

File J.K. Galbraith

The New Capitalism

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TWENTY years ago, when I was first a tutor at Harvard, John Strachey made an interesting contribution to undergraduate education. By even the most conservative instructors he was considered invaluable for shocking some of the complacency out of intellectually impervious lads from New Rochelle and the North Shore. "The whole capitalist world is on the way to barbarism," Strachey joyously advised in "The Coming Struggle for Power." I have always imagined that some who read him then have ever since been waiting, minute by minute, to see the barricades go up outside the Union League Club.

Now he has written a new book*, and it couldn't be used to frighten even the most sensitive boy. That is because both the world and Mr. Strachey have changed, and the book is an analysis of the rather remarkable things that have happened to both. Mr. Strachey is a skilful and even a stylish writer. Though he takes the precaution, routine with all politicians, of denying that he is an economist—there is evidently an international conviction that the subject is political suicide—he is both competent and admirably read in economics. These qualities, plus the fascination of the events of the last two decades, make this one of the most interesting books I have read for a long time. I am sure it will be eagerly discussed on both sides of the Atlantic.

'Last Stage'

Mr. Strachey is concerned with what he calls "the last stage of capitalism"—the word "last" here does not mean that capitalism is trembling on the brink: it does mean that whatever the next stage is like, it probably won't be possible to call it capitalism. His principal question is why, in the present stage, capitalism has defeated the Jeremiad predictions that seemed so plausible only a few years back.

His answer begins with a survey of modern capitalist structure—oligopoly, the separation of company ownership from control, the development of techniques for measuring,

* "Contemporary Capitalism." By John Strachey. (Gollancz, 25s.)

and by implication for controlling, economic performance, and the other things which have helped to transform or liquidate the Marshallian model.

Then he returns to Ricardo and Marx to remind his readers of their doleful conclusions and the grounds on which they reached them. "There was nothing basically wrong," he concludes, "with Marx's economic insight. It was his political judgment which was at fault."

Political Power

Marx expected the masses of the people to remain politically powerless. Then exploitation would have continued and become more refined. There would have been increasing misery. The counterpart of misery would have been under-consumption. The result of the latter would have been depressions that would have got progressively worse. But the masses won political power. They used this, along with unions, to reverse the trend toward greater and greater immiseration.

This reversal of the Marxian prospect becomes meaningful only in the light of Keynesian economics, and with this Mr. Strachey's final chapters are concerned. It was the wholly unexpected good fortune of mankind that the mass pressures—those for better distribution of income, social insurance, measures to raise the level of employment—were those best designed to make the system work. Mr. Strachey is a little worried about the danger of under-accumulation and an insufficient rate of growth, but not much. Inflation doesn't bother him, at least in this volume.

So brief a sketch makes Mr. Strachey seem much merrier than he really is about the state of the world. After all, he is a Socialist. There is still great inequality. The relative improvement in the position of the English wage-earner, *vis-à-vis* the recipient of property income, is a matter of but a few years' standing. (Mr. Strachey argues that all the change has been since 1939.) It might yet be lost.

The organs for shaping public

opinion are still overwhelmingly in conservative hands. He mentions, though he doesn't take quite seriously, the recently fashionable anti-democratic comment. He suggests that it might become more serious as more and more people realise that democratic pressures on all political parties will force them to support egalitarian measures. (It must be jarring for anyone on the far Right to realise that, were a Habsburg or a Bourbon of minimal intelligence now running for office as a Tory or Republican, he would be stoutly avowing his support of unions and a progressive income tax.) Throughout, Mr. Strachey carefully keeps his fingers crossed when he speaks of economic or political gains. They are "as of this writing" or "as of the moment" only. Evidently there is still a chance that indignant reaction may sweep it all away.

Basic Conclusion

Mr. Strachey's basic conclusion, that popular pressure saved capitalism, seems to me beyond question. (It also, as he suggests, disposes of Marx's view of the State. Were the State merely the convenience of the capitalist ruling class, it would never have yielded on unions, social security, a full employment policy and the rest. We can surely now agree that democratic institutions have a deep and enduring substance and are not easily subordinated to economic power. Hence Mr. Strachey's own fears of economic reaction need not be taken very seriously.)

In his last chapter Mr. Strachey sees the future as safe only if there is a vigorous advance of democratic Socialism. It is an eloquent statement, although perhaps not entirely unexpected. But more details are needed on many points. The question of nationalisation is one. There are some sections of the Labour Party, I sense, where the enthusiasm for this policy is not remarkably greater than in the inner convictions of Senator John W. Bricker. However, Mr. Strachey has more volumes to come. And we can be very thankful for this one.