

PROFESSOR GALBRAITH AND AMERICAN CAPITALISM

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THE intellectual defence of capitalism has long ceased to be confined to the simple celebration of its virtues; or even to the argument that, whatever might be said against it, it was still a much better system, on economic, social and political grounds, than any conceivable alternative to it. Such arguments are of course still extensively used. But they belong to an older school of apologetics; and for some considerable time now, many people, who see themselves as part of the "democratic left", as liberal and even radical critics of the existing social order, and as anything but its apologists, have argued that the question of alternatives to capitalism had been rendered obsolete by the internal developments of the system itself; capitalism, the argument goes, has been so thoroughly transformed in the last few decades that the need to abolish it has conveniently disappeared. The job, for all practical purposes, has been done by the "logic of industrialization", which is well on the way to erasing all meaningful differences between "industrial systems", whatever misleading labels they may choose to pin upon themselves. Dinosaur socialists will, no doubt, continue to peddle their unwanted ideological wares; for their part, serious men with a bent for reform will address themselves to the *real* problems of what Mr. Crosland long ago called "post-capitalist" societies.

*The New Industrial State** is a further version of this by now familiar thesis. Professor Galbraith, however, does not conceal his belief that he is here unrolling a map of American capitalism (or of "what is commonly called capitalism") which is entirely new, and immeasurably more accurate than any previous one. The former claim is rather exaggerated, but it is perfectly true that there is much in his essay which is indeed new. The question, however, is whether what is new is also true, and whether the combination of old and new really does provide an accurate, reliable map of American economic life. The answer, as I propose to argue in this review, is that it does not; and that much more interesting than the revelation which it purports to bring about the true nature of American capitalism is what it reveals of the confusion and bafflement of the latter-day liberalism

* J. K. Galbraith, *The New Industrial State*, Hamish Hamilton, 1967, p. 427. 42/-.

which Professor Galbraith represents, in regard to an "industrial system" which it approaches with a mixture of admiration and distaste, and whose basic irrationality, some aspects which it perceives, it is either unable or unwilling to locate and transcend. It is not surprising that Professor Galbraith should sometimes be seen as a critic of the system and sometimes as its defender. For he is both, at one moment belabouring conservative economists, yet echoing, in more elegant language, their own vulgar apologetics, at another trembling on the brink of radical criticism, yet unable to jump. The famous style of exposition itself, the laboured humour, the straining after ironic effect, the attempt at cool wit, all testify to the ideological tension. Professor Galbraith perceives that an advanced industrial system *requires* the transcendence of private appropriation and much of his book is in fact a documented though seemingly unconscious comment on Marx's prediction that, with the development of capitalism, "centralization of the means of production and socialization of labour at last reach a point where they become incompatible with their capitalist integument". But the central point of the book, which is also its central weakness, is that the "industrial system" has actually *solved* the problem, and that whatever adjustments it further requires can be achieved within its present framework, and without, perish the thought, the invocation of the old socialist gods. The tone is critical and so is the intent, but the result is all the same profoundly apologetic.



In *American Capitalism: The Concept of Countervailing Power*, first published in 1952, Professor Galbraith advanced the notion that, while the growing concentration of economic enterprise might appear to entail a dangerous increase in the power of business, traditional liberal, not to speak of socialist, fears on this score were really misconceived: for the power of business was, he argued, effectively balanced and checked by a variety of forces and agencies, such as organized labour, other economic interests, the state, the consumer, and so forth. This notion of "countervailing power", coming as it did in the early days of an ideological, political and military struggle which counterposed power-diffused democracy to monolithic communism was an exceptionally useful ideological weapon; and it served as one of the foundations of a theory of political pluralism which has since greatly prospered, to the point of becoming the dominant orthodoxy of Western political and social theories of power in capitalist societies: in these societies, a plurality of "interests" (classes being rather *vieux jeu*) compete under the watchful eye of a democratic state, and achieve, as a result of that competition, a rough equilibrium in which everybody has some power and no one has, or can have, too much.

In *The New Industrial State*, Professor Galbraith has now come to discard the notion of "countervailing power". Unions, he now believes, are a declining force, consumers are the manipulated prisoners of induced demand, the state serves the goals of the "industrial system", and there is no "interest" remotely comparable in **importance** to the five or six hundred large corporations which are "the heartland of the modern economy".

"**Nothing**" Professor Galbraith writes, "so characterizes the industrial system as the scale of the modern corporate enterprise. In 1962 the five largest industrial corporations in the United States, with combined assets in excess of \$36 billion, possessed over 12 per cent of all assets used in manufacturing. The fifty largest corporations had over a third of all manufacturing assets. The 500 largest had well over two-thirds. Corporations with assets in excess of \$10,000,000, some 2,000 in all, accounted for about 80 per cent of all the **resources** used in manufacturing in the United States. In the mid nineteen-fifties, 28 corporations provided approximately 10 per cent of all employment in manufacturing, mining and retail and wholesale trade. **Twenty-three** corporations provided 15 per cent of all employment in manufacturing. In the **first** half of the decade (June 1950–June 1956) a hundred **firms** received two-thirds by value of all defence contracts; ten firms received one-third. In 1960 four corporations accounted for an estimated 22 per cent of all industrial research and development expenditure. Three hundred and eighty-four corporations employing 5,000 or more workers accounted for 55 per cent of these expenditures; 260,000 firms employing fewer than 1,000 accounted for only 7 per cent." (pp. 74-75).

This, is, indeed, impressive and Professor Galbraith is certainly right to place this formidable complex at the centre of **the** picture, since those who control it might also reasonably be thought to concentrate in their hands a vast amount of power, not only economic but political and cultural as well.

Not so at all, Professor Galbraith hastens to reassure us. For while **resources** are concentrated, **power** is not. Power, in the "industrial system" is not in the hands of the old-style owner-capitalist, who has, he suggests, **all** but disappeared; nor of course is it held by essentially passive shareholders; nor even by that managerial **élite** **which** had long been claimed to have inherited the power of both. The people to whom corporate power **has** passed, Professor Galbraith insists again and again, is an entirely different element, so far overlooked by all other toilers in this field, namely "the technostructure". On this, it is necessary to quote Professor Galbraith at some length, firstly because much of his thesis rests on this discovery, and secondly because it will be argued here that the "technostructure" as the new repository of corporate power is unmitigated nonsense.

The "technostructure" comprises a "very large" group of people who "contribute information to group decisions" and who "extend from the most senior officials of the corporation to where it meets, at

the outer perimeter, the white and blue collar workers whose function is to conform more or less mechanically to instructions or routine. It embraces all who bring specialized knowledge, talent or experience to group decision-making" (p. 71). "It will be evident that nearly all powers—initiative, character of development, rejection or acceptance—are exercised deep in the company. It is not the managers who decide. Effective power of decision is lodged deeply in the technical, planning and other specialized staff (p. 69). Indeed, Professor Galbraith, later in the book, goes even further. For, he tells us, "distinctions between those who make decisions and those who carry them out, and between employer and employee, are obscured¹ by the technicians, scientists, market analysts, computer programmers, industrial stylists and other specialists who do, or are both. A continuum thus exists between the centre of the technostructure and the more routine white-collar workers on the fringe". (p. 268).

On this view, the demon Power has once again been exorcized, without the help of "countervailing power": for the "technostructure" is very large, and the power which accrues to it is therefore diffuse, shared—indeed, why not say it? democratic.



In examining this remarkable argument, it may, to begin with, be noted that much of it rests on the by now well-entrenched notion of the separation of ownership from control, which Professor Galbraith pushes to its furthest limits: for him, those who control the corporations are now virtually ownerless, and ownership is in any event wholly irrelevant to corporate policy.

A considerable amount of evidence and argument, which Professor Galbraith does not discuss, has been produced over the years to rebut or at least to qualify this thesis; and some interesting further evidence against it has recently appeared in *Fortune* magazine.

In an article entitled "Proprietors in the World of Big Business", and concerned with ownership and control in the 500 largest corporations in the United States, Mr. Robert Sheehan writes that "in approximately 150 companies on the current *Fortune* list (i.e. of the 500 largest industrial corporations) controlling ownership rests in the hands of an individual or of the members of a single family"; and, he adds, "the evidence that 30 per cent of the 500 largest industrials are clearly controlled by identifiable individuals, or by family groups . . . suggests that the demise of the traditional American proprietor has been slightly exaggerated and that the much-advertised triumph of the organization is far from total".² Mr. Sheehan, it should be explained, also notes that he has used a very conservative criterion of control, i.e. that his list only includes companies in which the largest individual

stockholder owns 10 per cent or more of the voting stock or in which the largest block of shares—representing 10 per cent or more of the total votes—is held by members of a single family. This, he points out, leaves out "coalitions" which may assure working control for small groups of associates in many companies; and also businessmen known to wield great influence with holdings of less than 10 per cent.³ Even so, "at least 10 family-controlled companies rank among the top 100, and several of these are actively owner-managed";* and "approximately seventy family-named companies among the 500 are still controlled by the founding family".⁴

Even if these pretty severe qualifications to the thesis of the disappearance of the owner-controller are ignored (and Professor Galbraith was in no position to consider them, since they appeared after he had written his book) the question remains as to the managerial élite's relation to ownership. Professor Galbraith, as noted, wholeheartedly endorses the thesis of managerial ownerlessness. Thus: "stock holdings by management are small and often non-existent"; "even the small stock interest of the top officers is no longer the rule"; and so on.

This, too, however, is rather extreme. For, as one writer among many has noted, "the managerial class is the largest single group in the stockholding population, and a greater proportion of this class owns stock than any other".⁵ Another writer notes that "a recent study by the National Industrial Conference Board shows that 73 per cent of 215 top executives during the period 1950-1960 gained at least 50,000 dollars through the use of stock options, that 32 per cent gained 250,000 dollars, and that 8 per cent gained at least 1,000,000 dollars";⁶ and by 1957, it may also be noted, option plans for the purchase of stock had been instituted by 77 per cent of the manufacturing corporations listed in the New York or American Stock Exchange.⁶ Managers, the evidence shows, are by no means as ownerless as Professor Galbraith, following many others, maintains.

On the other hand, how often ownership determines control is a rather more complex question. That it does not has of course been an article of faith with managerial revolutionists ever since Berle and Means claimed in 1932 that "ownership is so widely distributed that no individual or small group has even a minority interest large enough to dominate the affairs of the company".⁷ This too has long been held to be far too categorical. There is dispersal of ownership (though even this should not be exaggerated) but, as Mr. Clive Beed, of the University of Melbourne has recently argued, the method used by Berle and Means "is unable to separate ownership from control because it does not establish empirically the proportion of votes needed for control in the real as distinct from the legal company situation . . .

since ownership is very widely dispersed (among **different** names) in management controlled companies, either it could mean, with Berle and Means, that no one individual or small group could gain sufficient votes for control, **or**, contradicting Berle and Means, that only a few per cent of votes was required for control".¹⁰

Various such percentages have at one time or another been advanced. As Mr. **Sheehan** suggests, 10 per cent is a very conservative estimate. Mr. **Villarejo** took 5 per cent as the amount of stock required to control a corporation whose stock is widely dispersed, and found that in at least **76** of the 232 largest United States corporations, ownership on boards of directors was sufficient to ensure working control;¹¹ and Mr. Bede also notes that Professor Gordon's 1945 study, *Business Leadership in the Large Corporations*, on which Professor Galbraith greatly relies, held that **3** per cent ultimate ownership might exercise control.¹² In fact, as Mr. Bede suggests, "the possibility of '**any percentage**' control does exist".¹³ And where it does, that control-through-ownership is most likely to be in the hands of top managers. Moreover, one place where it is **not** likely to **be** lodged is in Professor Galbraith's "technostructure". For it is scarcely to be thought that "the technical, planning and other specialized staff" in which, according to him, "the effective power of decision is lodged" ("deeply") are to be counted among the "large owners" of corporate stock.

This, however, is by no means the main reason for thinking that the claim is invalid. For even if it is assumed—which is obviously often the case—that top managers do not exercise control through ownership, the notion that they do not exercise control **at** all, and that the men at the top of the corporate structure are, as Professor Galbraith claims, virtually powerless and ceremonial figures, whose function within the corporation is "to give the equivalent of the royal assent to agreements, contracts and indentures" (p. 93)—this notion too must invite complete disbelief, the more so since Professor Galbraith provides no concrete evidence whatever to buttress his claim.

That claim, in fact, would appear to rest on an extreme "technocratic" view of the degree of influence which hierarchically subordinate technical experts of one sort or another (and the corporation is of course a highly hierarchical, and hierarchy-conscious organization) may wield with men upon whom the power of managerial decision rests. There may be "mature corporations" where the top men are *rois fainéants* or constitutional monarchs. But hard evidence to that effect is lacking. Professor Galbraith claims that the expert influence in the corporation is decisive. There is every reason to think that, here as in government, it is nothing of the kind. The expert does not decide policy: he works out how best to carry it out. In that role, he may well affect policy, but this is hardly synonymous with the

dramatic reversal of roles—the experts on top, the managers on **tap**—which Professor Galbraith claims to be the present reality of the "industrial system". * * *

Having lodged the "effective power of decision" in the "techno-structure", Professor Galbraith proceeds to discuss the latter's "motivations". Since there is no good evidence to suggest that the "techno-structure" does have such power, it might seem **superfluous** to follow him in this exercise. But since much that he has to say about the motivations of the "technostructure" also concerns wider issues of corporate policy, it is worth while persevering.

Theories of motivation have been closely linked with the thesis of ownerless management. That thesis was not, it may be surmised, so passionately embraced by so many writers because of its irresistible conceptual beauty. Ideology came into it as well. For from the view that the new class of managers neither owned the resources it controlled, nor was subject to the control of owners, it was but the shortest step, which was eagerly taken, to the claim that managers were, in their running of the corporation, moved by impulses altogether different from those of old-style capitalist owner-entrepreneurs, or from those of passive shareholders, and that these impulses were not only different, but **better**, less "selfish", more "socially responsible". It was this notion which Professor Carl Kaysen once epitomized in the phrase "the soulful corporation". "No longer the agent of proprietorship seeking to maximize return on investment", he claimed, "management sees itself as responsible to stockholders, employees, customers, the general public, and perhaps most important, the firm itself as an institution . . . there is no display of greed and **graspingness**;¹⁴ there is no attempt to push off onto the workers or the community at large part of the social costs of the enterprise. The modern corporation is a soulful corporation".¹⁵ This, incidentally, was also the view of Mr. C. A. R. Crosland, who wrote in *The Conservative Enemy* that "now perhaps most typical amongst very large firms, is the company which pursues rapid growth and high profits—but subject to its sense of social responsibility and its desire for good labour and public relations. . . . Its goals are a 'fair' rather than a maximum profit, reasonably rapid growth and the warm glow which comes from a sense of public duty".¹⁶ Much the same view, it may be recalled, also found expression in a major Labour Party policy document, which proclaimed that "under increasingly professional management, large firms are as a whole serving the nation well".¹⁷

This notion of soulful managerialism has often been challenged on two different grounds. Firstly, on the ground that top managers do, as "large owners", often have a direct financial interest in "profit **maxi-**

mization". Thus, Mr. Sheehan, in the article quoted earlier, notes that "Chairman Frederic C. Donner, for example, owns only **0.017** per cent of **G.M.**'s outstanding stock, but it was worth about **\$3,917,000** recently. Chairman Lynn A. Townsend owns **0.117** per cent of **Chrysler**, worth about **\$2,380,000**. Their interest in the earnings of those investments is hardly an impersonal one".¹⁸ And Professor Kolko also notes that "in early 1957, 25 General Motors officers owned an average of **11,500** shares each. Collectively their holdings would have been inconsequential if they had chosen to try and obtain control of G.M. through their stocks. Yet each of these men had a personal share of roughly half a million dollars in the company. . . ." ¹⁹ The largest part of managerial income may not be derived from ownership, or depend upon such ownership, but managers are hardly likely, all the same, to ignore their shareholdings in their view of what their firms ought to be about. As indeed why should they?

The second and more important reason why managers are concerned with "**profit maximization**" has been well put by **Baran** and **Sweezy**: "The primary objectives of corporate policy", they write, "**—which** are at the same time and inevitably the personal objectives of the corporate managers—are thus strength, rate of growth and size. There is no general formula for quantifying or combining these **objectives**—nor is there any need for **one**. For they are reducible to the single common denominator of profitability. Profits provide the internal funds for expansion. Profits are the sinews and muscle of strength, which in turn gives access to outside funds if and when they are needed. . . . Thus profits, even though not the ultimate goal, are the necessary means to all ultimate goals. As such, they become the immediate, unique, unifying, quantitative aim of corporate policies, the touchstone of corporate rationality, the measure of corporate **success**".²⁰

As it happens, the inventor of the "soulful corporation" himself concedes a good deal to this view. "It may be argued," Professor **Kay-sen** writes "that all this (i.e. the managers' multiple responsibilities) **amounts** to no more than long-run profit maximization, and thus that management in the modern corporation does no more than business management has always tried to do, allowing for changed circumstances"; furthermore "only the ability to continue to earn a substantial surplus over costs makes possible a variety of expenditures who benefits are broad, uncertain and **distant**".²¹ This is also Mr. **Sheehan's** conclusion: "**Very** few executives argue that the managers of a widely held company run their business any differently from the proprietors of a closely held company"; "it is unrealistic to assume that because a manager holds only a small fraction of his company's stock he lacks the incentive to drive up the **profits**".²² **Indeed**, Professor James **Earley** has even gone further and suggested, very plausibly, that the modern

manager may be better placed to pursue profit than the old-style entrepreneur, because with "the rapidly growing use of economists, market analysis, other types of specialists and management consultants by our larger businesses . . . profit-oriented rationality is likely to be more and more representative of business behaviour".²³

For his part, Professor Galbraith will have none of this. Profit maximization, he holds, excludes other goals. But this can only be true if "profit-maximization" is taken to mean, as Professor Galbraith appears to mean, a reckless and wholly irrational pursuit of **immediately** realizable profit, regardless of any longer term consideration. And this is a purely arbitrary definition, which is applicable neither to corporate management, nor, for that matter, to owner-entrepreneurs.

In any case it is not the motivation of managers, but of the "technostructure" which, in Professor Galbraith's view, is what matters. The professional and salaried staff who mainly compose it are, he insists, even less concerned with "profit-maximization" than top managers. This may well be the case, but would only be significant if one were to accept the view that the corporation, "as an instrument of power" is used "to serve the deeper interests and goals of the technostructure". And there are no good grounds, as I have suggested, for accepting this view.

Even so, it may be worth examining what, according to Professor Galbraith, these "goals" of the "technostructure" are, since his discussion illustrates so well the extreme difficulty of **finding** a rationale for corporate enterprise clearly distinct from financial reward.

Despite solemn announcements of motivational revelations, the motives and goals which Professor Galbraith ascribes to the "technostructure" (purely on the basis of supposition and inference) turn out, upon examination, to be no different from the goals which have often been ascribed to top management—the survival of the firm, its growth, its independence from outside control. But these are precisely the kinds of issues which the technical and professional staffs within the corporation are least likely to be called upon to decide.

Nor is Professor Galbraith at all successful in locating the larger "social" goals which, he claims, move the "technostructure". "The individual", he tells us, "will identify himself with the goals of the corporation only if the corporation is identified with, *as the individual sees it*, some significant social goal" (p. 162, my italics). On the other hand, "the individual", he also tells us, "serves organization because of the possibility of accommodating its goals more closely to his own" (p. 163). But *then*, we also find that "he will normally think that the goals he seeks have social purpose", "for individuals have a **well-**marked capacity to attach high social purpose to whatever—more scientific research, better zoning laws, manufacture of the lethal

weapons just mentioned—serves their personal interest" (p. 163, my italics). Moreover, it does not appear to matter in the least *what* the corporation produces, whether "life saving drugs" or "an exotic missile fuel, or a better trigger for a nuclear warhead" (p. 163).

What this amounts to is that whatever "goals" members of the "technostructure" may have will be seen, by them, as having a "social purpose"; and whatever the corporation produces will be deemed, by them, to have an equally "social purpose". As Professor Galbraith puts it, "what counts here is what is believed" (p. 163). But this surely renders the discussion of "goals" quite meaningless. For why should we accept the "goals" of the "technostructure" as having a "social purpose" simply because its members happen to believe this to be the case?

In any case, Professor Galbraith himself is compelled to attribute more importance to "pecuniary compensation" than many of his formulations would tend to suggest. For it appears that other "goals" only operate after a certain level of income has been achieved; it is only "above a certain level" that other motivations "may operate independently of income" (p. 138); "the participants are well compensated" and "few regard their compensation with disinterest" (p. 141). On one page, "pecuniary compensation, as an explanation of effort, has now a much diminished role" (p. 141); twenty pages later, "pecuniary compensation is an extremely important stimulus to individual members of the technostructure up to a point. If they are not paid this acceptable and expected salary, they will not work" (p. 161). As a "general theory of motivation", these extraordinary contortions may be thought to leave something to be desired.



One of Professor Galbraith's most insistent themes is that modern economic life requires planning. But this requirement, it would appear, is already largely met in the American "industrial system": for the United States, *mirabile dictu*, is "a largely planned economy" (p. 356). This remarkable assertion rests on the notion that the "mature corporation" is able to plan because it is no longer subject to the vagaries of a market which it controls, or to the cold winds of competition; and its planning is the more secure in that the state controls aggregate demand: "the firm is the basic planning unit in the western economies. In the Soviet system it is still the state" (p. 105). This is surely pushing "convergence" beyond the bounds of sense. For whatever may be thought of Soviet planning, it is hardly to be assimilated to the "planning" of which Professor Galbraith speaks. Even if one leaves aside his dubious elimination of the market and of competition from the "industrial system", and his no less dubious assurance that the state

has perfected its mechanism of control of aggregate demand (i.e. that depression is now not only unlikely but impossible), the planning in which individual corporations engage bears no relation to, and is in fact the opposite of, any meaningful concept of national planning. Professor Galbraith may *wish* to overcome the anarchy of production characteristic of his "industrial system"; but the wish ought not to be taken for a fact.

As for "state intervention", Professor Galbraith clearly sees that what he calls "the public sector", i.e. government expenditure, is the "fulcrum" for the regulation of demand. And he also notes that "plainly military expenditures are the pivot on which the fulcrum rests" (p. 229). This he finds regrettable. But all he has to offer, concretely, as an alternative to military expenditure is expenditure on space competition. "In relation to the needs of the industrial system, the space competition is nearly ideal" (p. 341). He is then moved to ask: "Are there not better uses for the resources so employed?" And he answers, in a remarkable and revealing phrase: "There is no rational answer to these questions as there is none to a query as to why negotiated disarmament is inherently more dangerous than a continuance of the weapons competition. *Truth in both instances is subordinate to need and the needed belief.* But this does not affect the value of the space competition in meeting the needs of the industrial system in a comparatively harmless instead of an extremely dangerous competition" (p. 341, *my italics*).

This would do very well as a satire on the "industrial system", of the kind presented, deliberately or unwittingly, by *Report from Iron Mountain*. But Professor Galbraith is not here, to all appearances, in the least satirical. And his prescription therefore betokens, in the face of genuine human need, an illuminating willingness to sacrifice reason so as to meet the "need and the needed belief" of the "industrial system".

But what, in any case, if armaments expenditure is not simply produced by a deluded view, as Professor Galbraith suggests, of the "Soviet threat"? What if it is the inevitable expression of the determination to maintain the largest possible area of the globe open to the "industrial system", and to a consequent determination to counter by every means, including military means, all attempts to resist that penetration? What, in other words, if military expenditure is the necessary concomitant of the expansionist needs of the "industrial system" itself? Professor Galbraith has not a word to say about *this* aspect of the "industrial system", of its relation to the world, of its imperialist urges; and it is only by ignoring it, and by ignoring the supreme irrationality of his prescription, that he is able to urge "space competition" as an alternative to armaments.

In a sense, his default is all the greater in that he does see that the system "generally ignores or holds as unimportant those services of the state which are not closely related to the system's needs (p. 345); and that a state attuned to capitalist purposes therefore neglects those services.

Yet even here, there is a typical disregard of the *scale* of the human needs which are left unfulfilled. Professor Galbraith is of course concerned with poverty. But in *The New Industrial State* as in *The Affluent Society*, he treats it as an all but marginal, "special" problem. The latter book rendered an immense service to the "industrial system" by helping to popularize the notion that capitalism had all but eliminated poverty, or that it had at least reduced it to marginal, "minority" proportions. In *The Affluent Society*, he described poverty as mainly confined to "special" sections of the population: either "some quality peculiar to the individual or family involved—mental deficiency, bad health, inability to adapt to the discipline of modern economic life, excessive procreation, alcohol, insufficient education, or perhaps a combination of several of these handicaps—has kept these individuals from participating in the *general well-being*"²⁴ (the notion that these are qualities "peculiar to the individual" is distinctly odd, but let it pass); or, alternatively poverty was an "insular" phenomenon, which had "something to do with the desire of a comparatively large number of people to spend their lives at or near the place of their birth".²⁵ In either case, his readers, presumably mentally alert, healthy, disciplined, sexually sophisticated, non-alcoholic, educated and mobile, were given to understand, for this was the theme of the whole book, that here *was* a special problem, which might be thought to involve, since Professor Galbraith did not venture figures, a quite easily manageable minority. Poverty might be a "disgrace" to an "affluent society"; but the very idea of the affluent society exiled the poor to its outer fringes, and greatly helped to obscure them from view.

It was not long after the publication of *The Affluent Society* that poverty was rediscovered in the United States (and in Britain), not as a marginal and special phenomenon, on the way to eradication in "post-capitalist" societies, but as a literally massive phenomenon, of quite gruesome proportions. Harry Magdoff has summarized thus, to take but one example, the findings of an impeccably official Conference on Economic Progress which reported in April 1962: "The simple summary of the Conference Report on the 1960 income situation in the US is as follows: 34 million people in families and 4 million unattached individuals (that is, unattached economically to a family unit) lived in poverty; 37 million people in families and 2 million unattached individuals lived in deprivation. The total of 77 million comprised two-fifths of the US population in 1960".²⁶ This is not, as Pro-

fessor Galbraith had it, "private affluence and public squalor", but public squalor *and* private poverty.

There is nothing in *The New Industrial State* to suggest that Professor Galbraith has taken note of such findings, nothing to qualify his view of poverty as a special, marginal and easily soluble "problem". Certain "tasks"—"the care of the ill, aged and physically or mentally infirm, the provision of health services in general, the provision of parks and many other services"—"are badly performed to the general public's discomfort or worse. Were it recognized that they require planning, and in the context of a largely planned economy [*sic*] have been left unplanned, there would be no hesitation or apology in the use of all the necessary instruments for planning. Performance would be much better" (p. 356). In fact, nothing is more certain than that it would require much more than "recognition" for performance to be much better. Here is not simply optimism but blindness to the reality which Professor Galbraith so insistently claims, throughout his book, to portray; and it is a blindness induced by the wish to see all "problems" of the "industrial system" as readily soluble within its framework, and without the need to look beyond it.

The final question raised by Professor Galbraith's modest discontents with the "industrial system" concerns the likely agencies of its reform. Not labour, certainly; for in that system, "everything is more benign. Compulsion will have receded. In consequence, there is little or no alienation; the way is open for the worker to accept the goals of the organization" (p. 137); "interests that were once radically opposed are now much more nearly in harmony" (p. 263). Demand for change cannot, clearly, be expected from the happy industrial family which Professor Galbraith has conjured up; where, but fifteen short years ago, there were large reserves of countervailing power, there is now **unalienated** integration. But all hope is not lost, for there remains, in growing numbers and strength, the "educational and scientific estate". "It is possible," Professor Galbraith suggests, "that the educational and scientific estate requires only a strongly creative political hand to become a decisive instrument of political power" (p. 294). "A decisive instrument of political power" is pitching it rather high, and the notion of people as "an instrument" of political power, decisive or otherwise, is ambiguous and unattractive. Still, there is everything to be said for the stress on the responsibility and possible power of intellectuals. But the question then arises—political power for what? Professor Galbraith has no serious answer to that question. In fact, his whole soothingly complacent view of the "industrial system" and of American society precludes him from providing such an answer. For all the verbal iconoclasm, and the seeming dismissal of "conventional wisdom" and orthodox economics, there is too much here of apolo-

getics and obfuscation, too little genuine probing, too ready an acceptance of the "logic" of the system, too cramped a view of its contradictions, too much underlying intellectual and political timidity, notwithstanding the self-conscious *enfant terrible* posturings, for Professor Galbraith to speak seriously to the American condition, or to those who seriously seek to change it. For such people, *The New Industrial State* has little to offer, either by way of diagnosis, or of prescription. What it does offer is a further demonstration of the limitations, both in diagnosis and in prescription, of a type of liberalism which constitutes not an alternative but a variant of that conservatism which Professor Galbraith claims to condemn.

NOTES

The fact that power is "obscured" (if it is a fact) would not, one would have thought, mean that it does not exist, but simply that it is more difficult to perceive, which is something very different.

R. Sheehan, "Proprietors in the World of Big Business" in *Fortune*, June 15, 1967, p. 178.

3. *Ibid.*, p. 179.
 4. *Ibid.*, p. 180.
 5. *Ibid.*, p. 182.
 6. G. Kolko, *Wealth and Power in America* (1962), p. 13. See also C. W. Mills, *The Power Elite* (1956) and D. Villarejo "Stock Ownership and the Control of Corporations" in *New University Thought II* (Autumn 1961 and Winter 1962). For Britain, a survey of share owning, published in 1955, showed that directors of companies held shares to an average value of £28,000 and that this was the largest average holding of all the groups about which information was available (*Bulletin of the Oxford Institute of Statistics*, November 1965 in P. Anderson and R. Blackburn, Eds., *Towards Socialism* (1965), pp. 116-117).
- R. C. Heilbronner, "The View from the Top. Reflections on a Changing Business Ideology", in E. F. Cheit Ed., *The Business Establishment* (1960), p. 25.
- E. F. Cheit, "The New Place of Business. Why Managers Cultivate Social Responsibilities", *ibid.*, p. 178.
- A. A. Berle and C. C. Means, *The Modern Corporation and Private Property* (1932), p. 84.
10. Clive S. Beed, "The Separation of Ownership from Control", *Journal of Economic Studies* (University of Aberdeen), vol. I, no. 2, p. 31. Italics in text.
 11. Villarejo, *op. cit.*, vol. II, no. 2, p. 52.
 12. Bede, *op. cit.*, footnote 22.
 13. *Ibid.*, p. 32. Italics in text.
 14. The argument that there is no *display* of greed and graspingness would seem a poor basis for the claim that it does not exist. It could, after all, be that "greed and graspingness" are now simply less ostentatious, better

concealed, not least by a vast public relations industry of which many academic economists appear to be honorary members.

15. C. Kaysen, "The Social Significance of the Modern Corporation" in *American Economic Review*, May 1957, pp. 313-314.
16. C. A. R. Crosland, *The Conservative Enemy* (1962), pp. 88-89.
17. *Industry and Society* (1957), p. 48.
18. Sheehan, *op. cit.*, p. 242. See also my earlier references to gains through stock options and Villarejo, *op. cit.*, Part III.
19. Kolko, *op. cit.*, p. 65.
20. P. Baran and P. Sweezy, *Monopoly Capital* (1966), pp. 39-40.
21. C. Kaysen, "The Social Significance of the Modern Corporation" *op. cit.*, pp. 313, 315.
22. Sheehan, *op. cit.*, p. 183,242.
23. J. S. Earley, "Contribution to the discussion on the impact of some new developments in economic theory : exposition and evaluation" in *American Economic Review*, May 1957, pp. 333-334.
24. J. K. Galbraith, *The Affluent Society* (1958), p. 254. My italics.
25. *Ibid.*, p. 254.
26. H. Magdoff, "Problems of United States Capitalism" in *The Socialist Register*, 1965, p. 73. "Deprivation" was held by the Conference to include people living above the stark poverty level but below what a Labour Department investigation found to be a "modest but adequate" worker's family budget (*ibid.*, p. 73). See also e.g. Baran and Sweezy, *op. cit.*, Chapter 10, and M. Harrington, *The Other America* (1962).