parker believes, have sold their birthright for a tasteless pottage of mathematical models. As a result, they can say much about theory but little about reality. And they ignore Galbraith because he is a guilt-inducing reminder of how much broader and more relevant economics can be.

#### WHAT WOULD GALBRAITH DO?

This explanation, however, is far from complete. Late-twentieth-century American economics centers on the use of mathematical models to reach one of two conclusions: that the market is already doing a good job, or that some imperfection is causing "market failure" and correcting or counterbalancing the imperfection will make everything okay.

Thus there are New Classical macroeconomists, who believe that the market works fine and that even depressions are necessary and inevitable; Monetarists, who believe that recessions result from failures in the banking system, which can be corrected by ensuring stable growth of the money supply; and New Keynesians, who are indistinguishable from Monetarists save for their identification of market failures in the labor market or in the investment decisions of firms. In all these cases, it is clear what an economist must do to belong to a particular school: start underneath the lamppost, take a few steps in one direction by describing a market failure, and then start searching for lost keys. New Classics master the solutions of "dynamic stochastic general-equilibrium representative-agent models." Monetarists analyze the details of the financial system in an effort to define a "neutral monetary policy." New Keynesians trace the implications of subtle differences in labor- and capital-market failures.

Just what a "Galbraithian" economist would do, however, is not clear. For Galbraith, there is no single market failure, no single serpent in the Eden of perfect competition. He starts from the ground and works up: What are the major forces and institutions in a given economy, and how do they interact? A graduate student cannot be taught to follow in Galbraith's footsteps. The only advice: Be supremely witty. Write very well. Read very widely. And master a terrifying amount of institutional detail.

Harry Johnson, in his superb but not entirely fair critique of Milton Friedman's Monetarists, said that in order to carry out an intellectual revolution in economics, one must propound a doctrine that has three qualities: it can be summarized in a single sentence, it provides the young with an excuse for ignoring the work of their elders, and it tells the young what they can do to further the revolution. John Maynard Keynes and Friedman both offered such doctrines. They said, respectively, that "aggregate demand determines supply" and that "inflation is always and everywhere a monetary phenomenon"; they dismissed their predecessors as obsolete; and they set hundreds of young to the task of estimating consumption, investment, and money-demand functions.

Galbraith propounded no such easily summarized doctrine. The closest we can get is: "the world is complicated, and both right-wing ideology and the conventional wisdom that is this age's self-image are terribly wrong." He offered critiques that required you to read and understand old theories, not new theories that allowed you to dismiss everything prior as irrelevant.

The result? Nearly all economists today are Paul Samuelson's children. Many are Keynes' children. Friedman, Robert Lucas, Robert Solow, and James Tobin all have plenty of descendants. But there are few Galbraithians on the ground. Would economics as a discipline be stronger if the 50-year-old and 30-year-old economists had a better appreciation of Galbraith? Almost surely. Will the winds of economic fashion shift and cause economists to appreciate Galbraith once again? For that to happen, an astute young economist would have to devote himself to "mathing up" chapters of *The Affluent Society* and *The New Industrial State* and publishing them in journals -- not a likely prospect in today's risk-averse academic environment.

#### ALGER LIVES

Galbraith's life traces an arc through an age in which three gigantic shocks appeared to transform U.S. politics. The Great Depression convinced the upwardly mobile that they could be downwardly mobile too, the middle class that it and the working class had common interests, and high-wire entrepreneurs that even they needed government to provide a strong safety net -- hence Franklin Roosevelt's New Deal. Then the self-destruction of the Republican Party in the wake of its takeover by Barry Goldwater led to a decade of Democratic dominance that brought forth Lyndon Johnson's Great Society. And finally, with the advent of Richard Nixon's "southern strategy," the base of the northern Democratic Party moved to the left, leading to a decade of southern conservative Democrats voting for northern Democratic liberals to chair committees and run Congress. This was the age of Galbraith's ascendancy -- an age during which the United States looked to be moving ever closer to his vision of the good society.

But all these shocks turned out to be temporary. The middle class no longer fears impoverishment at the hands of another Great Depression, as it did in the 1950s, and it is less certain that it shares interests with the working class. Republican legislators may still feel that extremism in the defense of liberty is no vice, but they are now smart enough to keep quiet about it. The Democratic South has morphed into the Republican South, and enough electricity to power Illinois and New York could be produced if only one could attach magnets to Abraham Lincoln and William Seward as they spin in their graves.

What has survived throughout is the American myth of rugged individualism, and it is this that Parker's political story neglects. The power of this myth has meant that the United States is not, and never will be, a European-style social democracy. People may come together for barn raisings, but America is still the land of upward mobility and opportunity, where the most common questions are, I've done it, so why haven't you? and Doesn't this social solidarity stuff mean that I've got to pull more than my share of the weight? In spirit, it is still a nation of upwardly mobile immigrants blessed with an abundance of resources (free land) and an absence of government constraints (free labor).

Galbraith would say, sardonically, that this national self-image is just another fraudulent piece of conventional wisdom -- nurtured by the delusional, who cannot see reality, and the rich, who see it all too well but know that such delusions make them richer and more powerful. And Galbraith would be more than half right. But this self-image is also a very powerful social fact, and this more than anything else explains his waning influence on U.S. politics. It is not that the Democratic establishment has lost its nerve or been seduced by law firms and lobbyists; it is that the old

Horatio Alger myth has proved extraordinarily durable.

At the beginning of the twenty-first century, it has become clear who John Kenneth Galbraith really is: Sisyphus, constantly pushing the boulder of social-democratic enlightenment up the hill. But the hill, it turns out, is too steep, and Galbraith not mighty enough.

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