



John Kenneth Galbraith (1908-2006)

From the 1950s through the 1970s, John Kenneth Galbraith was one of the most widely read economists in the United States. One reason is that he wrote so well, with the ability to turn a clever phrase that made those he argued against look foolish. Galbraith's first major book, published in 1952, is *American Capitalism: The Concept of Countervailing Power*. In it he argued that giant firms had replaced small ones to the point where the perfectly competitive model no longer applied to much of the American economy. But not to worry, he added. The power of large firms was offset by the countervailing power of large unions, so that consumers were protected by competing centers of power.

Galbraith made his biggest splash with his 1958 book, *The Affluent Society*, in which he contrasted the affluence of the private sector with the squalor of the public sector. Many people liked that book because of their view that Galbraith, like **THORSTEIN VEBLEN** before him, attacked production that was geared to "conspicuous consumption." But that is not what Galbraith did. In fact, Galbraith argued that "an admirable case can still be made" for satisfying even consumer wants that "have bizarre, frivolous, or even immoral origins." His argument against satisfying all consumer demands is more subtle. "If the individual's wants are to be urgent," he wrote, "they must be original with himself. They cannot be urgent if they must be contrived for him. And above all, they must not be contrived by the process of production by which they are satisfied. ... One cannot defend production as satisfying wants if that production creates the wants" (p. 124).

FRIEDRICH HAYEK made the most fundamental criticism of Galbraith's argument. Hayek conceded that most wants do not originate with the individual. Our innate wants, he wrote, "are probably confined to food, shelter, and sex." All other wants we learn from what we see around us. Probably all our aesthetic feelings—our enjoyment of music and literature, for example—are learned. So, wrote Hayek, "to say that a desire is not important because it is not innate is to say that the whole cultural achievement of man is not important."¹

Galbraith's magnum opus is his 1967 book, *The New Industrial State*, in which he argued that the American economy was dominated by large firms. "The mature **CORPORATION**," wrote Galbraith, has "readily at hand the means for controlling the prices at which it sells as well as those at which it buys.... Since General Motors produces some half of all the automobiles, its designs do not reflect the current mode, but are the current mode. The proper shape of an automobile, for most people, will be what the automobile makers decree the current shape to be" (p. 30).

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The evidence has not been kind to Galbraith's thesis. Even our largest firms lose money if they fail to produce a product that consumers want. The U.S. market share of GM, for example, one of Galbraith's favorite examples of a firm invulnerable to market forces, had fallen from about 50 percent when Galbraith wrote the book to less than half that by 2005.

Galbraith was born in Canada and moved to the United States in the 1930s. He earned his Ph.D. in agricultural economics at the University of California at Berkeley. He was one of the chief price controllers during World War II as head of the Price Section of the U.S. government's Office of Price Administration. Unlike almost all other economists, Galbraith had defended permanent **PRICE CONTROLS**. In 1943 Galbraith left the government to be on the editorial board of *Fortune*. After the war he directed the U.S. Strategic Bombing Survey, whose main finding was that saturation bombing of Germany had not been very effective at slowing down German war production. In 1949 he became an economics professor at Harvard, where he had been briefly before the war. Galbraith was also politically active. He was an adviser to President John F. Kennedy, Kennedy's ambassador to India, and president of Americans for Democratic Action. He was president of the American Economic Association in 1972.

Selected Works

1952. *American Capitalism*. Boston: Houghton Mifflin.
1952. *A Theory of Price Control*. Cambridge: Harvard University Press.
1958. *The Affluent Society*. Boston: Houghton Mifflin.
1967. *How to Get out of Viet Nam*. New York: New American Library.
1967. *The New Industrial State*. Boston: Houghton Mifflin.
1981. *Life in Our Times*. Boston: Houghton Mifflin

Footnotes

1. Friedrich Hayek, "The Non Sequitur of the 'Dependence Effect,'" *Southern Economic Journal* 27, no. 4 (1961): 346.

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