

A Brookings/New America Foundation Briefing

THE LEGACY OF JOHN KENNETH GALBRAITH

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[TRANSCRIPT PREPARED FROM A TAPE RECORDING.]

P R O C E E D I N G S

MR. DIONNE: I guess we'll begin in a couple of minutes if there are a couple of people in the back who need to find seats. Thank you, all, very much for coming.

I just want to begin with a quotation from John Kenneth Galbraith that begins the last chapter of Richard Parker's wonderful book. Galbraith wrote:

"In making economics a non-political subject, neoclassical theory destroys the relation of economics to the real world. In that world, power is decisive in what happens. And the problems of that world are increasing both in number and in the depth of their social affliction. In consequence, neoclassical and neo-Keynesian economics regulates its players to the social sidelines. They either call no plays or use the wrong ones. To change the metaphor, they manipulate levers to which no machinery is attached."

A classic Galbraith line, and one of the reasons we are having this event today.

I want to begin by saying thank you because at events such as this, when the discussion gets going really well, people often forget to say thank you, and there are a number of people I want to say thanks to.

First, I'd like to begin by saying thanks to our friends at the New America Foundation, who are co-sponsoring this, and to my friend, Jim Fallows for joining us today for this discussion.

I want to thank my very old friend, Jamie Galbraith, who deserves recognition for many things. First of all, he had the courage to go into the same profession as his father.

[Laughter.]

MR. DIONNE: And that alone, deserves very, very high praise. He shares in common with his father many traits, two of which are notable. One is that he thinks in a thoughtful and passionate way about politics, and two, that he writes economics in plain and understandable English. And we are very grateful for that.

Indeed, I think one of the characteristics of the Galbraith clan—and I've gone back and read John Kenneth Galbraith—he puts most people who write for a living to shame. And the only thing that reassured me is that Jamie—I think it was you, Jamie, who once told me how many times he would revise and revise and revise in the interest of clarity. And so for those who write newspaper columns, it's a—I always have kind of—I'm a Catholic, so I have a lot of guilt, and I always have Galbraith guilt when I don't revise the column for the fourth time. And it often shows.

I want to thank our dear colleague, Henry Aaron, who got his daughter to postpone the birth of his grandchild in order to come and be with us today.

And, of course, I want to thank—and I want to thank, by the way, Bell Sawhill and Pietro Nivola here of Brookings for helping us to sponsor this event.

And lastly, of course, I want to thank Richard for writing this book and creating this occasion to explore John Kenneth Galbraith's legacy.

I just want to read from, very briefly, from two reviews of the book, which I think tell us why not only is this book so important, but why a new rendezvous with Galbraith's ideas is so important.

The American Prospect wrote: "The story of our times is the ongoing rise of American conservatism. And to read a biography of John Kenneth Galbraith is a salutary reminder of just how much ground liberalism has surrendered and how much conservatism has gained. And it was a glowing review in the American Prospect. That is the pessimistic side.

The optimistic side was the last paragraph in another glowing review in the New York Times, yet reading Parker's comprehensive account of the 20th century economic battles, I can't help thinking that this ought to be Galbraith's moment. An old school scoffer like Galbraith would remind us that all our elected officials have done with their heady incantations—remind us that all our elected officials have done with their heady incantations of the virtues of privatizing Social Security and the glories of deregulation is resurrect the superstitions of our orthodox ancestors and trade in our affluent society for a faith-based, 19th century model, in which the affluence accrues only to the top.

Richard Parker is a lecturer in public policy and a senior fellow at the Shorenstein Center at Harvard's Kennedy School of Government. He's an economist by training, a graduate of Dartmouth and Oxford University. He has worked as an economist; was a co-founder of Mother Jones magazine; served many members of Congress over the years. He's held Marshall, Rockefeller, Danforth, Goldsmith, and Bank of America Fellowships.

His books include the Myth of the Middle Class, Mixed Signals, the Future of Global Television News, and now this great book on John Kenneth Galbraith. Richard, welcome. And thank you so much for coming and for writing this book.

[Applause.]

MR. PARKER: Well, thank you very much, E.J., for that introduction.

Now, the reviews of this book have actually stunned me. I put eight long years of work into it; borrowed from 4:30 a.m. to 7:30 a.m. most mornings, while my wife and I have been in the process of raising two small boys. But I think the real pleasure for me was not only the reviews that E.J. just cited, but the one from William F. Buckley about two weeks ago, one that I never expected, in which he pronounced the book the most readable and informative biography of the century.

Now, all of you who are married men immediately know the response of your wife. Mine was he probably means the 21st century, Richard. Just to—

[Laughter.]

MR. PARKER: Bring me down to, you know—bring me down to size.

And I said, I'll take five years. Believe me. I'll take the five years.

It's always a joy for me to travel here to Brookings. My wife and I lived here in Washington for a good part of the 1980s and early part of the '90s, and although we've lived in Cambridge since early 1993, we still miss Washington, and we're delighted to see so many friends in the audience today.

I wanted to talk first—well, first of all, let me say thank you to E.J. and to Henry and to Jim and to Jamie for joining me on the podium today. It's a real treat as well to be up here with these men, all of whose work, in different ways, I respected over the years, and whose friendship I count as important in my life.

I've also always enjoyed my trips to Brookings. I should say that they began nearly 30 years ago, when I was introduced to Brookings as a just out of graduate school young economist by Joe Pechman, a figure of great stature at this institution and this city, and whom I miss even today. And so I can only say that the person I most wish were here in the audience today was Joe Pechman.

I want to begin this story about Ken Galbraith by actually telling you about how Brookings helped launch his career. I mentioned this to Henry Aaron just before I came in, and he said, oh, great. Just another thing to blame Brookings for here in Washington.

[Laughter.]

MR. PARKER: But it's true. It has the additional virtue of being true, I should say.

Ken Galbraith was a just graduated Berkeley Ph.D., who had been hired for one year by Harvard University as an instructor in the fall of 1934. And in the spring of 1935, almost exactly 70 years ago this month, his mentor, John D. Black, who was one of the great figures of American agricultural economics, and who actually made Harvard, if you can believe this, into the third largest producer of agricultural economics Ph.D.'s in the country for a time, exceeded only by Iowa State and Cornell, John D. Black was a singular academic entrepreneur, and he convinced Brookings that they should fund him and his associates as part of an ongoing study of New Deal reforms, with his piece of it being agricultural reform and the New Deal.

And thus, in the spring of 1935, John Kenneth Galbraith, 25 years old, was given—26 years old—was given the job of analyzing the New Deal reforms in the field of agricultural finance. And I want to tell you a little bit about that experience, because I think it provides a window into not just the way that Galbraith reasoned, but into the overall world view that today we speak of as representing Galbraithian economics.

Now, his job was to examine the rural mortgage market here in the United States, the various alphabet agencies serving its needs, and then he published out of that a flurry of articles. He was acquiring his own ability to work as an academic entrepreneur, and publish for the first time in prominent journals, such as the American Economic Review, the Journal of Political Economy, and, in addition, the Harvard Business Review—all on the situation of agricultural finance in the United States, a seemingly obscure topic, but one that allowed him to examine in great detail a wider scope of the American economy than he had previously.

Up until then, his published work had been confined to narrowly agrarian topics, such as the optimal marketing strategies for honey bee producers and the status of marginal land in California's central valley—not exactly design to earn you tenure at Harvard, nor to advance your career to the level which Ken Galbraith was able to obtain so soon thereafter.

Now, I mention this not merely as an anecdote, but as an entry point into Galbraith's economic methods of analysis, his assumptions and most importantly his visions, both of what he later called useful economics and of what he considered a well functioning society and economy, all of which I shall argue has continued to characterize Galbraithian economics throughout his career and raises critical questions and issues for us today.

Now, note the choice of a practical problem of significant scale and of serious controversial implications. At the time that Galbraith took on the study of farm lending, or public lending to farms, half of all farm mortgages were not being collected. And 40 percent of all farm mortgages were held by the Federal Government. It was a situation, in short, in which wide scale crisis was ever present and in which, in dramatic new ways, the American government was entering the market to try to right what had gone wrong with the functioning of the free market in agriculture.

Now, it was immensely practical because millions of farmers, almost half the population of the United States in those days was rural and depended on farming in one way or another for its living, millions of farmers had seen their incomes collapse and had no where to turn, save to the Federal Government.

It was an important lesson for Galbraith, one, that was of acute importance to him because he had been raised on the farm, and was the son and grandson and great grandson of farmers in Canada. And so he experienced the crisis not in an abstract and black board or textbook like way, in which he was called upon as an economist to fit the dilemma to the prevailing marginalist assumptions of the time, in which in some way have reappeared in the last 30 years, having once been thought banished almost entirely by the great Keynesian Golden Age, but he found that the millions of farmers bankruptcies could all be attributed in profound ways not to the failures of the market, but to the functioning of the market. That is, what he noted quite quickly in his study was that in the Depression, farm prices had collapsed by 40 percent or more, while manufacturing prices had collapsed by only about four or five percent. In other words, in the disequilibrium situation of the Depression, markets had worked in some peculiar way in the farm economy, but had not worked in manufacturing. And this was a profound and important insight to Galbraith because it led him to conclude that far from assuming that the marginalist model was, in fact, the ideal, it was instead a descriptive heuristic designed to point to admirable features about market economies, but could not alone be left as the model through which all economic transactions and economic outcomes were determined.

What he also realized was that it was a subject of authentic controversy, just as much about the New Deal was a subject of authentic controversy in its time.

You must remember that at the time that Galbraith undertook this as part of a New Deal study, the country was still hotly debating the question of public intervention in the market economy, whether in agriculture or manufacturing or any other sector of it.

Herbert Hoover's Secretary of Treasury, the multimillionaire Andrew Mellon, had famously been asked shortly before Roosevelt took office how to solve the Depression and how to get the markets working again, and he had said quite simply liquidate the farms, liquidate business, liquidate labor.

Now, there's an unfortunate tenor to the tone liquidate today, but the essence of the message, as you many of you understand, all of us trained in neoclassical economics understand, is absolutely rigorously correct, much as Larry Summers, who was taken to task for his comments at the World Bank when he suggested that shipping toxic waste from the First World to the Third World as being inhumane may have been inhumane in the judgment, but he was absolutely technically correct from a neoclassical point of view because the value of a human life in neoclassical terms is worth less—worth less—than that of a life in the advanced industrial West.

Now, it wasn't just Andrew Mellon who held these views. The Harvard Economics Department that Ken was entering held views quite similar to them, at least among the senior men. Shortly before Ken started working on this project, Joseph Schumpeter and other senior members of the department had published a book called the Economics of the Recovery Program that could sound very much as if it were channeling or anticipating Bob Borrow [ph] or Lucas or Milton Friedman or any of the other Chicago School and was no doubt connected through the Austrian hook of Schumpeter and Hayek and the rest, but continued to—but believed at the time that the only thing that stood in the way of the natural purgative effect of the Depression was the insolent and misplaced idealism of the Roosevelt Administration.

Now, importantly enough, this led to a very important split in Harvard's Economics Department that broadly followed generational lines, with Ken and a dozen or so other young instructors and graduate students on the opposite side of the argument.

Shortly after this book I've just cited appeared, remarkably several of those young instructors had the courage to write a letter directly to Franklin Roosevelt praising Roosevelt's economic program and calling into question the economic reasoning of their elders.

Three years later, all but one of these junior instructors was gone from Harvard. And the lesson was not lost on men such as Galbraith. The issue, in short, was an issue of power and conventional wisdom, and those are two themes to which Galbraith has always returned in his analysis of economics, as was cited by Jamie today.

Now, it's important, however, to understand that Galbraith takes a very particular view of liberalism and liberal economics. In a specific way, I would argue that he is the essence of a liberal pragmatist; that is, that he recognized that the federal financing of farm mortgages was not a theory optimal concept in neoclassical terms, but it carried a higher value in the reduction of authentic economic and social pain that was being inflicted on a majority of those in the farm community.

But he wasn't simply acting out of compassion, but out of an intellectual desire, a pragmatic desire, in Dewey's terms, to accommodate those stresses in an actual functioning economy to the claims or the ideals of the market, the semi-markets, and the non-market forces and structures which Galbraith has always believed operate simultaneously in any modern economy.

In this I would argue, he also believes—he anticipates in his belief Richard Lipsey's theory of second best when he argues against the adoption of pure market-based solutions in this kind of mixed or messy economy.

Now, the important thing I think to highlight here is also Galbraith's liberal pragmatic inventiveness. This is not the caricature provided by conservatives of the liberal who would simply give hand outs to the farmers. The mortgages were meant to be repaid. But the inventiveness came in finding the boundary conditions between the implications of the market and the market's reasoning, which was for efficiency, and the ideals of equity, which are so important in a healthy and functioning economy and a society as far as Galbraith was concerned and is concerned today.

So, for example, he proposes that when loans are repaid, they payment terms be geared to the essential business cycle of the farm community, going upward when times are good in dollar amounts, going downward when times are bad; and that simultaneously a business cycle

approach toward the use of land sales, of land taken over by the government, be modulated by the conditions that are found in a particular moment of the business cycle as it exists in the real world.

Now, the policy implications for this is that he wants to see a sectoral market; that is, agriculture help to better function in a larger macro economy governed by what he believes are the permanent messy rules and outcomes that he sees everywhere else. That is, the particular social Darwinism of that sector of the U.S. economy, agriculture, which operated closest to neoclassical tenets, was the one to be moved away from because the social logic and the moral logic of the outcomes of that market were unsupportable in an affluent democracy.

Now, he also is one who sees pragmatic benefit in a manufacturing sector that also does not adhere to standard neoclassical models. Importantly, here again, as a pragmatic liberal, he doesn't endorse the earlier Brandeisean idea of simply breaking up large concentrations of power, but of finding ways in which to use concentrated power in the manufacturing and business sectors in general to create an optimized combination of outputs that can't simply be measured by Marshall's notion of allocative efficiency.

In some sense, he's taking up and will take up much more clearly in *American Capitalism* Schumpeter's idea of innovative efficiency; that is, that the large corporations by virtue of their size, their ability to invest down a long road to finance R&D and the like have advantages over the hurly burly of the small—the word of millions of small producers and small consumers. But he also is laying the grounds for a claim to distributive efficiency, which at its heart I believe is what is most significant about John Maynard Keynes' adaptation of neoclassical economics, because it is ultimately the ability to put money into the hands of consumers across a failed distribution of income structure that accounts for Keynes' model of how one grows an economy out of recession or depression.

Now, the thing that keeps all of this bound together, although here we see only the narrowest outlines in these early Brookings reports, are these two points that I've made already: Galbraith's attentiveness to power and Galbraith's attentiveness to the conventional wisdom.

Galbraith has long been faulted—has long faulted economics for concealing the element of power embedded in economic relations, structures, and decision making, and he has hectored all of us for our too congenial embrace too often of what he calls the conventional wisdom.

The important thing here is that he learns these lessons in a forthright way in this very period. And I'll tell you two stories, just briefly about this period and its impact on his life, and then move on to let others comment.

The first is about Galbraith's experience working at this time that he's working on the Brookings study of farm finance simultaneously for the Agricultural Adjustment Administration. This was an agency established as one of the many alphabet agencies of the 1930s, and among other things it was charged with overseeing operation of the various domestic allotment programs of agriculture—the Output Reduction Programs innovated in no small part by the theoretical work of his mentor, John D. Black, and others.

Now, the system when it was put in place in 1933 initially worked very well in cotton—excuse me—worked very well corn and wheat, where farmers themselves were the primary operators of the farms which produced the output. But immediately, as the system was put in place—that is, of the Federal Government paying for the number of acres planted in cotton to be

reduced—a profound social and moral dilemma arose, which is simple to understand. A few white men owned a lot of plantations and a large number of basically African American and the poorest of poor whites worked as the sharecroppers on tenant farms who actually raised and harvested the cotton. And the question for the Federal Government was a simple one: Who should be paid?

Was it to be paid to the farm owners, to the great plantation owners or was some of that or all of that money to go to the men and women who were most clearly impoverished by the collapse of farm prices and in particular by the price of cotton?

And as Galbraith remembers it, one young lawyer went over to see Cotton "Ed" Smith, senior Senator from the State of South Carolina, and the chairman of the Senate Agriculture Committee. And Senator Smith made it very clear what the appropriate decision was supposed to be. And he summarized it thus:

"You take care of the payments. We'll take care of the niggers."

Now Cotton Ed went on to become famous again a year later, when he walked off the floor of the Democratic National Convention in 1936 because a Black minister was invited to give the invocation at the Convention. But it was an example of the ways in which power operated because ultimately Roosevelt gave in. The money was paid to the planters and not to the sharecroppers.

And it was a lesson that was seared in Galbraith's mind. And it remained throughout the rest of his career a moment in which he understood as baldly and as clearly as possible that market forces are never simply market forces in the abstract. They always contain elements of ideology, of bigotry, of presumption, and most importantly of the power which regenerates and reinforces those assumptions.

Galbraith went on in the Second World War as the chief economist of the Office of Price Administration to see power exercised in the constant debates over what the appropriate price of goods would be when he managed price controls because of the constant pleadings of CEOs and their congressional representatives before him and his assistants.

He also saw it at the end of the Second World War as one of the directors of the Strategic Bombing Survey. The Bombing Survey had been created, as many committees are here in Washington, with the purpose and the outcome or conclusion of the Committee preordained.

The Committee's purpose was to sanctify the role that the United States Army-Air Force had played in the Second World War in the strategic bombing of Germany and its destruction of the German economy. But Galbraith had the misfortune of being thorough goingly honest, and with his fellow economists concluded that, in fact, German war production in the Second World War had actually increased throughout the war so that tank and airplane and rifle and ammunition production in early 1945 was higher than it had been in 1941. And he insisted on publishing these results, despite threats from his supervisors.

Ultimately, a classic Washington compromise was reached. The report's conclusions were included in the overall report. Galbraith was then dispatched to Tokyo to examine the impact of strategic bombing on Japan, and the Pentagon called a press conference with him 9,000 miles away to announce that strategic bombing had been successful—unfamiliar terrain I'm sure to many of you here in Washington.

Finally, what I want to emphasize is the ways that this understanding of power carried through in his work in the Kennedy Administration. Like many of my generation, I had long believed that the Kennedy Administration was merely one step in the continuum that led to the Johnson Administration and to the fiasco with the Vietnam War.

As a consequence of declassified work, research that I've done, research that Jamie has done independently, I believe that we show—or I show in this chapter and that both of us can show through our research and use of these declassified documents that Ken Galbraith played an incredibly important part in deterring President Kennedy from actually committing significant American troops, despite the pressures placed on him by a circle of advisors that included his Secretary of State, his National Security Advisor, and the Secretary of Defense.

The importance here is not simply to see what Galbraith understands about power, but about the importance of conviction and courage in the face of power. It is ultimately for me a measure of what I admire in Galbraith that throughout his career, he has shown that consistency of conviction and his courage to articulate those convictions and fight for those goals in good times and bad.

I believe that Ken Galbraith's career and the individual decisions and the overall vision that he has held to throughout his life are the best of American liberal tradition—tough, pragmatic, generous, compassionate all at once. And I believe in a deep and certain way that we are on the cusp of being able to reexamine and hopefully reignite those values in American political life today.

Ken Galbraith was the focal point for my attempt to explore that history, and I believe that history has continuity that exists right through to the present and will continue on into the future, at least I hope so. Thank you.

[Applause.]

MR. DIONNE: I'm right about this, Richard, am I not? You can tell by your fluency that you are a preacher's kid, and I admire that myself.

It is worth noting that Galbraith did invent the phrase conventional wisdom so that he deserves an award from every opinion writer in America who spends half his or her time attacking the conventional wisdom and the other half reflecting it.

The other thing is I loved hearing that story about William F. Buckley, Jr., who's one of my favorite conservatives. Galbraith spent his whole life trying to convert him and maybe Richard succeeded where John Kenneth Galbraith failed. But that's highly unlikely.

Red Sox fans used to be able to use the phrase the all-star team the Red Sox traded. Happily, we cannot use that term anymore. But we have the all-star team that the Yankees traded. I want to first introduce Henry Aaron, who is currently the Bruce and Virginia MacLaury Senior Fellow in the Economic Studies Program here at Brookings. He was the director of our Economic Studies Program from 1990 through 1996. He's been a Guggenheim Fellow. He joined Brookings first in 1968. He's taught at the University of Maryland. He was an Assistant Secretary for Planning, Evaluation, at the Department of HEW. He chaired the 1979, I note that, Advisory Council on Social Security, not the more recent one. He was an undergrad at UCLA. He holds a Ph.D. from that much described partly derided Harvard Economics Department. He is a member of a whole lot of wonderful organizations, and is the author of a list of books that is

so long that it would take up all our time just to read them. But he is a wonderful and impressive man, and also has a wonderful sense of humor.

Jim Fallows is the national correspondent for the Atlantic Monthly, where he has worked for more than 20 years. He's written seven books. He writes a column about technology and politics for the Industry Standard Magazine. His articles have appeared recently in Slate, the New York Times, the New York Review, the New Yorker, the American Prospect and other magazines. He has published five books, including National Defense, More Like Us—I said this—I just made an error here, because one part of this bio says seven and the other says five. So we'll give you seven, but list five.

MR. FALLOWS: You can quote me now.

MR. DIONNE: The National Defense, More Like Us, Looking at the Sun, Breaking the News, and Free Flight: Inventing the Future of Travel. It would be wonderful for you to talk about that today, although I'm not sure—Jim believes we're all going to be flying around instead of being stuck on the Beltway.

He has won the American Book Award for National Defense and he won the National Magazine Award for his Atlantic Monthly article about the consequences of Iraq, which I commend to everybody here.

And finally, Jamie Galbraith. James K. Galbraith teaches economics and a variety of other subjects at the L.B.J. School and in the University of Texas' Department of Government. He holds degrees from Harvard and Yale. Many of you remember that great John F. Kennedy line when he got an honorary degree from Yale. He said: "I have the best of both worlds. A Harvard education and a Yale degree."

Jamie has both forms of education. He studied also economics at Kings College, Cambridge. He was on the staff of the Congress, including appeared as executive director of the Joint Economic Committee, and yes, he, too, was a guest scholar at the Brookings Institution in 1985.

He has co-authored two textbooks, the Economic Problem, with Robert Heilbrunner, and Macroeconomics. He's the author of Balancing Acts: Technology, Finance, and America's Future; and I think a classic in, if you could say, the family business, a book called Created Unequal: The Crisis in American Pay, published by the Free Press in 1998. His new book is Inequality and Industrial Change: A Global View.

We'll start with Henry, move to Jim, and then Jamie will have some comments, and then we'll open it up for discussion. Henry?

MR. AARON: As somebody who knows or has met William Buckley, I have a feeling your wife's simplification, alas, may have been correct.

[Laughter.]

MR. AARON: My first acquaintance with John Kenneth Galbraith's writings was just after the end of my senior year in college. I was driving east to graduate school in a four-year old Ford along undivided free Federal Highway Program two-lane roads. I was well into the affluent society, as it seemed at the time everybody I knew was.

Galbraith doesn't know it, but his rhetorical lancets dissecting a self-satisfied and sleepy country of his time helped me and my friend, two very earnest young graduates, through endless Nevada desert and oceans of Iowa cornfields. It wasn't until five years later that I personally actually met Galbraith. After completing graduate studies, my first real job was at a teaching position in Harvard so low and so without standing that Harvard no longer appoints anybody to that position.

[Laughter.]

MR. AARON: I describe the position in these terms not out of any false sense of modesty—I can assure you my modesty about that position remains all too real, more than 40 years later—but because one of the activities associated with the position as attendance at Harvard faculty meetings of the Economics Department. I stress the word attendance. Voting at such meetings was not among the included privileges for people of my position. It was sort of like being a citizen of the District of Columbia.

[Laughter.]

MR. AARON: But even lower. Because whenever the discussion got serious, people at my now extinct rank had to leave the room.

But we were encouraged to socialize. That, too, was a mixed blessing. For a newly minted, 26-year-old economist with a three-year contract whose non renewal was absolutely assured, it was not easy being among the Harvard pantheon. Hence, that some Harvard faculty members may lack in humility may have come to your ears. And no one, to the best of my knowledge, has ever charged John Kenneth Galbraith with undue modesty.

But he did something that other less celebrated colleagues never did. He took the time to talk to all of us short timers, and, when they were present, to our spouses as well.

Now, that may seem a minor virtue and not worth bringing up at this time, but it happens to be one that I cherish and that I know from recent conversations others who were in my position cherish as well.

It does not seem consistent with the man whose reputation rested on insignificant measure on verbal ferocity. Perhaps he recognized terror and took pity. But perhaps he just had class.

Like the author of the biography we're discussing today, I've often wondered who is right in attempts to foresee what will be the enduring contribution of John Kenneth Galbraith's professional work.

Some people, whom I greatly respect, hold that Galbraith got at least as much wrong as he got right and that the residue will be slight.

In contrast, Mr. Parker quotes Paul Samuelson and Amartya Sen, two Nobelists of magisterial standing, who suggest that Galbraith will be read for many, many years, but I have to note that it was Samuelson who once warned in a quip that many thought pointed at Galbraith that one should be ware of economists who write too well, as verbal felicity may win respect for ideas that don't merit it.

But like Samuelson and Sen, I think it is true that for a long time, Galbraith will be read or what may even be a higher honor not read but talked about by people who pretend to have read him.

[Laughter.]

MR. AARON: The conversations, for the most part, will not I think be at seminars in departments of economics or at conferences attended by people doing standard economic research.

For better or for worse—I think by and large for better—economics has adopted the language of mathematics and the rules of formal logic. For many years, some practitioners of that art seemed to believe that skill in such methods justified a sort of hermetic indifference to institutional details, messy exceptions, and knowledge from other disciplines.

Parker chronicles and criticizes this trend among economists in his biography. He also correctly notes that economics is beginning to take institutions seriously, to recognize and cope with exceptions to the neoclassical framework and to collaborate with other disciplines, notably psychology and sociology.

He also points out that Galbraith was impatient with his orthodox colleagues long before others took up the intellectual challenges.

But this fact doesn't mean that Galbraith will be read as the precursor of the synthesis of orthodox economics and behavioral economics that I think will be taught in tomorrow's classrooms.

Some of the best economists in the profession are now challenging orthodox models, but they are doing so with analysis as mathematically rigorous and with statistical methods as sophisticated as any practiced by the traditionalists.

That wasn't John Kenneth Galbraith's style. He wrote with eloquence and humor, but not with formal rigor. He trade zestfully in the economic marketplace of ideas, but not with the official coin of the realm.

Galbraith was absolutely savage and in my view deadly accurate in his ridicule of a sort of panglossian or Alfred E. Newmanish tendencies among economists who would look at features of the world and say, it's all for the best or what me, worry? Because, after all, if the features had come into existence, they must be justifiable.

This impatience with self satisfaction is on full display in his roman à clef, a tenured professor, but it suffuses his other writings as well, and it is this I think that makes Galbraith worth reading and worth reading still.

I believe he will be read in the future as an economic commentator who trenchantly exposed weaknesses in the economic and political structure of the nation in which he lived as an intellectual confidant and as an influential advisor and actor on the political stage, but most of all—and this is something a lot of us would give our eye teeth for—he will be read with pleasure.

[Applause.]

MR. DIONNE: Thank you. As Jim goes up, I just want to say Henry himself just proves the saying because he writes well and his ideas must be taken seriously, and I cannot wait for your new Brookings volume, *The Economic Thought of Alfred E. Newman*.

[Laughter.]

MR. AARON: I think it would be a wonderful book.

MR. DIONNE: Or a *Short History of the Early 21st Century*.

[Laughter.]

MR. PARKER: The subtitle—or *Just of the Century*. May as well say.

MR. DIONNE: Jim Fallows. Okay. Thank you.

MR. FALLOWS: I'd like to add my thanks to those you've heard before to Brookings. I come here representing—I don't represent Brookings. I have no tie here except my numerous friends who work here, but I represent the New America Foundation, which is your co-sponsor and of which I'm the chairman, and the *Atlantic Monthly*, which is a journalist institution I think has had the closest ties at least for the last 20 or 30 years with John Kenneth Galbraith.

So in all those different roles, I'm very happy to be here.

With the possible exception of E.J., I'm the person here who probably is least directly connected to the world of academic economics; and, therefore, my approach here will be that of sort of the literary critic. I'm talking about the book itself and some things that we can learn from it.

My plan is to speak first about what is remarkable about this book; second some of the implications it raises for the world of economics, for those of us who are not professional practitioners; and then third some things about the man himself, who was the subject of the book.

One temptation in dealing with the book would simply be to read quotations at random for the next 10 or 12 hours. I can avoid that and say it is really a remarkable and wonderful biography, not simply of this century, but perhaps even some years before that, too, and I think it will be read for quite a long time.

People might ask, Richard: Richard, why is this book so long? And Richard's answer need not be the standard one that he didn't have time to make it shorter, but rather the fact that he's telling three very elegant stories all in one. I mean think of it as three books. That it is quite impressive. One is about the man himself, John Kenneth Galbraith, and although I had followed his career with what I thought of as some attention over the years, I was astounded at what a character, what a rich story this is to tell, from the agricultural economist and the honey price specialist and the migrant—somebody who encountered F.D.R. at an early age; was controlling U.S. prices at an early age; the riveting story of the Strategic Bombing Survey; his career as an employee of Henry Luce, which I had not paid much attention to; his publishing achievements—probably within a mile or so of where we're standing there are a lot of people who have written a lot of books, but I would guess, according to Richard's calculations, this one man, John Kenneth Galbraith, has probably sold more books than everybody within a mile of where we're standing right now, which is impressive.

MR. DIONNE: With the exception of Jamie, of course.

MR. FALLOWS: Yes. His—the friendships he's had with William F. Buckley, with Milton Friedman, with Walt Rostow, people with whom he disagreed very intensely, but yet was able to maintain rich friendships; the savvy he demonstrated about political institutions. I'll read just one of the many quotes I've dogged eared here. This was during the Vietnam years, and this was not about Vietnam policy directly. This was a note he sent to President Kennedy early in the Kennedy Administration as Vietnam policy was sort of coming into the fore, saying:

"Dear, Mr. President. I keep seeing stories that we are to have a serious review of foreign policy. Men of wisdom will applaud this. When things are not good, it usually is imagined that a review or possibly a reorganization will make them better. No one ever asked whether the best is being made of a lousy situation, but a good review will create lots of employment for the State Department."

These are words we might apply to some current events in our nation's capital and so we have one of the books that's included here for the price—you know, three for the price of one—is about a memorable character.

The second book that is told alongside is sort of a history of the public affairs of the 20th century. It turns out that if you have somebody who was born at the beginning of the century, lives into the next one, and is extremely active during all that time, then almost everything that happens in that century you can talk about, whether it's the Depression, World War II, the Cold War, liberalism, conservatism, and it's all—you could read this as a history of the previous century.

And then the third book, of course, which Richard and Henry were describing is about the evolution of and tensions within the profession of economics. And that's quite a rich one, too. And any one of these we would be proud to have a stand alone book.

So my first comment is it's long, but it's good, and it's a very impressive book that I think will many years from now be read for all these ingredients I'm talking about.

The second point I'd like to make involves the derived messages about economics that are in this book. And I won't go into them with any sort of detail except to say that I think there are two themes that Richard brings out very, very powerfully that are quite applicable to our current public situation. One involves, of course, the complexity of economics, that there is, especially over the last 50 or 60 years, this tremendous gravitational black hole type pull to reduce economics to the simplicity and clarity of mathematical explanations, but Richard makes a very, very powerful case about why this is inevitably a matter of human relations, power relations, human nature, unpredictability and why while the tools of analysis should be applied wherever they can, they should not be applied more than they can be, and I think this is, as we find this applying to many parts of public life.

The second theme that comes out clearly from Richard's presentation of Galbraith's career is the inescapably public nature of economic argument. Not simply that they're effect on public life and the results for rich and poor, for the welfare of nations, but also the need for public accessibility to these arguments. The fact that John Kenneth Galbraith was able to write in a way the public could read with pleasure was not a—something that should be explained away by the economics profession, but actually should be a desired quality because of the way, you know, that economic arguments affect all of us.

I would argue that there is some difference between the economic predicament of the moment and the one in which John Kenneth Galbraith was involved through most of his life. Through most of his life, it seems to me that he was involved in the fights that Richard was recently describing to you, of trying to have his rich portrayal of the power realities economics have some kind of moderating effect on the oversimplification of some academic economics.

There is something different going on right now it seems to me. We have the impulse to oversimplify and the excessive scientism of some economic arguments, combined with a kind of flat earthism in some of our public discourse, where facts don't matter. I won't belabor this point now except to say that I think that it's—the lessons of Galbraith apply well to that argument, too.

The third point I'd make—and most briefly—is what this makes you end up thinking about the long-term impact of John Kenneth Galbraith. Henry Aaron was saying a moment ago that there has been a line in professional or academic economics that Galbraith has been wrong as much as he has been right. Because Richard's biography is admiring without being slavish, I think he makes clear that's not really a fair conclusion.

Certainly, there have been judgments that John Kenneth Galbraith got wrong and would revise if he could revisit them. But if you think how many things he has gotten right over the years, from the Strategic Bombing Survey to his early response to Keynesianism, to some of his words on Vietnam—and I'll read just one other brief quote here. This was a letter that John Kenneth Galbraith wrote to President Kennedy I believe in 1962, saying:

"Although at times I've been rather troubled by Berlin, I have had always had the feeling that it would be worked out. I continue to worry far, far more about South Vietnam. This is more complex, far less controllable, far more varied in the factors involved, far more susceptible to misunderstanding. And to make matters worse, I have no real confidence in the sophistication and political judgment of our people there."

He has been right on many things that matter more, and so I think it is worth reading this book because it's a good book, because it tells many stories of our time, and it gives you new appreciation for its subject. Thank you.

[Applause.]

MR. DIONNE: And now Jamie for a searing critique of the ideas of John Kenneth Galbraith.

[Laughter.]

MR. GALBRAITH: Well, I want to first also thank Brookings and the New America Foundation for sponsoring this event; Richard for writing the book; E.J. for organizing it; Jim and Henry for their remarks, and I also want to thank Alice Rivlin for something that she would probably prefer to deny having done, but for giving me my affiliation with Brookings back in 1985 a touch of reputability that I've traded on ever since.

[Laughter.]

MR. GALBRAITH: One two occasions in my academic life, I've uncovered the hidden tracks of my father's work. The first came in 1973, when as an undergraduate, I gained access to the Army Library at the Pentagon, to research the decisions behind the location patterns of government owned ammunition factories. Don't ask me why I was interested in that, but I was. The factories had been dispersed to the countryside, where they could take advantage of the

super abundant surplus labor at the time, and the question was why? I discovered that these had been made in the national—the decisions had been made in the National Defense Advisory Commission around 1940, mainly by the young executive assistant to the chairman, Agriculture Secretary Chester Davis. Eventually the typescript divulged the name, John Kenneth Galbraith. I completed my research a few days later at the dinner table back at Cambridge.

[Laughter.]

MR. GALBRAITH: And more recently, as Richard has already mentioned, I became interested in the problem of achieving an accurate picture of John F. Kennedy's decisions in October 1963 with respect to the withdrawal of U.S. forces from Vietnam.

Eventually, I reached the conclusion and obtained the proof that the decision to withdraw in full by the end of 1965 had, in fact, been made. And as this conclusion came into view, I also realized the origins of Kennedy's determination to make that decision. They lay, in no small part, in the advice of the Ambassador to India, once again John Kenneth Galbraith.

This story and the earlier one are among those many now given full treatment really for the first time in Richard Parker's magnificent biography, whose publication we celebrate today.

But I want to speak about Galbraith the economist and to go a bit beyond a comment I made at his 90th birthday six years back. On that occasion, I asserted that I believed to be true that as an economist, he transcends fame. In the long run, his name will be recorded alongside those of Adam Smith, Karl Marx, John Stuart Mill, Thorstein Veblen, and John Maynard Keynes as among the greatest reform economists of all time.

I don't mean that as a personal remark. My father always loved the many sessions of exegesis devoted to his work by the Association for Evolutionary Economics, the American Agricultural Economics Association, and even by the American Economics Association on occasional better days.

I've attended a fair number of those meetings and I could never bring myself to get quite as much enjoyment out of them as he did, for there is an element of the personal in such tributes that tends to be a little bit overwhelming. The frequent comparison is to so fundamental an intellect as Thorstein Veblen, a brilliant mind, a writer, social critic, and at one level who would not be content with that.

But I always thought that Galbraith deserved more and Veblen also deserves more than he characteristically gets but from such comparison to Galbraith. The deficiency lies in the way that they tend to be treated as economists. There is something in the appreciation of the luminous individual that speaks also the dark side; the evokes the loner, the evanescent flare, the cul de sac, the man whose message came and went, while the economists moved on. It never much bothered J.K.G, but it bothers me, for, like Veblen, Galbraith, in my view, deserves to be recorded as a transforming figure. Like Veblen, he offers an approach, a manner of thought, a structure to an economics that manifestly still waits and great needs to be transformed.

So what are these core propositions of Galbraith's thought.

Let me note in passing what has already been alluded to several times here that there are two technical areas so unfashionable that he has been for 60 years not only the leading expert in them, but perhaps the only surviving economist who admits to having any expertise at all. These are first of all the economics of the effects of strategic bombing, revealed in the work of the

United States Strategic Bombing Survey back in 1945, and still valid today, though completely ignored by the enthusiasts of the art of dropping bombs.

Second, there is the economics of price control, a disreputable topic today, but nevertheless an indispensable component of victory in World War II, and in the creation of the modern American middle class, for as Tom Ferguson and I have shown, it was precisely in the forced draft of mobilization under price control that the post war financial wealth of the American middle class was forged. In our household, we simply called this the Galbraith effect.

[Laughter.]

MR. GALBRAITH: However, I can't let this topic pass without also recalling J.K.G.'s remark when we learned on August 15th, 1971, a glorious day in family history, that he had won a convert in Richard Nixon. I feel like a streetwalker, he said, to the Washington Post, who has just been told that her profession is not only legal, but the highest form of municipal service.

[Laughter.]

MR. GALBRAITH: Let me go on to some of the major points of Galbraith's contribution as an economic theorist.

The following is emblematic, far from exclusive, but the list, drawn from just three of his greatest books, captures some theme that in my view are very essential.

First from the great crash, we have the conviction that financial panics affect real activity.

No one in the 19th century or with experience of agriculture ever said—

[TAPE FLIP.]

MR. GALBRAITH: —economy runs on credit or that real activity depends on banks. Only in the higher reaches of academic life could such a thing be denied. The denial, nevertheless, took powerful hold. The Great Crash is a wonderful corrective. It has remained continuously in print for 50 years. I believe it's the best selling of the Galbraith books. And I have to say that when I was introduced to Fidel Castro in Havana in February two years ago, he swept aside my necktie to look at my name tag, which was hidden. He saw it and he said, the Great Crash. My favorite book.

[Laughter.]

MR. DIONNE: You never knew that Jamie would red bait his father, did you?

MR. GALBRAITH: Nope. No. Still more important than the melody are the notes. Here we have not only mass psychology and vulnerable technology, the panic that out runs the ticker, as it did again in 1987, but the Great Crash also gives us a subtle interplay of players. How National City bribed the son of Peru's president—\$450,000—considerable money in 1928 or so—for the privilege of marketing a \$50 million loan. As Galbraith notes, one's services were of a rather negative sort. He was paid for not blocking the deal.

The debt so accrued, forced Peru and other countries similarly traduced to attempt export led growth. This was blocked by rising tariffs, which precipitated default and helped set off the panic against the banks.

The Great Crash is built upon such stories. Taken together, they teach us that economics, like history, is made in part by particular persons. This is a message that the profession has

stoutly resisted, preferring always the denatured maximizing abstraction *homoeconomicus* to the flesh and blood of Ivar Kruger, the match king. Kruger shot himself on March 12th, 1932 in Paris. J.K.G. notes that quote "with the cooperation of the Paris police, the news was withheld until the New York market closed. However, the security system of the Paris police was less than perfect. It is fairly certain that there was heavy selling that morning, including heavy short selling of Kruger and Toll by continental interests."

The Great Crash is one of the first great works on the subtle economics of insider operations in financial fraud. But it's not just stories.

Here is one example of the economic method it contains. Quote "to the economist, embezzlement is the most interesting of crimes. Alone among the various forms of larceny, it has a time parameter. Weeks, months, or years may elapse between the commission of the crime and its discovery. This is a period incidentally when the embezzler has his gain, and the man who has been embezzled oddly feels no loss. There is a net increase in psychic welfare. At any given time, there exists an inventory of undiscovered embezzlement in or more precisely not in the country's businesses and banks. This inventory, perhaps it should be called the bezzle, varies in size with the business cycle. In good times, people are relaxed, trusting, and money is plentiful. And even though money is plentiful, there are always many people who need more. Under these circumstances, the rate of embezzlement grows. The rate of discovery falls off, and the bezzle increases sharply.

In Depression all this is reversed. Audits are penetrating and meticulous. Commercial morality is enormously improved. The bezzle shrinks." Close quote.

Although the essential precedent for this approach, generalization from example, goes back to Adam Smith, there are surely not many passages in economic sense smith [sic] that illuminate a new subject with such penetration. Can anyone doubt that we could do with more?

The second book I wanted to mention is, of course, the *Affluent Society*, which is remembered for its endearing, enduring phrases, above all the concept of the conventional wisdom. We would be in the *Forbes* 400 if we had a nickel for every time that phrase has been used without attribution, and for its evocative passages on private opulence and public squalor, such as the one about the family which takes its mauve and cerise, air-conditioned, power-steered, and power-braked automobile for tour and through cities that are badly paved, made hideous by litter, blighted buildings, billboards, and posts for wires that should long since have been put underground before going on to quote "picnic exquisitely packaged food from a portable icebox by polluted stream and spending the night at a park which is a menace to public health and morals." But it is much more than that.

In the *Affluent Society*, we find a logical demolition of the orthodox theory of consumer choice. It proceeds from the unassailable observation that stable preferences for goods cannot exist for goods that do not exist. Think about it.

The process of innovation necessarily entails the creation of markets. Thus, the dependence effect: the dependence of consumption on production and not the other way around.

This is, in essence, a plain English version of the point about instability of preference fields that is leading nowadays to the rise of the new psychological economics and I would argue to the evanescence of the traditional neoclassical theory. But enormous trouble could have been saved if economics had taken the hint the first time around.

Then we have my third and final reference, which is to the theory of economic organization in the new industrial state. Here Galbraith built on the foundation of Berle and Means, on Joseph Schumpeter, to some extent on Max Weber, on the behavioral formalisms of Herbert Simon, on his own *American Capitalism* of 1952, and its concept of countervailing power.

But the portrait in *TNIS* is altogether richer, conveying understanding not only of the separation of ownership from control, but also the significance of the specific bureaucratic processes that generate corporate decision making and the interplay of company and state.

In the *New Industrial State*, Galbraith challenges us to contemplate rigorously what happens when power passes irrevocably into the organization. He forces us to recognize that the fundamental decision making process of modern economics, maximization subject to constraint, is untenable in a world of asymmetric information, as Stiglitz has taught us to call it, and negotiated decision representing the compromised interests of established players.

Now, the point has often been made the *New Industrial State* did not anticipate later developments in many respects: the incursion of the Japanese technostructure, especially in steel and autos, onto the American scene in the 1970s, eventually stabilized by market sharing deals under President Reagan, wasn't foreseen in the book.

Nor was the return to power of high finance in the 1980s, as the demolition of Breton Woods restored the role of the banks and as high interest rates first permitted them to rake in their gains and then, in a repeat of the early 1930s, nearly ruin them all. Galbraith also did not anticipate that part of the technostructure would spin away from the large industrial corporations in the 1990s, becoming a distinct and independently financed economic force susceptible, as we learned, to bubble and pop.

Nevertheless, the *New Industrial State* gives us something that nothing else at the time did: a framework for analyzing all of these phenomena in complex organizational terms. This is missing from the class analysis of the Marxists, different from the macro and sectoral analysis of the Keynesians, alien to the denatured firms and representative households of neoclassical equilibrium. And it is much closer than any of these to the actual decision making institutions of American capitalism.

One may argue—and, indeed, I have argued—that in the new millennium the large corporation has regained its central position on the American political scene; that we live in what I've called the corporate republic.

One might indeed argue for an understanding of the present American government in almost precisely the terms of corporate governance that the *New Industrial State* teaches us to observe.

We have the essentially clientelist character of decision making, unable to deliberate in an extended goal seeking way, because of the overriding necessity of deference to players who happen to occupy particular roles. Thus, we have the capture of strategic direction and national security, finance, regulation, and other areas by cliques who, like the technostructure, can lay claim to expertise not available to outsiders who can manufacture bogused expertise at will, claiming the privilege of dispensing it without fear of substantial contradiction.

We have the public relations apparatus with the unique characteristic of a corporate propaganda machine, namely an inability to tell a truthful story that is consistent from one day to

the next. Yet, like the press releases of large corporations, this apparatus nevertheless expects and receives deferential treatment from the press. Meanwhile, challengers and critics are treated as the financial papers handle unionists and tort lawyers.

[Laughter.]

MR. GALBRAITH: We have the rubber stamping Board of Directors, which in the modern United States, we refer to by the deferential title of Congress.

[Laughter.]

MR. GALBRAITH: We have the shareholders, the nominal owners and participants in occasional elections, which the management is determined never, under any circumstances, to lose.

And we have, above all, the chief executive officer as a specialist in public relations, the man who spends his time on the golf course or at the ranch in order to show that he can; in order to advertise to the world that things are under control; or, more precisely, to obscure the fact that they are not.

[Laughter.]

MR. GALBRAITH: All of these characteristics have analogues in the corporation of the New Industrial State or would have them in any modest updating of that analysis.

And that, my friends, brings me to my final message for the morning. This is a lesson—since this is a panel on my father that I cannot resist repeating. When you're two-thirds of the way through, always put in the word finally, because it gives your audience hope.

[Laughter.]

MR. GALBRAITH: Where do we go from here? What are we doing here, particularly at a center of economic research of the prominence and importance of the Brookings Institution? Are we merely paying tribute to a great man and to a fine biography of his life? Or can we muster a deeper purpose? Are we willing to be part of a project of changing the way economics conducts its affairs? And if so, then what should we do about it?

The answer will not be found in wit and literary genius or political celebrity. I can only be found in research. And one thing my father did not do. The one thing I think that he never seriously attempted was to build a research tradition that could carry on the spirit of his work, and nor in the struggles of the day between Marxians, Keynesians, and neoclassicals would economics have permitted any such thing. But if the ideas are to survive, it seems to me that that task is before us or some of us now.

Personally, I have no desire to dictate a specific course of action. Pluralism can and indeed must be combined with discipline and rigor, but let's be conscious of two fundamental tests. One of them is well captured by a remark of Paul Samuelson, which is quoted by Richard. Samuelson writes: "In the history of ideas, the thinker who creates a new synthesis and speaks in telling fashion to a new age is the one who plays the pivotal role in history." Galbraith met that test and so should we.

And then there is a comment by Parker himself, capturing the essence of my father's world view, and he has already, in fact, said it this afternoon. The truth, he writes, of an economic theory ultimately lay in its success or failure when applied to policy. So let's not

forget—and here at Brookings do not ever forget—our political obligations, our responsibility as economists to play a role in the great debates of the age.

Our task is not only to understand economics and the world that economics attempts to describe, it is also to change it and to do so in a spirit of abiding liberalism, generosity of spirit, openness and fair play, combined always with humor and touch of detachment. Those are my father's enduring traits, and they should also be ours.

In closing—[Laughter.]

—I can resist noting that John Kenneth Galbraith made one other arguably modest contribution to the economics profession. That was me. [Laughter.]

Today, at 96, he continues to provide a certain measure of guidance to my work, so I read for you now the entire text of a letter dated March 25th, 2005, and received by me on Friday.

"Dear Jamie. I have recurrent and adverse reaction to the solemn nonsense every few weeks from Alan Greenspan. [Laughter.]

"And equally to those who listen to him of movement in the interest rate is quickly washed away as to its effect—appreciation and comment by and for those who rejoice in their understanding of error." If that sentence puzzles you, I have to tell you it puzzles me, too, and I read it to Elspeth Rostow yesterday, and she said, hmm. Sounds like Henry James. [Laughter.]

Anyway, I return. "Alan, though subject to fraud of which he may be largely unaware, is an old friend. I am tempted to do a piece calling for an end to his nonsense. Maybe you should do it. Love, Dad." Thank you very much.

[Applause.]

MR. DIONNE: We're going to mike up everyone. Alice Rivlin gets a point of personal privilege at any moment to either defend Alan Greenspan or express sorrow at bringing Jamie to the Brookings Institution.

MS. RIVLIN: [Inaudible.]

MR. DIONNE: Thank you so much. Two quick points. Any resemblance between Jamie's nearly final remarks and the current political situation is purely figment of the audience's imagination. And the second point: I was grateful that he mentioned the Great Crash. In a later edition of that book, and the most recent edition, Galbraith has a wonderful introduction where he confesses that he does like to see if his books are in bookstores. And he went into an airport bookstore once looking for it, and it wasn't there. And he asked the lady behind the desk, do you have the Great Crash? And she said, oh, no, we wouldn't have that book, and Galbraith suddenly realized that this would not be of comfort to anyone about to get on an airplane.

[Laughter.]

MR. DIONNE: It's a wonderful book. I want to turn to the audience. I do want to say, by the way, that we would welcome searing critics of Galbraith who, if they want to speak first. We actually, in planning this event, had reached for searing critics, many of whom were ready to come, but none of whom could make the date that we needed to make. This is not the result of political bias. It's probably my own journalistic bias. I picked timeliness as the highest virtue, 'cause I wanted to do a panel on this book before anybody else did. So, but we will welcome criticism.

I want to read you one line, Richard, and I throw it out to the rest of the panel. And it's really just a sentence from the book that I think is full of—it's something that we should explore. And it goes to Jamie's concluding comments about the lack of a school. He said—you write: "Yet the situation at the turn of the century suggests a paradoxical incompleteness in Galbraith's career, in political liberalism, and in the liberal Keynesianism.

Could you talk about that sentence and elaborate on it?

MR. PARKER: Yeah. But I've got to do it in a non-professorial way so I stop before I go 20 minutes.

MR. DIONNE: As long as you say finally a lot.

MR. PARKER: Finally. Finally, let me conclude.

I mean I think—I'm very much influenced by an idea of systems being open versus closed and I think both Jamie and I and Jim, to a certain extent, would take some issue with Henry on this, but maybe not as much as might seem to be the case, in that my own sense is that the mathematicizing of economics led to a closed system model that believed that it could in some ways mime physics in the social sciences, and that the great palliative that Galbraith offers is a reminder that social systems in which the subjects as well as the investigators are human beings, with moral capacities for making decisions and acting consciously in reaction to the observation of the observer make the system permanently open and permanently capable of surprise and not subordinate to a closed systems model in a way that atoms, electrons, pi mesons and the like are perhaps more susceptible to closure.

The part about the closedness of liberalism, the closedness of Keynesianism—I'll take Keynesianism first. I think that Galbraith has been haunted—and Jamie can comment on this from a personal point of view—by the paradox of Keynesianism success in the '50s and '60s in which the average income of the American family doubled in real inflation adjusted terms as being driven by military Keynesianism. I mean it was an essential paradox of the kind of Keynesianism that developed in the immediate aftermath and was certainly not one that Keynes had anticipate before the war, nor that Galbraith had anticipated. And I think that where we are now is in this quite peculiar place in which we have subjected ourselves to a narrative of conservatives who describe themselves as doing something that is the antithesis of Keynesianism, when I think the Economist magazine got it right 15 years ago, when it described the policies of the modern day conservatives as turbo charged Keynesianism. After we've piled \$6.7 or six point—I don't know what it is now? Seven trillion dollars on to the debt of the economy, and it has served as a remarkable fuel for growth in this period which has been paradoxically overlooked by conservatives in their defense of modern limited government and fiscal responsibility.

I mean we're in a period now where this current president that presides over a government that's larger than it ever was under Lyndon Johnson. The Federal Government is more than twice the size that it was under Franklin Roosevelt, and yet we talk still about the argument of anti Keynesian fiscal responsibility. And so I think that the issue for Galbraith—and this is for the Keynesianism and the liberalism hinged together—is in trying to develop a sense of global Keynesianism for the 21st century that is hinted at in the Keynes of Breton Woods more than in the Keynes of the general theory, and again I could then go on to do a seminar on that, but I leave it with those sort remarks and then we can open it up.

MR. DIONNE: Henry and Jamie, do you want to take up that thought in terms of the what is left behind—you know, a paradoxical incompleteness in liberal Keynesianism.

MR. GALBRAITH: Well, I guess just to pick up on some things Henry was saying, I think you could easily turn Samuelson's remark on its head and say that one should be wary of an economist who is too absorbed in his mathematics; that the role of mathematics should be to provide a kind of logical structure and skeleton to an argument, not to replace the argument altogether, and certainly not to act as a kind of shield behind which essentially trivial propositions can be discussed by a small group of insiders.

My father's position on this has been I think if you asked him would he accept the critique that his work is not rigorous, I think he would argue that the eighth revision of the prose is precisely what makes the work rigorous; and that the English language is just as susceptible as any other to the expression of a logically tight argument.

The other set of issues that Richard was addressing had to do with the role of Keynesianism over the whole post-war period. And I guess I would say that my father is not as Keynesian as that interpretation or an interpretation of economic history in those terms might lead one to believe. He was certainly obviously strongly influenced by Keynes in his early years; accepted the larger Keynesian macroeconomic framework, but the whole message of the Affluent Society and the New Industrial State is on the importance of—first of all in the case of the Affluent Society—of building toward a social good, which is not necessarily measured in Keynesian terms. It's certainly not measured by the growth of the gross national product, but rather by a complex array of indicators of the quality of life and the quality of the environmental experience and the quality of the justice of the society and its ability to deliver its wealth in some sense to its participants in a broad spectrum.

Whereas, the message of the New Industrial State is really about the way in which a society, which is intrinsically and necessarily comprised of large organizations, should be governed, with appropriate—not be pretending that you can break them down or by pretending that in a competitive analysis that the world behaves as though they didn't exist—but by building an appropriate framework within which they can operate in a tolerable way. So neither of those would be particular—I think this message is really quite distinct from Keynes' and to treat him as Keynesian is, in some sense, to neglect some important originality in what he's been up to.

MR. DIONNE: Jim, you seem to want to say something.

MR. FALLOWS: I had two brief comments. One, I wanted to just follow up on something that Jamie just said. My own favorite John Kenneth Galbraith quotation over the years that he either wrote or said offhandedly. Somebody was complimenting him on the breeziness of prose. He said, oh, yes, the air of spontaneity that comes on the ninth draft or something of that sort.

[Laughter.]

MR. FALLOWS: Anybody who writes for a living knows that the truth of that.

Talking about the public version of these arguments as opposed to the within the profession economic version of the arguments, I think there is a kind of—there's an interesting legacy factor here. On the one hand, as we've discussed, the actual works of John Kenneth Galbraith are still more popular than those of most economists to the general readership. It certainly is the case the main issues he has dealt with over the years, as we've heard in all these

presentations, are highly relevant now: the Affluent Society paradox of, you know, public squalor and private wealth; the inequality question; military Keynesianism; volatility, et cetera, et cetera. There is a paradox in public debates, which is somewhat at odds within the academy, which is even though these ideas argued very eloquently over the last 50 years or so are still relevant, somebody else may have to say them to have them be noticed. In fact, you know, it's somehow people don't turn to the Affluent Society and say, oh, yes, here is the answer for the year 2005, even though that's, in fact, what it is.

MR. DIONNE: Thank you very much. We have a mike to go around. God love you. By the way, I saw Jeff Faux [ph.] frown at the thought that his supply side efforts—I don't use the word Keynesians—but I have may misread your frown, but Jeff I would welcome you to join this at any point you want. Why don't we go to Jeff and then if somebody else could put up a hand just so I could see. Okay. Right in front of Jeff.

MR. FAUX: I was glad to hear Jamie make those remarks, because I have always thought of Ken Galbraith as—of course, he was a Keynesian. But it was much more—his work was much more about the structure of the economy and the structure of the society and the uses of government, not just as a stabilizer, but as an instrument for economic development. And I think that's the part of it that we've lost. And I'd like to go back to this question of why there is no school.

As someone in one way or another has tried to nurture that, it's struck me for a long time that the part of the economics profession that's taken over and dominated did so through the academy. I mean did so not so much through arguments on public policy grounds, although the 1970s inflation I think was critical to their taking advantage. But they worked the academy. Friedman and Hayek and all these people, and it was clearly a—there's an intentionality over decades.

And I'm just curious maybe what Ken thinks about this these days and what you, Richard, and Jamie and others think about what happened. Why was it that this didn't happen at time in the '40s, the '50s, and '60s when this was the paradigm? It was the dominant paradigm and one would have thought that when Friedman and the conservatives blossomed in the beginning in the '70s that there would have been a reaction; that there would—people saw what was happening, and yet there is no school. There are people. There are some acolytes, but there's nothing like the other side has. And I'd like some comment on that.

MR. DIONNE: I would like Henry to come in at some point on this, because you have kept alive a critical economics in this period, within the framework of, you know, of the mathematic economics you've talked about. Do you want to—can you take that on, and then I want to go to Richard and Jamie.

MR. AARON: Well, I'm not sure where to come in, 'case to some extent, people are using terms in ways that I don't find—they're not the way I would use the same terms.

MR. DIONNE: We need the ninth revision here. I mean that's why you can help us.

MR. AARON: No. I was just going to say I think people do different things for a living. There are different functions, each of which is useful but are not the same.

In my view, the activities within the Academy are extremely useful. They teach a set of tools and methods—methods of analytical rigor. They're very difficult. To do well, they can be all consuming; and, in fact, have been sufficiently consuming so that people have demonstrably

made successful careers while remaining remarkably innocent of economic institutions, of political factors in the world, of power relationships.

But that doesn't mean that the activities that were being performed were unimportant or not—or without value. They have produced a cumulative body of intellectual knowledge that I believe enables people intelligently to approach difficult problems more effectively than was possible in the past; than was more effectively than was possible for John Maynard Keynes and for so-called Keynesians to do for a generation after Keynes wrote.

In particular, macroeconomics is miles ahead in understanding the processes at work I believe than where Keynes was at or that where Milton Friedman was at in the period when he was working. People stand on successive shoulders in order to see a bit further, to butcher a bit Newton's comment about how he was able to make his scientific achievements.

In another area, the ability to stand back and have an encompassing view of society, to speak intelligently about various relationships, is enormously valuable. It doesn't necessarily, and in most cases does not—and I would argue in the case of John Kenneth Galbraith has not—produced a body of knowledge that is going to be propagatable in the academy. He did not produce a school. I do not know for a fact—Jamie probably does know—whether there was a large number of graduate students who worked under his tutelage as a faculty member.

To pick another contemporary of his, I know for a fact that somebody whom probably many people in this room have not heard, S.V. Grilicus [ph.], a Harvard faculty member in industrial organization and econometrics, students just hung on him like fruit on a tree, and he was an enormous inspiration. He has had an enduring academic influence. In terms of his impact on society, on the intellectual life of America, S.V. Grilicus is a class A, and John Kenneth Galbraith is the major leagues. It's that kind of a difference.

So I think it's a mistake to insist that somebody who has been superlative in one area necessarily is superlative in another. They typically are not, and in this case that is my reading of John Kenneth Galbraith's career. As a writer, as a social observer, as a person with brilliant intuition about specific aspects of a society, intuition that has stood the test of time, he was superlative. My comments were simply to suggest that those talents do not translate in my view into an enduring legacy within the academy or, to put it more generally, within economics as a profession.

MR. DIONNE: I mean, Richard, Jamie, briefly.

MR. PARKER: I guess—sure. I mean there is an enormous and respectable fault line between Henry's and my position. I don't know where Jamie and Jim want to come out on this. It is that it is important to distinguish mathematical economics in a couple of ways.

One is distinguish between the systems model, that is the sort of Copernican view of the way the world works, and the use of certain techniques to test correlation. Right? I mean those would be the two simplest ways. I mean there are other things that we could add.

MR. AARON: No. Let me just say what I mean.

MR. PARKER: Sure.

MR. AARON: If I look around the profession today and ask who it is who has been recognized and who have made really major contributions to economic understanding, two people whose names would come right at the top of my list would be Paul Krugman and Larry

Summers, both of whom were awarded the Clark Prize, which is the most prestigious prize in economics, both of whom are absolute aces at theory and econometrics, but who also use those methods for genuinely important and serious problems in a rigorous fashion.

So it's that synthesis that I admire—I personally admire in young people today.

Having said this, I think one has to acknowledge that Paul Krugman made what may turn out to be a Faustian bargain in deciding to move into what I will call a quasi Galbraithian mode at the expense of his academic career. It's hard to do both. There are very few people who can bat in both leagues.

MR. PARKER: See and my view would be that he gave up on the Faustian bargain in order to become useful to the world. That's—

[Laughter.]

MR. AARON: I'm not questioning that. I'm not questioning your characterization of it. But the point is he did make a sacrifice, and, therefore, his ultimate legacy within the economics profession is going to be smaller because he has decided to move into a larger world.

MR. PARKER: I would love to have this as a longer conversation. I think it's unfair to the audience to do further. But.

MR. DIONNE: Jamie, do you just want to.

MR. GALBRAITH: Well, there's one thing that I have not quite forgiven my father for and that was for giving me the impression, when I was in my late teens and early 20s, that the economics profession consisted of people who were very much like him.

[Laughter.]

MR. GALBRAITH: And to a certain extent, it was true. If you looked at the Harvard of that period, you had such towering and idiosyncratic figures as Wassily, Leontief, and Albert Hirschman [ph.], and Kenneth Arrow; and one could go down the list. And you got the impression that the economists were the philosopher kings, and the same thing was certainly true when I went to graduate school for a year at Cambridge and it was the late phases of that. But, of course, it's no longer true now.

And I think the thing I would say about that is that it's not just that there's no Galbraithian school. All of the previously existing mid 20th century variations in economics got wiped out of the academy more or less at the same time and replaced by essentially a monoculture of what one might call neoclassical analysis with a set of subdivisions that ran not along lines of intellectual schools, but in topic areas; and people did regulation and industry or industrial organization, whatever they did—game theory.

What's interesting to me, though, and what gives me if there's any hope for the future—and I'm not sure that the hope lies from my point of view within economics departments, but in the academy at large—is that over the last 10 years it seems to me—and here I guess Henry and I would really have an disagreement—but my view is that the intellectual coherence of this mainstream of economics has largely dissipated, and people are doing all kinds of things, some of which are interesting and useful, some of which are empirical, some of which are experimental, which are no longer guided by any common theoretical or ideological perspective and no longer have the political thrust, when you look at it from the standpoint of high theory,

that economics had, that conservative economics had over most of the 20th century. They're trying to hope that—I think that many people hope that no one will notice that modern mainstream economics no longer supports anybody's political agenda in any coherent way, because if they do notice, they might lose their sources of funding.

But when that fact becomes clear, the academy will probably have to think again about what the balance of resources going into this field and how it should be and how to foster a real diversity that might enable us as, you know, a nation of academies essentially to recapture the creativity that gave us the generation of economists that was there in their late years in the, let's say, the early 1970s.

MR. DIONNE: I just want to note that I have private information, 'cause Jamie and I took statistics together, that no one worked harder than Jamie to master statistics and econometrics. And I've always thought that it was about a project to kind of broaden the nature of—the kinds of inquiries done in those fields. I mean, Catherine, are we to—what was our time? Four or four thirty? Four.

We started a little late. What I'd like to do is I know there are a number of voices that would like to come in. I want Jim to come back. Who wants to say something—how many hands do we have, 'cause we've got three over here. Could we bring the mike serially to the gentleman in the back, the gentleman over here, and my friend up at the front row? I love everybody who sits in the front row. Brookings events are like churches. Everybody sits in the back. No one sits in the front row.

MR. : Yes, Mr. Parker and Mr. Galbraith, why have John Kenneth Galbraith and other progressive policy proposals utterly failed really to challenge the reactionary economic policies of the current Administration? I mean they're hostile to unions, to minimum wage, to conservation. They favor corporations and the rich. It seems like the voices that represent that tradition are really quite silent, I mean Krugman and Summers excepted and others as well. But they don't seem to have much effect. Is it just they lack political power?

MR. DIONNE: Thank you. Hold that thought. In the back. Sir?

MR. : Yeah. The—it may be an historical footnote, but Jamie Galbraith in your remarks it was a very resonating historical footnote. It's not per se economics, but I heard you talk about the matter of October 1963 and President Kennedy, your judgment that he had, in fact, made the judgment roughly a year later, January 1965, to have the complete withdrawal of U.S. forces in Vietnam.

My question is for I guess for you Jamie Galbraith and Richard Parker. I understand maybe the book talks about this, too, the biography, that is with respect to Ambassador Galbraith's legacy going beyond economics; that is the influence that he had on President Kennedy in that final month or two of President Kennedy's life—if you could just elaborate a little more on that?

MR. DIONNE: And up front over here. And then what I'd like to do is go to Jim, Henry, Jamie, and Richard. And having known Jamie for a long time, when you asked that question all I could think of is oh, please don't get Jamie started on Vietnam.

Go ahead.

MR. MITCHELL: Thanks, E.J. Gary Mitchell [ph.] from the Mitchell Report, and I just wanted to—I think this really picks up on subject matter that's been gone over at some length, so I'll do it quickly and that is—sort of has to do with who was Galbraith and what will he be best known for. And I was reminded of that wonderful comment that—I think his name is Scott Adams, who does the Dilbert series when he was expanding from doing comic strips to books and corporate seminars and all that kind of stuff. And someone said to him, you need to be careful because you run the risk of overexposure, and he said that I realized that on the way to overexposure, you had to go through fabulously wealthy.

And so I just was—the question that comes up for me thinking about Kenneth Galbraith and where he belongs, for which he will be best remembered, is that if you are the person who makes a difficult subject or an inaccessible subject popular, are you able to maintain your sort of academic luster and your standing in the trade or do you sort of automatically lose it, as one could argue Carl Sagan did in Astronomy or Billy Collins [ph.] in poetry or, to a lesser extent, Norman Cousins in Medicine?

MR. DIONNE: Thank you. That's a great question. Let's go to Jim, Henry, Jamie, and we'll let Richard close.

MR. FALLOWS: Fine. So I won't answer the Vietnam question. But to deal with a question that's been sort of the theme of a lot of the recent remarks, both in the panel and the questions, of the long-term impact of John Kenneth Galbraith's works and what he has given up in exchange for the influence he's had. It does seem to me, as Henry Aaron was pointing out, there are trade offs everybody has to make in life. Nobody can be influential and all around. You can't be a two-term President like Bill Clinton and a Nobel Laureate in Literature or a, you know, tenured law professor or whatever.

And so John Kenneth Galbraith has undoubtedly given up the kind of influence that some institution builders within the particular world of academics might have had. But there is an inevitable trade off when you want number one, to address mass minds, the mass public as he has, and number two, to go into practical politics as he has, too. And the trade offs are partly in time. Nobody can be on government service for a long time and be spending the time in the academy, and also there's an underappreciated aspect I think of the public argument that Galbraith has done so well. By definition, journalism and popular works involve some degree of simplification. As E.J. well knows, you have to make things somewhat starker to convey them to people who are not in those professions. So that doesn't mean vulgarization. It doesn't mean destroying the point, but it means getting rid of some of the baroque details, the baroque details that you [inaudible] in the academy, they hurt when it comes to changing the mass mind. I think that was a wise choice that he made.

So accepting the trade off that I would say, on the basis of Richard's book, that John Kenneth Galbraith accepted of being involved in practical politics and in dealing with the mass mind, what then is his legacy, his influence?

Number one, the actual actions of government he helped influence. If John Kennedy had lived and if, in fact, you know, John Kenneth Galbraith advice had gotten him out of Vietnam, you know, that would be an influence; the price control and other sorts of influence.

Number two, the tremendous impact of his ideas, addressed to a mass public, not an academic school, but to intelligent readers.

And number three, and perhaps the thing which struck me most in finishing this book, is his example; the example to public intellectuals; the example to academics of how one can be involved in the world and so I think his actions, his ideas, and his personal example will be a great legacy.

MR. DIONNE: I loved Jim's use of the word vulgarization. A distinguished academic once reviewed a book I wrote. It was a very nice review. And he referred to it as haute vulgarization, and I was—[Laughter.]

And I ran into him later, and I said I knew he was complimenting me because if he wanted to insult me, he would have said mere journalism.

[Laughter.]

MR. DIONNE: Henry, who is neither a haute vulgarizer nor a mere journalist.

MR. AARON: I hint that the question that Mr. Mitchell asked about the price of popularity is a valid one. There is a certain scorn for being too widely appreciated within the academic community in my opinion. There is a reward for being obscure in the sense that not obscure academically but in the sense of a reward for working at the frontiers of difficulty and pushing those back. That's really what academic economics is about. Writing for a popular audience, at its best, is writing rigorously with the least advanced tools that will suffice for the problem at hand, and in some cases for less sophisticated tools even than that if people oversimplify to an excessive extent.

I can't resist commenting on Jamie's invocation of the philosopher kings who were his father's contemporaries—Kenneth Arrow and Wassily Leontief, who both have contributed in a massive way to making academic economics what it is today. Wassily Leontief won the Nobel Prize for developing the technique of input output analysis, which rests on matrix algebra, and was a standard instrument of—and still is—within the economics profession.

Kenneth Arrow is half of the famous Arrow-Debreu model, which is the instrument of sort of the ultimate high priest terminology in economics these days of modern theory. Kenneth Arrow I think is a philosopher king because he made contributions in those areas. He has had a sophistication about observing the workings of a wide variety of institutions as well, and in many ways would represent for many of us kind of the ideal, somebody of wisdom and enormous intellectual rigor and accomplishment. Arrow has left a tradition. I work in health economics. The most widely cited article in health economics is by Kenneth Arrow, a high priest of economic theory.

So it is possible and some people do it. Arrow has not had anything like the impact on the intellectual life of the nation that the man we're discussing here today did. I just come back to my theme that just because you don't do everything well doesn't mean that you are not surpassingly good at doing something. And I think it's the reason that there are five of us.

MR. DIONNE: Am I counting right?

MR. PARKER: One you're a journalist, though.

MR. DIONNE: Your model is accurate.

MR. AARON: Here on the platform today talking about John Kenneth Galbraith is because he has achieved a measure of influence and impact in American life all of us would kill for.

MR. DIONNE: Perfect to note, and Jamie? But we won't kill your father.

MR. GALBRAITH: It's four questions, and I'll make brief response to each of them. First of all, so far as the failure—inability—of people of my father's conviction and his allies, myself and others to do serious damage to this Administration and it's ideas, all I can tell you is that it's not for want of trying.

[Laughter.]

MR. GALBRAITH: On Vietnam, I guess the point I would make about my father's role is that it starts considerably earlier than the fall—certainly the summer and fall of 1963. In fact, it's a constant feature of his interactions with Kennedy through the entire Kennedy Administration. And perhaps the high point is actually September of 1961, when Kennedy sent him to Vietnam for a second opinion following the Taylor-Rostow mission, and dad has said that he was sent because the President knew that I did not have an open mind.

The recommendations that dad made, which were I think put in rather more formal form in the spring of 1962, became the basis of planning in the spring of 1963, which was actually led by Secretary McNamara, and this is an important point of understanding McNamara's position. If you get the records of the Honolulu conference in May of 1963, McNamara is pressing the military to develop specific and accelerated plans for the completion of the training mission and the withdrawal of U.S. forces. The decision to actually implement those plans was taken in the early days of October 1963, and the evidence we have for that includes the tapes of the White House meetings at which the recommendation was discussed and implementation memoranda, particularly one from Maxwell Taylor to the Joint Chiefs on October 4th, 1963, which simply says from now on, all planning with respect to Vietnam will be directed toward the complete withdrawal of the U.S. forces by the end of 1965, and benchmarks and so on to be exact for that objective.

So the record essentially—if you're going to make a presidential decision—and this is the important point—there have to be documents preparing for it and implementing it. Those documents were not in the public domain generally speaking until the last decade. But they are now.

It's important, and as E.J. warned you, don't get me started on this, but this is not immediately overturned by Johnson. And Johnson's role is also largely misunderstood in this discussion. It's a much more nuanced and subtle problem that Johnson faced than is appreciated, and he doesn't make his decisions until much later than people think.

So as a professor at the Johnson School, I have to put that in. This is not a Kennedy-Johnson issue.

Finally, on this question of popularization, I have a slightly different take on it, because I don't think that the work that my father did, in the '50s and the '60s especially, at that time was considered to be popularization. It was considered certainly by him to be the criticism of existing economics and the exposition of new doctrine at a level of discourse which was utterly customary for economics in the 20th century up to that time.

I would suggest that at least to some extent the burrowing of economics into a kind of a mathematical fortress is a reaction to the success of that form of discourse and that there is at least part of the mathematical armaments of the modern profession serves the function simply of fencing the profession off and keeping amateurs or people who might be too nosy or people who might simply not accept the underlying premises out of it.

Now, I spoke—and I mentioned Wassily Leontief, who was my first teacher in economics, and Kenneth Arrow, with whom I have a long association because he's a trustee of Economists for Peace and Security, an organization that was called Economists Allied for Arms Reduction until this year—I'm the chairman of the board—within the group of philosopher kings alongside my father, because they represented a spectrum of ideas, independent of the form that those ideas took, and because we were, in fact, friends and allies on the Harvard Department at that time. A particularly important case which Richard talks about was the Bowles-McCuen [ph.] promotion case. And on that case, there were groups who favored a greater diversity and who saw the young radicals—

MR. DIONNE: Just Bowles and McCuen, the two left dissenting economists at the time?

MR. GALBRAITH: Right. Bowles and McCuen, excuse me.

MR. DIONNE: Dentis was a year later.

MR. GALBRAITH: As I said, there was a real division over the direction that the Department should take. Wassily Leontief was as discouraged as my father was by the outcome of that. He never got a graduate student promoted to tenure at Harvard and eventually left to have a long second career at New York University. Ken Arrow left to go to Stanford. So there was a—in some sense, my beef is not with mathematics. My beef is with a particular implementation of a set of ideas which has deprived the profession of the degree of diversity and the richness of content that in my view it ought to have.

MR. DIONNE: Jamie, thank you. And finally, the person who helped set off this whole conversation. Richard?

MR. PARKER: Well, again, I'd like to thank my fellow panelists and you, E.J., for setting up this meeting and for all of you for sitting in and listening to it.

What we have here on the table is in some sense a reflection of many of the same issues that have occupied Galbraith's career at different stages. The central one I think is this point about which we are still going round, about what the appropriate and most useful construction of the concept of the theory of economics ought to be. I mean I think that's what the debate is and part of the debate is over the nature of what economics should be aimed toward doing.

Galbraith I think comes very much from a Keynesian school or an aspect of Keynes that we tend to forget in the sense that so much of Keynes was then taken by the neoclassical synthesis and turned into something other than Keynes conceived of it as being. Keynes anticipates and then Galbraith recognizes around him in the 1950s the fact that human society in that period in a few countries of the world bordering the North Atlantic entered a remarkable new period in human. That is for the first time in human history the majority of the population of those countries was not poor.

And the absence of poverty, to some degree, also weakened the theoretical constraints advanced by neoclassical economics, which presumed the allocation of goods and services under

conditions of scarcity. The abbondanza created by capitalism had, in fact, in some ways, vitiated some of the critical usefulness of the core neoclassical model. And Keynes had recognized that in the '30s. There's plenty of evidence for that, and Galbraith was articulating its reality in the 1950s. And it still remains at the heart of Galbraithian economics the question of who we would consciously choose to create the social balance between this private opulence and the relative deprivation of the public sector.

Just last week, I reviewed Jeff Sach's new book on the end of poverty. And it remains for me, as I'm sure it is for everyone in this room morally appalling that somewhere between eight and twelve million men, women, and children die on this planet of malnutrition and preventable disease each year. That's two Holocausts per year. A Holocaust every six months that we are eminently capable of doing away with. But it is not one that in the short term private markets and the recreation of private opulence will solve as quickly as we are morally obliged to solve that question. That would require concerted public action and public policy on the part of the wealthy and the advantaged in this human society we call the Earth.

We talk about globalization, but we haven't reached into the heart of what economics should be about which is the reconciliation of our hopes with our resources. We now have an abundance of resources so badly distributed, in part by the accident of history, but much more so by the blinders of ideology, that it's ultimately the responsibility of economists and all public intellectuals to play the role of stripping away those blinders. Those blinders are the conventional wisdom.

And while we need to act within reasonable limits that do not risk the destruction of the societies in which we live, we are morally called upon to be great human beings than we have shown ourselves to be in the last 30 years.

In a society that has made income and wealth distribution worse, in a society in which has produced no substantial growth when compared to the previous 30 years, in a society in which the distribution of wealth and income worldwide has not closed nearly as much as it could have had there been concerted public conscious action, I think that Galbraith remains absolutely essential to the definition of what we do with economics. It's not to in any way dismiss or belittle or cast aside the role of rigor in a narrowly conceived mathematical sense, but it is to argue that the rigor obtains across a concerted and integrated field that includes analysis and the rhetoric and the capacity for persuasion, politically and in visionary terms.

Those are the things that Galbraith brought himself to the practice of economics, and while it is a profession that will never be gifted with a majority who share those capacities, we today I hope are honoring those minorities who do and who have led the rest of us to a better place. So thank you.

[Applause.]

MR. DIONNE: I want to just—before we close, I want to make three notes. First, I want to thank the sainted Catherine Moore, who, in the midst of a whole lot of other things, helped set up this event.

Secondly, I want to read one quotation that Richard has, and this is a quotation from Henry Luce. He said: "I taught Kenneth Galbraith to write"—and this is to President Kennedy—"I taught Kenneth Galbraith to write, and I can tell you I've certainly regretted it ever since."

[Laughter.]

MR. DIONNE: Many of us don't, and we're glad you know how to write, too, Richard. Thank you, all, very, very much.

Oh, and there is a person close to the author. We don't sell books, but a person close to the author has little cards in case you want to buy this book.

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