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J. K. Galbraith, an Anti-Mandeville in the age of plenty

*The Nation-State and the World Economy between*

*Two Eras of Globalization, 1913 – 1975*

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This paper is part of my PhD research in History, dealing with the cultures of the so-called «Neocapitalism» and the legends and practices of Fordism in the United States and Europe. I must specify I am neither an economic historian, nor a historian of economic thought: rather, my interests are focused on politics, political cultures and industrial relations.

Born already during the debates on planning following the 1929 crack, especially in France as «néo-capitalisme», the concept of «Neocapitalism» was strictly connected to «Fordism» in the 1948-62 debate: even though it is not used anymore, it can represent and synthesize tensions, expectations and fears of the business leaders and industrialists, social scientists, and leaders and intellectuals of the Unions and the parties of the Left. Most of this must be taken into consideration as a general debate, whatever the divergences among such figures might be. I hope I will be able to show John Kenneth Galbraith's place in this constellation, whose nature was, of course, increasingly transnational. Galbraith, in fact, was a main reference to economists, social scientists and militants for the analysis of the evolution of capitalism, not only in the US but also in Europe, especially in Italy and France.<sup>1</sup>

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<sup>1</sup> HÉLÈNE THOMAS, *Le désonneur de la pauvreté. Les critiques du capitalisme d'abondance à la fin des années 1960*, in *Le socialisme à l'épreuve du capitalisme*, Daniel Cohen, Alain Bergounioux (eds.), Fayard/Fondation Jean Jaurès, Paris 2012, pp. 187-209; *L'ère de l'opulence* was published in 1961 in the Gallimard collection «La liberté de penser», directed by Raymond Aron.

Galbraith was also an important reference for the debate on neocapitalism in the Italian Left in the 1960s, prominent Communist and Socialist intellectuals accusing him of ignoring the capitalist structure inherent (or the «involucro») of modern industry, cfr. *Tendenze del capitalismo italiano: atti del Convegno di Roma, 23-25 marzo 1962*, Editori Riuniti, Rome 1962; LUCIANO BARCA, *Il meccanismo unico*, Editori Riuniti, Rome 1968; cfr. furthermore various essays by Lelio Basso,

Allow me to take a step back, from the "new" capitalism of the 1950s and 1960s to the political arguments for capitalism before its triumph. Bernard Mandeville's poem *The Fable of the Bees* (1705) has become a classic in moral philosophy, and is considered as one of the forerunners of political economy. Somewhat cynical and optimistic at the same time, the subtitle added in 1714 has risen to adage of the social virtues of competitive free markets: *Private Vices, Publick Benefits*. More than 250 years later, John Kenneth Galbraith sought to overturn this motto: «In a community where public services have failed to keep abreast of private consumption», he wrote in his major 1958 book, «an atmosphere of *private opulence and public squalor*» takes shape. This sentence was referred to the case of Los Angeles, and, more broadly, its context was Galbraith's advocacy for public intervention to regulate the contradictions and ever-multiplying dysfunctions underlying the «affluent society». It is also an example of Galbraith's own philosophy and institutional perspective, making him one of the leading scholars and public intellectuals in American Liberalism and in the building of post-keynesian tradition. His 1967 book, *The New Industrial State*, must be understood in the context of President Johnson's Great Society programs, such as the Model Cities Program, which was launched in 1966 (to be ingloriously closed in 1974).

Galbraith's stature as a scientific economist has been questioned – notably, not only by Milton Friedman, but also by Paul Krugman, who dubbed him a «policy entrepreneur» (*Peddling Prosperity*, 1994) - because of his speaking to the public or to the Government rather than to fellow academics. «He was, and never will be, regarded as a great economist by economist», wrote Robert Skidelsky in his obituary on the *Independent*: «Keynes produced theories; Galbraith, theoretically-inspired sociology». <sup>2</sup> Nevertheless, his political and institutional perspective will enable us to cast light on the connection between the role of the State, the nature of the firm, and the shaping of the markets, in the political economy of the American Century. «*The Affluent Society* will live - Skidelsky concluded - because the questions it discusses are timeless.»

Therefore, my paper aims at reconsidering in a historical perspective Galbraith's views on American capitalism and its relationships with the global economy, mainly by taking into account *The Affluent Society* (1958) and *The New Industrial State* (1967).<sup>3</sup> While I will concentrate on Galbraith's conception of the role of the State in controlling national markets as a specific feature of postwar capitalism, I deem necessary to set it in the context of the making and shaping of global markets. Moreover, focusing on the

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<sup>2</sup> ROBERT SKIDELSKY, *Obituary J. K. Galbraith*, in *The Independent*, May 1, 2006 (<http://www.skidelsky.com/site/article/obituary-j-k-galbraith/>); cfr. AUGUSTO GRAZIA-NI, *Omaggio a Galbraith*, in *il manifesto*, July 6, 2007 (also on <http://archivio.eddyburg.it/article/articleview/6545/0/272/>)

<sup>3</sup> Both texts are included in JOHN KENNETH GALBRAITH, *The Affluent Society & Other Writings, 1952-1967*, The Library of America, New York 2010.

role of military industry will provide a basis for a historical critique of Mazzucato's *The Entrepreneurial State*, where the deep connection between war and innovation is explicitly overlooked.

### **Controlling the Market**

I am not going to try to squeeze in my twentyfive minutes a recap of Galbraith's thought, nor to run through the steps of its development. Rather, I will try to point out some moments, which I deem most helpful to understand certain features of contemporary capitalism, its evolution and literature, both scientific and public, on it.

One of the fundamental intuitions of pre-Marxian political economy was that civil society, i.e. the bourgeois society based on relationships between individuals and therefore on contracts and exchange, was a «system of needs»; and that the "animal spirits" of system, far from having an inherent tension towards stability, pushed towards multiplying *ad infinitum* both ends and means. These are Hegel's words, re-elaborating those of Steuart, Kant, Ricardo, and others. In his *Elements of Philosophy of Right* (1821), Hegel went on (§195):

When social conditions tend to multiply and subdivide needs, means, and enjoyments indefinitely – a process which, like the distinction between natural and refined needs, has no qualitative limits – this is luxury. In this same process, however, dependence and want increase *ad infinitum*, and the material to meet these is permanently barred to the needy man because it consists of external objects with the special character of being property, the embodiment of the free will of others, and hence from his point of view its recalcitrance is absolute.<sup>4</sup>

The problem Galbraith dealt with is the transition, carried out by such a multiplication of «needs, means and enjoyments», from an economical mentality based on scarcity to one based on abundance. The adaptation of collective psychology and institutions to affluence - evolving from the myth of America, land of opportunities for all - was one of the main issues of the debates concerning the social and political consequences of industrialization in the years 1910-1929: the issue is already present in Frederick Winslow Taylor's essays, arguing that scientific management would ensure a larger cake to divide between capitalists and workers, therefore making useless shopfloor conflict and the Unions; among the theoreticians of "Welfare Capitalism" in the pre-crisis years, Mary Parker Follett and Selig Perlman are those I find more interesting. In the 1920s, as Eric Foner argued in his great book on American liberty, the society of abundance offered the freedom of the consumer in exchange of the

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<sup>4</sup> G. W. F. HEGEL, *Lineamenti di Filosofia del Diritto*, ed. Vincenzo Cicero, Bompiani, Milan 2006, p. 351.

freedom of the citizen worker.<sup>5</sup>

Galbraith focused on the process of endless multiplication, its concrete techniques, and its discontents, namely its complementarity with the structural, rather than insular, persistence of want. Institutions of modern advertising and salesmanship - in a word, what he would later call the planning system - establish a connection between production and wants so tight that the theory of the sovereignty of the consumer turns useless, nay, it becomes an ideology used to mask reality. «Production, not only passively through emulation, but also actively through advertising and related activities, *creates the want it seeks to satisfy*.» Galbraith quotes the Keynesian economist James Duesenberry: «The desire to get superior goods takes on a life of its own.»<sup>6</sup> One of the aims of a theory based on consumer sovereignty is indeed giving «high moral and scientific sanction to social indifference», giving priority to production over welfare, mistaking affluence for well-being, while understating the ability of the corporation of producing the very wants it should satisfy.<sup>7</sup> It is worth specifying, though, that Galbraith's critique of a theory based on consumer sovereignty does not touch the theory's own consistency; rather, it lies in the contrast between the market system and the planning system: in the former, «the accepted sequence still rules»; in the latter, great corporations rule, and they are able to establish a new, different sequence.

This implies that the roads of production and that of welfare started growing apart. The commitment to production in the 1930s was primarily taken up by the liberals: this was the Rooseveltian moment in politics, when the president announced his pledge to the «freedom from want» in his Four Freedoms Speech (the January 1941 State of the Union Address), and the Keynesian moment in economics and economic policies. When Galbraith recalls that «the effort to enhance economic security bec[ame] the driving force behind production»,<sup>8</sup> he is echoing the words of the *Beveridge Report* and such. Production became «the program of the liberal», because he thought it provided the framework not only for raising standards of living, but also, more precisely, to deal with the very social problems (unemployment, for one) that the liberal tradition had always been setting against the conservatives - and Big Business itself. The liberal, and also the liberal-socialist, «believed, in brief, that increased production remained the

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<sup>5</sup> ERIC FONER, *Storia della libertà americana*, Donzelli, Rome 2000, pp. 171-180, 193-206; DAVID MONTGOMERY, *Citizen Worker. The Experience of Workers in the United States with Democracy and the Free Market during the Nineteenth Century*, Cambridge University Press 1995.

<sup>6</sup> *The Affluent Society* pp. 472-473; the quote comes from Duesenberry's doctoral thesis, *Income, Saving and the Theory of Consumer Behavior*, Harvard University Press, Cambridge, Mass. 1949.

<sup>7</sup> *The New Industrial State* p. 970: «Consumer sovereignty, by making questions about too many automobiles, too few houses, an elitist and undemocratic interference with consumer choice, excludes questions about the power of the automobile industry to impose its preference to the public.»

<sup>8</sup> *The Affluent Society* p. 445.

touchstone of political success even when it involved additions to an already opulent supply of goods.»<sup>9</sup> This mentality had its breakthrough in years of crisis, and became the conventional wisdom in postwar growth in U.S. and Europe.

Is emulation the road to equality in consumer's society? Obviously not, because individual differences in ability to pay are not at all overcome; rather, the mission of advertising is making people consume notwithstanding their inability to pay. The «march towards higher standards of living» is therefore intoxicated with «an ever deeper plunge into debt».<sup>10</sup> Galbraith is reminding us that «living above our possibilities», one of the *Leitmotive* of the recent crisis, is a long period problem not as much of public spending as for private debt. Indeed, it appears that, in Galbraith's view, public spending and public intervention should be directed at rationalizing private economic possibilities in order to marginalize debt (the highest point of this perspective is perhaps his advocacy of «a source of income unrelated to production», i.e. a «provision for a basic income as a matter of general right and related in amount to family size but not otherwise to need»; «The minimum income so provided once again reduces the pressure to produce as a welfare measure».<sup>11</sup>

Already in 1927 had Edwin Seligman pointed out, as Sam Gindin and Leo Panitch recently recalled, the ethos of the new mass consumer age:<sup>12</sup> credit-based marketing was also aimed at ensuring that «a family with car payments to make would be forced to work hard to make the payments», hence consolidating the «incorporation of workers into financial markets as savers as well as borrowers.»

### **The Managerial Revolution**

The center of gravity of *The New Industrial State* can be found in the process of corporate organization becoming more and more autonomous from the laws of movement of market economy and, more specifically, from the goal of profit maximization. In other words, the sublation of the goal of mere profit and the ongoing development of the organization's ability to set its own goals. The organization was born as a means; it is becoming an end in itself, and this process has deep consequences not only on the economy but also on the State, as well as on labor and on society as a whole. The chief example of the evolution from the traditional entrepreneurial corporation to the modern mature corporation is the Ford Motor Company, where vertical integration, technical progress and oligopolistic position developed beneath the

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<sup>9</sup> *The Affluent Society* p. 484.

<sup>10</sup> *The Affluent Society* pp. 490-491.

<sup>11</sup> *The Affluent Society* p. 564.

<sup>12</sup> LEO PANITCH, SAM GINDIN, *The Making of Global Capitalism. The Political Economy of American Empire*, Verso, London 2013, p.50 and 121, quoting Edwin Seligman's *The Economics of Instalment Selling* (1927).

shadow of a classic, authoritative entrepreneur, and where fully deployed after his death. Galbraith writes:

I here argue that the great corporation maximizes not pecuniary return but *the whole complex of organizational interests of which pecuniary return is only one part*, and that it goes on to ensure that the goals of the larger community and state will be sympathetic to its own. This involves an exercise of power far more important than is possible if the firm is confined by its pursuit of profit.<sup>13</sup>

«The modern corporation has power to select its goals»:<sup>14</sup> this is an «underlying reality» that eventually shines through the corporate speeches and press releases. Contemporary economists and scholars failed to recognize this reality, Galbraith argued with reference to Paul Samuelson, and others; this neglect is a point that shall be discussed later.

«Technostructure» is as Galbraith calls the new configuration and the rise to prominence of the network of professionally skilled managers and administrators, scientists and engineers. In contrast with Henry Ford, it was the MIT graduate and General Motors CEO Alfred Sloan who first embodied (and gave social prestige) to the manager-engineer. The great corporation is both the result and the cradle of technical progress: planning, with its protection against competition, is more fertile ground for innovation than the small firm. Technological progress, along with increasing commitment of time and capital, require a stability that the market is unable to guarantee. Therefore the firm must exercise control over both what is sold and what is supplied; in a nutshell, it must replace market with planning.<sup>15</sup> Galbraith's technostructure has been extremely influential on economical and sociological scholarship: it is worth mentioning that Giovanni Arrighi has taken the notion of the superseding of the market by vertical integration («internalization within the planning unit of transactions previously carried out in the market», which «replaces the large and unmanageable uncertainty associated with the market regulation of the sequential sub-processes of production with the smaller and more manageable uncertainties associated with the procurement of primary inputs and the disposal of final outputs») as the distinctive feature of the multinational corporation in the last stage of the «Long Twentieth Century», the fourth (United States) Systemic Cycle of Accumulation.<sup>16</sup>

It must be also noted that the collaboration of the Unions, and more specifically of Union leaders, is an important feature of the technostructure: the 1930s «wars on unionism» were a relic of the past. «The increasingly conciliatory character of modern industrial relations, especially in the large corporation, has come about [...] because

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<sup>13</sup> *The New Industrial State* pp. 617-618.

<sup>14</sup> *The New Industrial State* p. 749.

<sup>15</sup> *The New Industrial State* p. 647.

<sup>16</sup> GIOVANNI ARRIGHI, *The Long Twentieth Century. Money, Power and the Origins of Our Times*, Verso, London 2010, pp. 296-1298.

interests that were once radically opposed are now much more nearly in harmony. [...] Interests are concordant.»<sup>17</sup> Conciliating the interests of capital with those of labor is not only an organizational novelty, which guarantees the stability of the flow of production, but it also involves the stabilization of demand and technical progress: substituting automation for manual processes provides at once a blackmail on workers and a factor of identification of the workers with the organization. This is, broadly speaking, the bundle of social phenomena that the European Marxist left studied under the label of «integration of the working class» and that Charles Wright Mills described as the formation of «new power élites» (let us remember that Galbraith and William Reuther had become friends in Washington in the early 1940s).

In the 1967 edition of *The New Industrial State*, Galbraith referred to the process of assumption of power by top management with the expression «managerial revolution». In the following editions he added a note, where he specified that such notion owed its celebrity to *The Managerial Revolution*, a book published in 1941 by James Burnham.:

This was an important book which helped change people's minds on the nature of the modern corporation. Partly, perhaps, because he was a strong and on occasion eccentric conservative, and change in economic is usually led by liberals, Burnham's contribution has not always had the recognition it merited. In the first edition of this book I was negligent in this respect.<sup>18</sup>

Galbraith's reference to Burnham - both his former "negligence" and his later acknowledgement - can be used as a key to access the broader context in which his theory of the Industrial State and the technostructure was elaborated. Galbraith is often recalled indeed as an interpreter of postwar capitalism, but it must be stressed that his interpretations was rooted in pre-war debates: we could say, if you allow me to cut very long things very short, that *The Affluent Society* bears the imprint of the debates concerning American "Welfare Capitalism" in the 1920s and, it goes without saying, the New Deal, whereas *The New Industrial State* has clearly inherited the economical and political discourse of the 1930s, both in America and in Europe, concerning the crisis of capitalism. It might be necessary to recall that this discourse spanned from the left to the right, nay, from the extreme left to the extreme right, often providing the track for a slip from the former to the latter - as was the case of Belgian socialist Henri De Man, or of Burnham himself. The world of business and management was also deeply involved in these debates: Harlow S. Person, president of the Taylor Society, took part in the Congress of Amsterdam in 1932; moreover, another book very important for Galbraith (which he often mentions), *The Modern Corporation and Private Property*, the groundbreaking classic on corporate governance published in 1932 by Adolf Berle and Gardiner Means, was a product of this moment, in which all social sciences and politics

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<sup>17</sup> *The New Industrial State* p. 876.

<sup>18</sup> *The New Industrial State* p. 738.

had generally to recognize that something was changing in the nature of capitalism.

Let us take a step back. James Burnham was professor of Philosophy at New York University, a former Trotskyist leader in the United States, and a founding member of the Socialist Workers Party in 1937, later turned conservative intellectual, who worked at the OSS and at the Political and Psychological Warfare Branch of the Office of Policy Coordination. The bulk of Burnham's thesis concerned the convergence of systems where economy was subject to increasing regulation: namely, the Soviet Union, Nazi Germany and the United States. As different as their political framework may seem, Burnham argued, they shared the process of the State taking control over the economy and a technocratic élite seizing power in the State. It was a brilliant synthesis of conservative critique of the New Deal in the name of freedom of enterprise and Trotskyist critique of Stalinist bureaucratization. But Burnham was perhaps less frightened than fascinated in his critique of the formation of oligarchy.

While reading *The Managerial Revolution* today leaves one under the impression of a delirious dystopia, its influence was deep, and the debate it generated was rich. In May 1946 George Orwell wrote an article on British magazine *Polemic* to discuss Burnham's works, not only *The Managerial Revolution* but also *The Machiavellians: Defenders of Freedom* (1943): *Second Thoughts on James Burnham*. While criticizing Burnham's «power-worship», Orwell admitted that he correctly identifies the tendency towards the formation of a technocratic oligarchy and the «increasing concentration of industrial and financial power». It is noteworthy that Orwell put Burnham in continuity with such authors of dystopian literature as Aldous Huxley and Yevgenj Zamyatin: this implies, it goes without saying, that Orwell's own novel *1984* holds a relationship with Burnham's vision.

*The Managerial Revolution* was published in France in 1947, with a preface signed by socialist leader and former Head of Government Léon Blum.<sup>19</sup> He mainly reproached Burnham for not having taken into consideration the split in the labor movement caused by the October Revolution, the funding of the Third International and its attacks upon democratic socialism: however, Blum intends to use this book as a tool to analyze Soviet bureaucratization. He is interested in the «régimes directoriaux» foreshadowed by Burnham, whose outlines can already be recognized in the formation of a more and more powerful, more and more self-conscious class of managers and technicians in Germany, in the US, in the USSR. What Burnham is trying to demonstrate, Blum sums up, is that it is possible to destroy capitalist private property without destroying capitalism, i.e. allowing capitalist social relations to survive. In his opinion, though, a capitalism without capitalists cannot be but a «type intermédiaire» (what the Marxist tradition dubbed "State capitalism"), a transition stage towards

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<sup>19</sup> LÉON BLUM, *Préface* to JAMES BURNHAM, *L'ère des organisateurs (Managerial Revolution)*, Calmann-Levy, Paris 1947, pp. IX-XXI.

socialism. Blum's argument is weak: the difference between the «régime directorial» and socialism is that the cement of the former is hierarchy, that of the latter democracy. Discipline and organization are essential features of both, but stem from different sources. «Pour transformer le régime directorial de M. Burnham en régime socialiste, ce qui est nécessaire et suffisant est d'y introduire la démocratie».<sup>20</sup> How? The question remains unposed, and one might see in Blum's confidence in a reformist use of the institutions of the State the prelude of the SFIO's and the Radicals' commitment to technocracy and planning.

The point I want to stress is that Galbraith himself was deeply influenced by what we could call the «convergence theories», meaning the convergence between modern capitalism and Soviet socialism under the banner of organization. Such a perspective has obviously a long history, rooted in the despise of European intellectuals, from Tocqueville to Spengler, of the «massification» in the East and in the ultra-West. However, after 1929 it had a more specific function in the debates concerning the solutions to the crisis and the future of capitalism. Galbraith's adherence to the convergence perspective is clearly stated in *The New Industrial System*: «There is a broad convergence between industrial systems. The imperatives of technology and organization, not the images of ideology, are what determine the shape of economic society»;<sup>21</sup> «There are great differences between [the Soviet economy and that of the US] in the degree of centralization with which savings are planned as well as in the techniques by which they are extracted. But in the supply of capital, as elsewhere, the imperatives of industrialization bring, by whatever differences in path, *an inescapable convergence*»;<sup>22</sup> «The revolution has occurred in some countries. And there the lineaments of industrialization –planning, large producing organizations, the resulting discipline, the measure of success by economic growth– no longer seems as spectacularly different or wonderful as they did in the fears and hopes of half a century [which, when the first edition appeared, meant 1917] or more ago.»<sup>23</sup> Let us remember that in 1958 Galbraith was among the first, perhaps the first, non-communist scholars to be invited in Eastern Europe to give talks concerning American capitalism. In short, both systems share the tendency to organization and planning; the effort to establish a virtuous circle connecting stabilization of investments,<sup>24</sup> stabilization of production (and labor) and stabilization of demand.

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<sup>20</sup> BLUM, *Préface* p. XX.

<sup>21</sup> *The New Industrial State* p. 630.

<sup>22</sup> *The New Industrial State* p. 664.

<sup>23</sup> *The New Industrial State* p. 903.

<sup>24</sup> *The New Industrial State* p. 661: «In a society which so emphasizes consumption and so needs capital, the decision to save should obviously be removed from the consumer and exercised by other authority. All industrial societies do so. In the formally planned economies of the Soviet Union and Eastern Europe, income is withheld for investment by the industrial enterprise and especially by the state. In the United States and the Western economy this withholding is performed in largest amount by the corporation».

The discussion on the real nature of the firm, therefore, comes to a reassessment of the true significance of the Cold War. Just as competition between individual firms was in fact the framework for their *collaborating as a network* in creating the oligopolistic mature corporation and the planning system, so the competition between the US and the USSR conceals and *de facto* accelerates their convergence. It is to the military industry that we must now turn, in order to understand the mutual dependence of the State and the mature corporation in the planning system.

### **Warfare State**

In his attack upon the «military-industrial complex», Galbraith classically quotes President Eisenhower.<sup>25</sup> The crucial passage of Eisenhower famous warning in his farewell speech on January 17, 1961, was:

This conjunction of an immense military establishment and a large arms industry is new in the American experience. The total influence -- economic, political, even spiritual -- is felt in every city, every State house, every office of the Federal government. We recognize the imperative need for this development. Yet we must not fail to comprehend its grave implications. Our toil, resources and livelihood are all involved; so is the very structure of our society. [...]

We must never let the weight of this combination endanger our liberties or democratic processes. We should take nothing for granted. Only an alert and knowledgeable citizenry can compel the proper meshing of the huge industrial and military machinery of defense with our peaceful methods and goals, so that security and liberty may prosper together.

According to Galbraith, the sector military is wherethe convergence between the two great, ideologically opposed powers is most striking, and where, at the same time, most the divergence between the rationality of the industrial sytem and that of human values is most dramatically evident. «The stability of production depends on a large volume of military expenditures, quite a few of them for weapons thoughtfully designed to destroy all life.»<sup>26</sup> The division between members of the technostructure and public servants becomes blurred: they work together in development and manufacture. The bond between mature corporation and State is so tight, so crucial for the planning system, that «economic institutions and behavior are not drastically altered either by declared or undeclared war»:<sup>27</sup> Murray Weidenbaum spoke of a «semi-nationalized

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<sup>25</sup> *The New Industrial State* p. 941.

<sup>26</sup> *The Affluent Society* p. 599.

<sup>27</sup> *The New Industrial State* p. 865.

branch of the economy.»<sup>28</sup> Such definitions bring to mind Charles Maier's description of the interdependence of the private and the public sector in Fascist Italy as a «war economy in times of peace.»

Military research is also one of the principal catalysts for the scientific frontier: much of modern scientific research lies outside the scope of the market and of private enterprise. In fact, one of the functions of military spending is to take the burden of the technological risks of the planning system:<sup>29</sup> the risk, therefore, lies not upon the individual firm but upon the planning system as a whole, and more specifically upon the State as organizer, supplier, and buyer. «Much has been accomplished by research and development not immediately subject to commercial criteria under the inspiration of military needs»; nevertheless, the «weapons extravaganza» must be put to an end. In a society where economic performance is a priority, «then survival naturally takes second place».<sup>30</sup>

Military research and spending as the seal of mutual dependence of private corporations and the State is not, it should go without saying, a specific feature of Galbraith's times. One could recall that in the 19th Century firearms, both for personal use and for the armies, were one of the main products of the American system of manufacturing; that Ford Motor Company invented the assembly line to produce private cars, but then it greatly benefited from involvement in war mobilization; or that it was mainly during World War One that European industrialists such as Louis Renault, André Citroën and Giovanni Agnelli imported Taylorist and Fordist production methods, in order to provide their countries with ammunitions, granades, and, later, military vehicles. But the history of the relationships between innovation and war is even longer, the archetype of which is Archimedes' *Eureka!* during the siege of Syracuse. Neither this history was over with the Neoliberal moment and the proclamation of the liberation of small firms and great corporations from the maternal embrace of the State: Mariana Mazzucato has recently reminded us that public spending in research and development has remained the main factor for technical innovation (i.e., also the State's willingness of taking up risks), even for the launching of new technology sectors, such as the Internet. Mazzucato's attack upon the myth of self-regulating markets and re-evaluation of the "big" against the small firm owes much to Keynes and Schumpeter, but also to Galbraith. What remains outside of Mazzucato's account is the role of military spending in fostering innovation, and therefore the dialectics between the economic risk taken up by public spending and the increasing "human" risk it produces. The Cold War might have been the highest point of this

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<sup>28</sup> *The New Industrial State* p. 999, quoting Murray L. Weidenbaum, *The Defense-Space Complex: Impact on Whom?, in Challenge: The Magazine of Economic Affairs* vol. 13, n. 4, april 1965, p. 46.

<sup>29</sup> *The New Industrial State* p. 848.

<sup>30</sup> *The Affluent Society* p. 600.

circle - or perhaps only the one when it has the most public visibility; either way, the ongoing relationship between the war industry, the State, and technical innovation reminds us that there are economic issues whose political nature goes beyond the limits of industrial policies.<sup>31</sup>

### **Welfare State**

It must be stressed that, for Galbraith, the planning system *does not* coincide with the welfare state. They are involved in a dialectical relationship, each providing the other with factors of economic equilibrium and potential political destabilization. But the difference between the two is very clearly stated by Galbraith:

Services of the State that are not directly related to the needs of the planning system are much less favored. [...] Such services of the State as the care of the ill, aged and physically or mentally unfirm, the provision of health services in general, the provision of parks and recreation areas, the removal of rubbish, the provision of architecturally decent public structures, assistance to the impoverished and many other services are not of particular importance to the planning system.<sup>32</sup>

The specific problem Galbraith deals with in *The Affluent Society* is stated as follows:

We must find a way to remedy the poverty which afflicts us in public services - those in particular that are unrelated to industrial need or power - and which is in such increasingly bizarre contrast with our affluence in private goods. This is necessary to temper and, more hopefully, to eliminate the social disorders which are the counterpart of the present imbalance.<sup>33</sup>

In fact, Galbraith recommends public ownership of industries whose social goals cannot be served efficiently the private corporation: those sectors that involve high public responsibilities such as housing, health care, mass transportation, and even the arts.<sup>34</sup> In other words, if the technostructure has the power to select its own goals, so should politics gain control of the organization and set democratic goals, centered on real welfare.

The arena Galbraith focuses on is education, which is placed in a strategic position in *The New Industrial State*: it appears at the beginning in Galbraith's argument against mainstream economics, which he charges, as I already mentioned, of actually playing the role of ideology. In defending himself from Robert Solow's criticism, Galbraith dubbed him a champion of the generally approved methodology in economics, centered on the individual rationality, the goal of maximization of profits, and subsequent

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<sup>31</sup> MARIANA MAZZUCATO, *The Entrepreneurial State. Debunking Public vs. Private Sector Myths*, Anthem, London 2013; for a reference in historiography, cfr. DAVID EDGERTON, *Warfare State. Britain, 1920-1970*, Cambridge University Press 2006.

<sup>32</sup> *The New Industrial State* p. 954.

<sup>33</sup> *The Affluent Society* p. 565.

<sup>34</sup> *The New Industrial State* pp. 726 and 959.

empirical procedure of collecting data, leading to a notion of the economist as a «little thinker». «The approved methodology - Galbraith argues - wonderfully protects and perpetuates error. Such work is not politically neutral; its pedagogy persuades the innocent that they have a power they do not possess and diverts attention from those who wield power».<sup>35</sup> Already in 1958 he had defined education as a

*double-edged sword* for the affluent society. It is essential, given the technical and scientific [and, he later added, ideological] requirements of modern industry. But by widening tastes and also inducing more independent and critical attitudes, it undermines the want-creating power which is indispensable to the modern economy. [...] The ultimate consequence is that the values of the affluent society, its preoccupation with production as a test of performance in particular, are undermined by the education that is required in those who serve it.<sup>36</sup>

The gap between reality and mentality - and, moreover, between reality and the law, whose lip service paid against monopoly prosecutes the form while leaving the substance empty<sup>37</sup> - is not incidental: rather, it plays a crucial role in consolidating the legitimacy of the planning system by hiding its very existence. The Cold War produced a cultural fog, bestowing «grave ideological overtones» upon New Deal interventionism and planning in general: at the very same time when «the increased use of technology and the accompanying commitment of time and capital were forcing extensive planning on all industrial communities», therefore, «the ban on the use of the word planning excluded reflection on the reality of planning» (a ban, admitted Galbraith, then in the process of being lifted: and there is little doubt that his contribution was mainly aimed at popularizing such a lift, namely, at putting concepts of planning back in the right place, out of which they had been ousted by the anti-Rooseveltian turn of the early 1950s).<sup>38</sup> «The enemy of the market is not ideology but the engineer».<sup>39</sup>

Democracy must take the issue of planning into account, in the first place emancipating from this gap, in order to democratize planning itself; it is a democratization less of the methods of decision making, than of the goals. This is the bulk of Galbraith's "liberal Jacobinism": «the *intelligentsia* as the engine of social innovation and carrier of the "public purpose"».<sup>40</sup> To avoid any misunderstandings, it

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<sup>35</sup> *The New Industrial State* p. 616.

<sup>36</sup> *The Affluent Society* p. 551.

<sup>37</sup> *The New Industrial State* pp. 804-807.

<sup>38</sup> *The New Industrial State* pp. 645-646.

<sup>39</sup> *The New Industrial State* pp. 657.

<sup>40</sup> SKIDELSKY, *Obituary* cit., continues: «His position seemed to be that as long as the Democrats are in power and advised by the right people the state can be trusted. This is dangerously close to the Marxist belief that the problem of the abuse of power, and the need to build safeguards against it, would disappear when the dictatorship of the proletariat was established. This cavalier attitude to the problem of power marks Galbraith as an authentic product of the first half of the last century.» Cfr. *The New Industrial State* p. 987: «Yet it is safe to say that the future of what is called modern society depends on how willingly, rationally and effectively the intellectual community in general, and the educational and scientific estate in particular, assume responsibilities for political actions and leadership.»

must be stated that organization, just as the market, is not considered by Galbraith to be in antithesis to individual freedom; the choice between Burnham's technocratic nightmare and democracy is a political issue. «Not indifference but sensitivity to others, not individualism but accomodation to organization, not competition but intimate and continuing cooperation are the prime requirement for group action».<sup>41</sup>

### **Conclusions**

I do not consider appropriate calling Galbraith's theory a «non-Marxist version of class struggle»,<sup>42</sup> as prof. Skidelsky wrote in the aforementioned obituary. In *The Affluent Society* and *The New Industrial State*, at least, it is dubious if we can properly speak of classes or of struggle. We could perhaps speak of the formation of a class of managers and technicians, but this distinction is not related to property or to profit maximization, rather on a functional basis, on the organizing and directing role they play; we could perhaps speak of a struggle, but only in so far as the corporation is engaged in a struggle to submit society to its goals; we could, therefore, speak of class struggle only in the sense of a «class struggle from above», if I am allowed to borrow the terms in which David Harvey described the rise of Neoliberalism.

Galbraith's point, to be more precise, is that he considers organization a force of production in itself, just as the land was in agricultural societies, and labor in the industrial revolution. There is no doubt on Galbraith's not being a marxist, but the central problem he raises can be best described in marxist terms: it is the contradiction between increasing socialization of production and private appropriation of profits and wealth; the socialization is in action, Galbraith clearly stated, but the wealth it produces is not redistributed according to social welfare criteria; it remains imprisoned in the shackles of the perverse dynamics of the affluent society and the autonomization of the large corporations.

Even though the protagonism of the military industry is inevitably connected to the hierarchy between States and national corporate networks in the Cold War world (something, as I argued, that remains implicit in Mazzucato's *Entrepreneurial State*), the multinational and global dimension of the American corporation is out of the spotlight. The question whether the corporation is able to control or supersede market beyond the national territory it is based in remains unposed; and this would be a necessary passage to update Galbraith's toolbox to Globalization and Neoliberalism. As Gindin and Panitch wrote: «There is no contradiction between the international space of accumulation and the national space of states.»

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<sup>41</sup> *The New Industrial State* p. 715.

<sup>42</sup> SKIDELSKY, *Obituary* cit.