Remembering John Kenneth Galbraith

Robert Solow

It is a little known fact, a deservedly little known fact, that I was once Ken Galbraith's student. It would have been the fall of 1948 or the spring of 1949, probably in Ken's first year on the Harvard faculty. I was enrolled in a graduate seminar on agricultural economics, taught by John D. Black and J. K. Galbraith. Black was, in those days, a prominent personage around Littauer Center. I had never heard of Galbraith.

We already know how Ken Galbraith came to be involved in a seminar on agricultural economics. He enjoyed playing off his Ontario farm-boy roots against his persona as the most urbane of all modern economists. But what was I doing in that classroom? There was nothing rural in my experience. Indeed, my younger son, aged maybe 10 years, once sidled up to his mother and asked, conspiratorially, "Mom, just what is animal husbandry?" The explanation of my presence in that course is that in the 1940s and 1950s some of the best empirical economics anywhere was being done in places like the US Department of Agriculture and Iowa State University: masses of data were available to agricultural economists, and they were occupationally specialized to ask straightforward questions about everyday life. I liked that, and was hoping to learn about that brand of economics. However I cannot remember a single thing that went on in the Black-Galbraith seminar, though there may still be some who can.

That was the first time my personal trajectory intersected Ken's. He of course went on to become the towering figure we are celebrating today and tomorrow. I went on to become just the sort of economist he was forever warning you all to beware and distrust. We had our sharp disagreements from time to time. That was not avoidable: Ken generated a vast collection of ideas, and anyone who managed to agree with all of them could fairly be classified as lacking initiative. On the whole, I stand by my guns.

Nevertheless, despite these ups and downs, and despite our different ways of being an economist, on most current practical issues of policy I usually found myself on Ken's side of the controversy. In thinking about that fact, I have come to believe that it was because we both understood a very important proposition in economics or political economy, one that has become even more centrally important in view of the direction that much academic and non-academic thought has taken in the past few decades. I want to expand on this because I don't think I had ever explicitly formulated it before in quite this way, and I rather doubt Ken had either.

Everyone agrees that the only practically efficient way to organize a complex modern economy is through a system of interconnected, decentralized markets. History and theory have taught us that there is really no useful alternative. In some circles this thought has been elaborated and extended, either explicitly or implicitly, more often implicitly, until it amounts to the dogma that a decentralized market economy is a very delicate, fragile piece of economic machinery. There is only one way to preserve it, and that is to leave it alone. If you tinker with it, especially if the state tries to modify the outcome into something more acceptable on equity grounds, unintended bad things will happen. Not unintended good things, you should notice: the law of unintended consequences is thought not to be symmetrical in this case. There is assumed to be a bias because there is just more territory on the downside than on the upside. There is a lot of efficiency to lose and not much of anything to gain. The only safe course, according to this way of thinking, is seriously to "leave it to the market," meaning to abstain from well-meaning activist policies. In short, we are given to understand that the effective choice is between laissez-faire and chaos. This set of ideas has become the conventional wisdom, to coin a phrase.
I think that Ken Galbraith saw early on that there is no good reason, either in theory or practice, to accept that picture of a market economy as an un-modifiable system that had to be allowed to do its thing, its usually unfair and inegalitarian thing. Our essential point of agreement was that, if this was the state of professional opinion, then professional opinion was wrong.

This thought rarely comes to the surface in Ken's famous books; they are about something else. But it is a necessary part of The Theory of Price Control and of The Affluent Society, neither of which would work well without it. It seems to figure less in Countervailing Power, which depends more basically on deep imperfections of competition, but could easily be interpreted in the same way. I am not suggesting that he ever formulated this proposition in so many words; neither did I. It wasn't necessary to do so until conservating free marketeering began to take center stage. But I suspect he felt it in his bones, and would have said so if asked. Indeed The Affluent Society is almost as much about our society's fear of public policy as it is about deficient infrastructure.

Of course there are better policies and worse policies, and of course it is possible, if a government is doctrinaire enough, or corrupt enough, or wrongheaded enough, to screw up a market economy badly. But there are also reasonably efficient ways to achieve greater equality, or better public services, or a safer environment, or lower unemployment, without noticeably damaging the goose that lays the golden eggs. The notion that you mustn't try to do any of these things because the delicate constitution of "the" market economy is too vulnerable, that was the real butt of Ken's humor and scorn.

Just to end on a prosaic note, too prosaic for Ken but not for me-comparative advantage will have its way-I want to illustrate what I have been saying by referring very briefly to a large, ongoing research project in which I have been involved. It is sponsored by the Russell Sage Foundation, and it is carrying out a detailed comparative study of low-wage work in six advanced, high-income economies: the US, France, Germany, the UK, Denmark and the Netherlands. The point is that these countries are all comparable in the average standard of living they provide for their population. But they differ quite a lot in the way they deal with the least skilled and least productive of their workers, in the way they organize low-end jobs, and in their conception of an equitable society. It is a deep question as to how underlying economic conditions, historical experience and political culture determine these international differences. But Ken believed in the power of persuasion, or he would not have spent so much time trying to persuade.

There are also some common tendencies, including the usual suspects. For example, the low-end jobs tend excessively to fall to women, ethnically distinct immigrants, and the young, though to varying degrees in different countries. On the other hand, they all have more compressed wage (and income) distributions than the US, and they do not all have more unemployment or lower labor-force participation. For example, if you define a low-wage job as one paying less than two-thirds of the national median hourly wage, about 25% of all jobs are low-wage in the US, and slightly less in the UK; but the incidence of low-wage work is only 6% in Denmark and Finland, and about 15% in France and Germany.

If you have been in an East Coast or West Coast hospital lately, you will have noticed that most of the menial jobs are done by Latinos, African Americans and Asians; but that is not the case in Denmark or France, though they have pretty good hospitals and substantial minority populations. Denmark leaves the determination of wages and working conditions mainly to collective bargaining between unions and employers' associations, with the government staying mostly out of it, while the Dutch give a much more substantial role to the state.
I can't get over some of these tidbits and the variety they document. Here is another one. The Dutch are the part-time champions of the world, and only two percent of the part-time workers say that they would like longer hours. I don't yet understand why, though it is interesting that there is now a law in the Netherlands forbidding employers to pay part-timers a lower hourly wage than they pay to full-timers doing the same job. Some of these countries have fairly low union membership, but the government can and does mandate the extension of negotiated wages to the rest of the industry that had no part in the negotiations. When it was proposed in the Netherlands to put an end to this practice of mandatory extension, the employers' association protested so much that the proposal was abandoned. That was the Netherlands, mind you, not Mars.

It is still too soon to draw final conclusions from this research. I am using these bits and pieces now only to illustrate the proposition that there are several ways to run a high-income capitalist market economy, not just the sadly attenuated way that we have chosen to do it recently, on the pretence that there is no real room to maneuver. That was not Ken Galbraith's only message, but it was one of his main messages, at least since The Affluent Society. I wish I had been able to convince him that you can talk a lot about the algebra of supply and demand, and even about general equilibrium, and with that apparatus you can not only embody the basic message but even strengthen it. Maybe Jamie could have persuaded him.

Ken Galbraith must have been thoroughly bored by arch references to his height. The truth is that if he had been a foot shorter he would have been just as memorable as a deadly enemy of political and economic cant, as a force for political and economic justice, and this is what I have been trying to get across as someone who some important truths that the orthodox story-tellers miss. I can paraphrase about him what Seamus Heaney once said of the novelist Italo Calvino: If he does not put a foot wrong, it is because he is not a pedestrian economist.

Robert Solow is Professor of Economics at MIT and a trustee of Economists for Peace and Security. He gave this after-dinner speech at a conference commemorating John Kenneth Galbraith, at Harvard's Kennedy School in October, 2006.