"The Affluent Society" after Twenty-Five Years
Author(s): J. R. Stanfield
Source: *Journal of Economic Issues*, Vol. 17, No. 3 (Sep., 1983), pp. 589-607
Published by: Taylor & Francis, Ltd.
Stable URL: http://www.jstor.org/stable/4225336

JOURNAL OF ECONOMIC ISSUES
Vol. XVII No. 3 September 1983

The Affluent Society after Twenty-five Years

J. R. Stanfield

The Affluent Society was published in May, 1958. It is quite possibly the most important book published in the postwar period, with enduring significance for the 1980s and beyond. Few words need be spent justifying a retrospective and prospective look at *The Affluent Society*. I proceed by briefly reviewing *The Affluent Society,* considering its impact, criticism, and relation to Galbraith's later works, and commenting on its continuing relevance.

Summary

The Affluent Society examines the continuing urgency that affluent societies attach to higher consumption and to the growth of production. The general explanation for this paradox, very familiar to students of Veblen, is that ideas are held over from one historical setting to another, where they are obsolete and ill-suited. Moreover, these ideas persist not by inertia alone but because they are convenient to powerful vested interests. *The Affluent Society* also considers the implications and consequences of this tenacious devotion to economic growth. The general issue here is that the outmoded mentality of more-is-better is obstructionist and stands in the way of the further economic progress that would be possible if the tremendous wealth of the democratic industrial societies were put to reasonable use.

The author is Professor of Economics at Colorado State University, Fort Collins.
His enduring debt to the genius and diligence of John Kenneth Galbraith is inestimable.

The main currents of the "conventional wisdom" in economic affairs were established in the eighteenth century, refined in the next century by the classical and neoclassical traditions, and amended by the Keynesian Revolution in the present century. After centuries of relatively slow permanent economic growth, the modern discipline of economics arose concomitant to the persistent and spectacular growth of output known as the Industrial Revolution. As an outgrowth of the long history of mass privation and the new history of economic insecurity resulting from industrial instability, the "tradition of despair" central to economic thought focused on production, inequality, and insecurity.

Inequality and insecurity have been subordinated to the overriding objective of raising production. The miracle of growth enables all classes to advance absolutely and defuses the vastly more difficult and controversial problems of income and wealth redistribution. A liberal and conservative consensus on growth has supplanted the bitter controversy on inequality. Then, too, so long as income is linked to productive performance, economic security is possible only through the high employment made possible by sustained growth. For good measure, national security is attached to expanding output because industrial supremacy is seen as a necessary ingredient to superior military preparedness.

There are also strong vested interests behind the "paramount position of production." Those who in one way or another enjoy their income, prestige, and power because they can contribute to, guide, or understand the process of expanding production have a vested interest in maintaining economic growth as a top priority. Put negatively, any decline in the importance attached to expanding output would *pari passu* lead to a decline in their income, prestige, or power. Business executives and technical professionals who run the social machinery of production, wealthy people who have accumulated purchasing power, politicians whose platforms and constituencies are based on government fostering of growth, and academic economists whose central ideas are concerned with scarcity and growth all have varying degrees of vested interests in the continuing preoccupation with expanding production.

Nothing in *The Affluent Society* so invited controversy as the discussion that deals with the maintenance of popular emphasis on consuming more —that is, with assuring that people continue to want more no matter how much they have already. In discussing the process of want creation, Galbraith utilizes the concept of the *dependence effect*, by which wants arise from what one sees others consuming, especially as portrayed in advertising. Emulation is the passive aspect of the process of want creation. People emulate one another in an attempt to curry favor, display their modernity or good taste, or keep up with the Joneses and ahead of the Smiths. But the active and crucial elements of the process are advertising and the related salesmanship activities that drone on in modern culture, always with the incessant message, BUY. Given that so much effort and expense goes into contriving wants, Galbraith finds dubious the case for the continuing urgency of expanding output to satisfy them. This doubt is all the stronger because the powerful groups whose interests are vested in expanding production constitute the most active forces in contriving wants.

Galbraith foresaw grave consequences flowing from this preoccupation with consumption and growth. He felt it imperiled economic security.[2] Economic security is threatened by the runaway growth in consumer debt that is part of the salesmanship activities. Easier credit checks, lower down payments, longer repayment terms, and other inducements for people to go further and further into debt are permanent and necessary fixtures of the consumer society described in *The Affluent Society*. This increases uncertainty and economic instability, thereby threatening economic security.

The paramount position of production also makes persistent inflation inevitable. The economy must operate near full capacity, where excess demand and the market power of organized economic agents make inflation *normal* rather than exceptional. Policies that would contain inflation, most especially policy founded on the crude instruments of monetary and fiscal policy, would also damage production and are therefore inadmissable because of the production's paramount position. More effective policy measures, such as wage-price controls, an incomes policy, national economic planning, and similar structural policies, cannot be applied effectively until policy formulation is freed from the restrictive grip of the conventional wisdom.

Some of the most interesting and controversial discussion in *The Affluent Society* is that dealing with the theory of social (im)balance. Galbraith argued that the preoccupation with production and the process of consumer want creation that sustains it would contribute to a penurious public sector. Added to the traditional antigovernment bias of market capitalist ideology, the incessant attention to private consumption obscures the need for collective action in areas critically important to the quality of life in contemporary society. Nothing so strong as the dependence effect, especially its active ingredient, advertising, operates to draw attention to these collective wants.

Yet a moment's reflection establishes that private and collective wants are complementary: more cars require more roads and traffic control, more packaged goods require more trash removal, and so on. The principle of social balance states that for a given level of private consumption there exists a corresponding optimal level of public consumption. The contemporary consumer society contains a debilitating social imbalance and the contrast between private opulence and public squalor is one of Galbraith's major themes.

There are other serious consequences of the preoccupation with production. Personal or human capital is neglected, as is the serious poverty that remains and the continuing but dubiously necessary agony of toil. Insecurity, inflation, social imbalance, and the failure to affirm personal development, eradicate poverty, and reduce the burden of toil are the legacy of the obsolete mentality described in *The Affluent Society.* Galbraith insisted that a reasonable society would make far better use of its affluence.

Impact, Criticism, and Later Works

Very little space is required to establish the impact of *The Affluent Society*, so long as we keep in mind that its basic message has yet to wield the influence that it should (on which, more below). The book has enjoyed remarkable sales success and been given tremendous attention, both critical and favorable, in popular and academic literature. The phrases it coined, especially the title and the epithet hurled at intellectual complacency—the conventional wisdom—have been widely adopted and paraphrased. The book catapulted Galbraith from the position of a well-known if eccentric economist into that of an intellectual celebrity, serving to renew his varied career in public service and to guarantee attention to his subsequent work.[3] The book played a considerable role in his ascension to the presidency of the American Economic Association, and his receipt of the Veblen-Commons Award from the Association of Evolutionary Economics, and was directly responsible for his receiving the Sidney Hillman Award.

The influence of *The Affluent Society* on a generation and more of university students has been immense. I trust I can be permitted a personal note. I remember vividly my encounter as an undergraduate economics major with *The Affluent Society* and *The New Industrial State.* I was instantaneously emancipated from the elegant calculus of the irrelevant that quite possibly would have been my lot otherwise. The same experience must have been repeated for myriad others. *The Affluent Society* and its author influenced the student movements of the 1960s and, especially, the counter-culture of that period. Similar influence can be detected on the politics of the 1960s in which a liberal revival set out to deploy more of the affluence in question toward collective goals of social justice, environmental protection, improved working conditions, urban renewal, and cultural development. Although Galbraith would be the first to cite fact and circumstance as causative historical forces over the musings of an academic scribbler, his ideas played no small part in these and other areas.

Galbraith's ideas have been met by vociferous criticism and outright disdain, especially in conservative philosophical quarters and among the neoclassical faithful. His analysis of the process of want creation was severely criticized. F. A. Hayek charged that the dependence effect is a *non sequitur* because of the assertion that learned wants are relatively unimportant compared to those that are innate. Hayek rightly pointed out that all human tastes are acquired by socialization, but he missed an essential point of *The Affluent Society*, that there is an important difference between the general acquisition of tastes through acculturation and the systematic imposition of tastes to fit the needs of powerful vested interests. Hayek also charged Galbraith with ambiguity in only implying and not making explicit the argument that the wants of consumers are dictated by producers. Finally, Hayek contended that the want-creating activities of producers are only a part of the cultural milieu and that they compete with one another.

Galbraith met Hayek's criticisms head on in his later works, especially *The New Industrial State*, in which he formulated the "revised sequence" concept.[5] The argument is that producers and not consumers are sovereign in the new industrial state and that the accepted notion of consumer sovereignty serves to obscure the reality of corporate power. Galbraith also argued in this later book that although individual advertisements are competitive—buy product A rather than B—their aggregate message is Buy, period. Moreover, in such a society, the messages and control of powerful producers exert a disproportionate influence on cultural programming and social attitudes.

Galbraith's later works also went a long way toward meeting the more sympathetic criticism leveled at *The Affluent Society* by C. A. Zebot.[6] Zebot argued that merely describing emulation and advertising as media of social learning is not enough to challenge the validity of the wants created in the process. A necessary further step is analyzing the content of these wants and constructively criticizing the learning process so as to indicate how it can be improved. Galbraith's formulation, in *The New Industrial State*, of tastes cultivated to fit the interests of the technocracy in the large corporations answers many of Zebot's questions. The wants that serve the interests of the corporate system do not advance quality of life in general. A new departure, led by the scientific-intellectual estate, and a revitalized liberal political force are necessary to emancipate the popular mind and redirect the use of social resources.

It is interesting to note at this point how well Galbraith's argument in this regard epitomizes institutional economics. The intellectual establishment's emphasis on political involvement rekindles the incipient force of institutionalism as a political movement toward the conscious collective governance of the economy in the service of social values. It also brings to mind the formative influence of John Dewey's frequent insistence on the role of creative intelligence and inquiry in social process and progress.

There is also the basic framework of analysis in which the purpose of inquiry is to adjust institutions, in light of the advance in tools and knowledge, to more perfectly serve human ends and needs. *Institutions* here means both organizations and structures of power and culture or contexts of meanings. The powerful—and everyone has some power notwithstanding its obvious stratification—attempt to imbue culture with meanings that legitimate, preserve, and extend their power.

In his later works, Galbraith identifies the corporate technostructure as the primary source of power in the democratic industrial societies. He also identifies, most emphatically in *Economics and the Public Purpose*, the interests of this technostructure and the means by which it attempts to imbue culture with meanings that serve these interests.[7] Culture is the telling of stories, and the technostructure seeks the telling of stories that elevate to the highest social purpose the maximization of income and consumption. The technostructure uses its considerable instruments of persuasion to maintain the pecuniary culture of commodity fetishism, invidious distinction, and competitive emulation. Income-earning, income-spending automatons are the desired populace of the society committed solely to the expansion of commodity production, and such an expansion is the vested interest of the technostructure. In his works, Galbraith outlines the negative consequences for the quality of life in a society whose culture is wedded to a value system of more-is-better. He also attacks the power structure that promulgates this intellectual confusion or false consciousness.

The complicity of economists in this intellectual confustion is another theme that Galbraith develops often and forcefully. The fixation on the expansion of commodity production as the basic indicator of social achievement owes much to vested interests and to the hold on the popular mind of a long human history of scarcity, but it is as well "a product of the elaborate obscurantism of the modern theory of consumer need"

(p. 349). The conventional economic theory of the consumer provides a defense of the present value system, "a defense which makes the urgency of production largely independent of the volume of production" (p. 140). The economists' doctrine of insatiable consumer wants provides the intellectual bedrock of the continuing importance of more output (p. 143). For the conventional economist, human wants are *datum* (p. 144); neither their formation nor their quality is appropriate subject matter for economic investigation (p. 147). Instead, the extent of wants is simply *assumed* to exceed the extent of the resources available to satisfy them. This effectively prohibits practitioners of the economics art from examining, *by any standard*, such questions as the influence exercised on popular wants by powerful economic agents, or the legitimacy of these wants.

Indeed, the spirit of the conventional wisdom, and the example of most economists serving under its thrall, is that such a critical theory of human wants and needs, grounded in objective analysis of historical context, is neither possible nor desirable. Conventional economists deride any effort toward such a theory—notably Galbraith's—as the mere substitution of one set of preferences for alternative sets. Their argument quickly becomes ad hominem; the scholar who puts forward such a critical theory is condemned as a power-thirsty totalitarian who aspires to impose his or her preferences on everyone else.

Of course, economists do not dictate popular consciousness, but they are an important voice in public opinion and their failure to critically examine popular consciousness and its formation is significant. In *Economics and the Public Purpose*, Galbraith clarified this by arguing that economists practice the "convenient social virture" of retaining a theory of consumer choice based on the notion of consumer sovereignty. The "imagery of choice," by preserving the comfortable conception that consumers dictate the use of resources, obscures the reality of power and forestalls critical analysis of the process of want creation by powerful vested interests. The convenient stance of economists, then, is to look the other way and refuse to examine the source and implications of a popular consciousness that embodies an ideology of consumption, that is, "the proposition that the production and consumption of goods, notably those produced by the planning system, are coordinate with happiness and virtuous behavior."[8]

To employ the notion of culture as the telling of stories with significant meanings, conventional economics tells a story of scarcity and consumer sovereignty that buttresses or at least deflects attention from the power of the technostructure. In this story, environmental protection, cultural development, the alleviation of poverty and injustice, and the improvement of worklife are but so many competing ends. They compete with one another and with the expansion of other collective ends, and especially with private ends as expressed in the effective demand for commodities. No hierarchy of needs or critical evaluation of wants, individual or social, is seen as possible, other than that which takes place within the inscrutable mind of the sovereign individual who votes with dollars and ballots for an allocation of resources that he expects will maximize his utility, all things considered. But none of these things are considered concretely by the neoclassical conventional wisdom, whose elegant formalism strongly suggests that social values rank Pet Rocks above environmental preservation and anything of pecuniary value above anything merely useful, just, or beautiful.

The theory of social balance has drawn its share of criticism. Henry C. Wallich argued that Galbraith was guilty of a *non sequitur* in arguing that poor taste in the purchase of goods in the private sector supported a conclusion "that the only alternative to foolish private spending is public spending. Better private spending is just as much of a possibility."[9] This is logically unassailable but is not addressed to the actual argument of *The Affluent Society*. Galbraith cited many examples of penurious public sector spending and their deleterious effects, such as insufficient resources devoted to education, playgrounds, municipal services, and delivery of medical care. He then contrasts these incontrovertible limitations on the quality of life with the plethora of gadgets and ostentation in the private sector, not to prove the need to expand collective consumption, but only to argue that the opportunity cost of such an expansion is not as great as people think because the importance of the private consumption that would have to be foregone is not as much as people believe.

Paul Baran and Paul Sweezy leveled criticism at *The Affluent Society* from another angle.[10] They argued that Galbraith's contrast between private affluence and public squalor does not capture the pivotal forces at work in modern capitalist society because the state does do a lot, especially in the areas of defense, roads and highways, traffic control, and parking. What the state does, however, is constrained and shaped by powerful private interests so that there are definite limits on social spending for health, education, housing, and the like that conflict with the class structure and business hegemony of capitalist society. In his later works, Galbraith expands his analysis of social imbalance, recognizing that some public sector spending is favored because it fits the interests of the powerful corporate system. Other collective and, indeed, private wants, not only in conventional social welfare areas, but also in the cultural sphere, fare badly because there is no strong voice for them amongst the powers that be.

In *The New Industrial State*, Galbraith strongly develops the theme that a symbiotic if one-sided relationship exists between the state and the technostructure.[11] In its management of aggregate demand, support of certain kinds of technical and scientific research and education, and waging of the cold war, the state serves the interests of the technostructure. But that which is of little or no use, or is contradictory to the interests of the technostructure, fares badly within such a state.[12] Public health clinics, public parks and recreation areas, environmental protection, and aesthetic development fit into these categories as do public planning for transportation and housing. Galbraith is even more emphatic on these points in *Economics and the Public Purpose*.[13]

In the final analysis, although Galbraith is not explicit on the point, social imbalance becomes less a matter of the public sector versus the private sector than of that which serves the purpose of expanding commodity production versus that which does not. Stated thusly, the theory of social balance is more obviously related to the obsolete commitment to the value system of a pecuniary culture. This formulation of social imbalance has the added advantage of being consistent with Galbraith's frequent point that the public versus private sector dichotomy is declining in relevance to the point of obsolescence. It should also render Galbraith's work more accessible and more acceptable to those social critics steeped in the Marxist tradition. Finally, it links the present section to the following discussion of Galbraith's continuing relevance.

Continuing Relevance

The vociferous criticism levelled at *The Affluent Society* is a mark of its significance, much of which remains unrealized. The fundamental themes of *The Affluent Society* continue to threaten conservative puffery and neoclassical complacency. In part this continuing relevance reflects the work's uncanny anticipation of matters of detail that have since emerged as problems or issues. Among these it is sufficient to mention consumer credit (p. 200); the independence of the Federal Reserve Board (p. 227); the importance of human capital to economic growth (p. 271); the need for revenue sharing (p. 263); the rising participation of women in the labor force (p. 258); the degradation of the environment (p. 355); the other, poverty-stricken, America (pp. 97 and 327–28); the obsolescence of the link between work and income (pp. 289–91); and the many issues in the area of quality of worklife (p. 334).

On a deeper level, this power of anticipation and the continuing relevance of *The Affluent Society* results from Galbraith's superior method of inquiry and its power to uncover the fundamental social trends and problems of an affluent society. The three unsolved problems noted in *The Affluent Society* remain so and continue to serve as the major impediments to advancing human development and quality of life. These are the process of consumer demand creation and financing, persistent inflation, and social imbalance between the public and private sectors (pp. 250–51). These problems are interrelated. The invidiousness encouraged by the process of manipulating consumer demand reinforces an incomes race and consumer treadmill (see pp. 154 and 159) that virtually guarantees inflation, social imbalance, and environmental deterioration. Financing this invidious consumer demand and the investment to service it makes it difficult to finance much needed and highly beneficial collective action. The invidious pecuniary calculus is blind to non-commodity, non-income needs. Power wielded by those illuded by this mentality will be used to secure more income to sustain purchases of more commodities. Prices and incomes spiral upward, and social and environmental considerations lying outside the scorer's reach in this game of competitive emulation are neglected. The culture of competitive emulation places such emphasis on individual pecuniary success that the degree of solidarity and social responsibility necessary for the welfare state to function smoothly is not present.[14] Programs designed to remedy social imbalance and social injustice tend to be exploited by greedy manipulators and their failure written off to some original sin in human nature rather than to a defective culture.

The complicity of much of the economics profession in the ideological lacuna that inhibits society's ability to squarely face these problems is also a major theme of *The Affluent Society*. The obsolescence of the conventional wisdom in economics is now woefully apparent as is its rootedness in an ahistorical approach to an essentially historical subject matter.[15] Galbraith forcefully raised the spectre of the obsolescence of economic thought in the face of social change at a time of general complacency in the economics profession: "There are . . . grave drawbacks and even dangers in a system of thought which by its very nature and design avoids accommodation to circumstances until change is dramatically forced upon it. In large areas of economic affairs the march of events . . . has again left the conventional wisdom sadly obsolete" (p. 29).

This obsolescence is apparent not only in the general refusal to accommodate the reality of an affluent society but also specifically in the area of macroeconomic stabilization policy. An insistent theme of Galbraith's works, not only in *The Affluent Society* but also in *A Theory of Price Control* and *American Capitalism* before it and in *The New Industrial State* and *Economics and the Public Purpose* after it, is the need for a direct intervention mechanism to deal with the wage-price spiral. Such a policy is, however, effectively prohibited by the conventional wisdom because of the bureaucracy necessary to maintain it and the distortion of relative prices and resource allocation it would cause (pp. 224, 246–47). The logic of scarcity and the paramount position of commodity production underlies this handwringing about resource allocation. The prohibition of direct controls necessarily links economic security to inflation. Those who would be damaged by the requisite slack in aggregate demand to restrain wages and prices are likely to be the least able to bear such a burden. Their voices and those of sympathetic observers are raised in support of maximum aggregate demand, along with those that simply want maximum output because of the paramount position of production.

However, neither inflation nor its control are free. The relevant comparison involves the costs of uncontrolled inflation versus the costs of various methods for controlling it. The insecurity and suffering caused by restraining inflation solely by aggregate demand policy needs no elaboration in light of recent experience. The costs of controlling inflation by more direct means, such as misallocation of resources because of relative price distortions and the provision of an administrative bureaucracy, must be qualified by recognition of the artificial nature of insatiable wants and scarcity in the affluent society.

These costs must also be net of any increased efficiency because of *improved* relative prices by direct controls. There are at least two grounds for expecting some improvement in this regard. One is the familiar phenomenon of external benefits and costs. Direct control of wages and prices would facilitate the adjustment of relative prices to more accurately reflect social costs and benefits. More important, perhaps, is the fact of power that enables private economic interests to administer wages or prices. Such power abrogates the preconception of optimality that surrounds relative prices established without public intervention, and probably at the same time reduces the administrative cost of public control. Direct intervention may very well improve the correspondence of the pattern of relative prices to that of social values in relation to real costs. It may also compel the public to reflect on the relation between social values and resource allocation and income distribution.

A particularly important example of the reality of power versus the market myth is found in the area of nominal and hidden remuneration of corporate executives. The notion of competitive markets leads one to write off as the necessary supply price of executive talent such things as high executive salaries and bonuses, luxurious built environments in the corporate suites, private jets and helicopter shuttles, and a host of expense account benefits. Yet the executives themselves control the purse strings and it is their word alone by which society holds such lavish expenditures necessary. Consumers may well be paying, in the prices of the products they buy, not the necessary supply prices for scarce talent but the economic rents of sheer economic power.

This limited example is of interest not just for reasons of obscene inequity alone. It may point as well to the real roots of a decade or more of stagnant economic performance. The conventional wisdom ascribes the outmoded real capital structure and lagging productivity of the U.S. economy to public regulations and anemic capital formation. Leaving aside the regulation issue for the moment, it is noteworthy that in the U.S. the ratio of gross investment to gross national product in the 1970s was actually a bit above the postwar average. This coupled with the aged condition of plant and equipment suggests something besides anemic capital formation as an explanation for economic stagnation: the funds were available for investment but those with administrative power over this flow of purchasing power misallocated it. Rather than invest in product development and line research, corporate executives engage in financial manipulation for short-run profit and feather their own nests by playing a high stakes game of competitive emulation in their office suites. In this regard, it is interesting to note that the office-building boom persisted well into the recent great recession. Financial manipulation for short-run gain is also more in the interest of staff executives than of the corporation as a going concern. The reputation earned by quick results can secure a lucrative move to another corporation. Such a game is particularly inviting when the executive is personally protected against failure by a golden parachute clause, no matter the damage imposed on the corporation as a going concern.

The danger of the obsolete economic wisdom to which Galbraith referred has been rendered patently clear by the Reagan Administration. Nineteenth-century economic wisdom is the vision underlying increasing inequality to stimulate capital formation, reducing labor's bargaining strength, and pursuing a viciously restrictive monetary policy. Keynesian economists who should have been able to block the rise of the supply-side charlatans and monetarist sycophants were silenced by their embarrassment at their own policy failures. Had they long ago coupled the wisdom of Keynes with that of a direct intervention strategy, they probably could have prevented the mayhem wrought by Reagan's old-time economic religion. One is tempted to hypothesize that a mode of economic inquiry that does not move forward with history is destined to give way to a backward movement that dredges up ideas long since thought outmoded and duly abandoned. For those who find merit in this notion, I humbly suggest that it be called Stanfield's Law of Progressive Anachronism of Ahistorical Economic Thought.

The rise of President Reagan and his nativistic nostrums is part of a counter-revolt against the twentieth century that includes the considerable handwringing in the 1970s about a capital shortage, inadequate saving, declining productivity, excessive capital fund commitments to the housing stock, excessive government regulation, and the impossibility of achieving the goals of the welfare state. The gullibility of the so-called neo-conservatives of the 1970s in all of this is exceeded only by that of the so-called neo-liberals of the early 1980s. In *The Affluent Society*, Galbraith anticipated this counter-revolt. He noted the possible harbingers of "an incipient revolt against goods or at least a refusal to allow competitive emulation to be the source of wants" (p. 193). Such a revolt definitely arose and exerted considerable influence in the 1960s counter-cultural, student, and environmental movements and in the growing general concern for quality of life. Galbraith also argued, however, that any such revolt against production would be met by a counter-revolt of the vested interests. Those so interested can be expected to "battle vigorously for a value system which emphasizes the importance of production" (p. 183). This ideological battle over the relation between quality of life and quantity of output now rages. The regulatory programs introduced to secure social and environmental objectives are under severe attack largely on the basis of their negative effects on productivity and economic growth. Social imbalance is involved here also because many of the programs that moved society toward a better sectoral balance are imperiled by the current attack on the welfare state in the name of scarcity, productivity, and growth.

The clamor about crowding out is indicative of the counter-revolt. The concern is focused on public deficit-spending crowding out private deficit-spending by households and businesses. The conventional wisdom, battered but still standing, upholds as a self-evident truth the superiority of the latter. But the argument of *The Affluent Society* insists upon asking the unsettling question, *What is being crowded out*? How seriously can a reasonable person fret about foregoing the creation of the consumer debt necessary to satisfy wants derived from the corporate-sponsored game of competitive emulation? And, other than its connection to employment security, a connection that could be linked instead to expansion of the public sector, how much concern is warranted about denying borrowed funds to corporate executives to invest in meeting such consumer wants or, perhaps worse, to be devoted to financial manipulation or intensified ostentation in the executive suites? It is not more distressing that funds are denied public education, parks, income maintenance, and support of the arts in order to service such dubious priorities?

The problem in question is not, of course, limited to the public sector versus the private sector. Within the public sector itself, the counter-revolt is taking its toll. The guns-over-butter budget policies begun by President Carter, the neo-conservative, have been intensified by President Reagan, the old-style conservative.[16] The neo-liberals accept this scheme of social priorities in general, though they quibble about the rate of the military build-up. The neo-liberals are also in unison with the neo-conservatives and old-style conservatives in calling for a build-up in scientific and technical education to spur economic growth and restore the economy's competitive edge. Although there is perhaps nothing wrong per se with a policy of encouraging technical training and advance, in this case it is evidence of a deep-seated neglect of the more fundamental crisis facing the affluent society, one which cannot be resolved by technical manipulation.

The affluent society's more fundamental problems relate to the spirit or ideology of the age and have more to do with the folly of continuing the game of competitive emulation than with who succeeds at it. As someone once said, "The trouble with joining the rat race is that even if you win, you're still a rat." Sadly, in a government operated as an adjunct to corporate capitalism, education for the sake of human development as a goal in and of itself remains an external economy (p. 275), without compensable pecuniary benefits and therefore subject to pathological neglect in a pecuniary culture. Still, one shares Galbraith's "hope that investment in the things that differentiate man from his animals requires no further justification" (p. 278).

On the whole, the major lesson of Galbraith's work is that realization of this hope will require that the conventional wisdom be discarded. As an evolutionary positivist,[17] Galbraith frequently notes that intellectual obsolescence will ultimately yield only to the force of hard fact and circumstance (pp. 13 and 20). He does not, however, neglect the need for an ideological struggle that strategically makes use of historical circumstance in its quest to overturn the conventional wisdom.

Indeed, one of his most important themes is the need for some more or less organized *cultural resistance* to the ideological hegemony exercised by the corporate elite and the complicitous neoclassical mainstream. The myth that expanding production is the central social problem can be debunked only through sustained effort devoted to the "emancipation of the mind" (p. 281). In *The New Industrial State*, published in the same year that Clarence Ayres argued that the intellectual's responsibility includes the "responsibility to understand something of the nature and functioning of the ideology of our own society, and to convey this knowledge to the intellectually less advantaged community," Galbraith urged the "educational and scientific estate" to take the "political lead" in breaking "the monopoly of the industrial system on social purpose."[18] In *Economics and the Public Purpose*, Galbraith devotes a chapter to "The Emancipation of Belief," which is usefully read in conjunction with his 1969 address to the American Economic Association.[19] The belief from which we must emancipate ourselves is, of course, the ideology that subordinates all other social concerns to the maximization of income and consumption. Galbraith identifies the four instruments for perpetuating this ideology as the present pedagogy in economics, the "resigned acceptance" of the overt persuasion contained in advertising messages, the process of public policy formation, and the present orientation of the educational system. His comments on the last named are particularly revealing in light of the recent consensus on increasing scientific and technical education:

> The implicit assumptions of the modern educational system . . . , broadly speaking, make income and consumption coordinate with achievement. They hold scientific, engineering, business, and legal instruction to be useful; instruction in the arts, and notably if it is creative in character, to be decorative or recreational. What serves the planning system is standard fare; the rest is justified negatively in academic oratory as something the civilized man does not neglect. Educators have a particular responsibility to see that education is not social conditioning. This means the elimination of all distinction between useful and unuseful fields of learning, all suggestion that there is an economic standard of social achievement.[20]

A large part of this cultural resistance must necessarily be aimed at the economics profession. In this area, Galbraith shares with other institutionalists the unwarranted if somewhat self-inflicted reputation of being a purely negative critic of the mainstream's epistemology. In fact, however, Galbraith and other institutionalists do offer an alternative. Consider the critical theme reviewed in this paper that the formal, maximization-oriented theory of the mainstream, with its simplistically individualistic, utility-oriented theory of consumer behavior, buttresses the dominant pecuniary ideology that holds human welfare to be a function of commodity production and consumption. Since this theory is essentially logical and deductive rather than historical or empirical, any attack on it is taken by its adherents to be a logical attack.

However, there is nothing logically wrong with the theory of consumer behavior; indeed, in a sense, it cannot be wrong because it is tautologically true. The criticism to be made is rather that it is not very useful for practical personal philosophy, social criticism, or policy advice because it rests satisfied with logical theorems and omits the concrete aspects of the choices in question. The quality of life is determined precisely by that in which the mainstream economist *qua* economist is so little interested: the values and judgments, ends and means of concrete historical situations. Institutionalism counters this neglect with a more concrete approach that has enabled its scholars to emphasize the many non-pecuniary, non-invidious, and non-commodity determinants of the quality of human life.

Similarly, there is no logical contradiction of the notion that, *ceteris paribus*, more is better. The criticism to be made is rather that the mainstream method has no basis for ascertaining if, *in fact, ceteris peribus* applies. This empirical question necessitates a holistic, concrete approach capable of coming to grips with the effects on society, culture, and polity of an economy geared to maximizing commodity production via an invidious incomes race. The critical astigmatism of the mainstream is, in contrast, the central question of institutional or social economics: how is the economy instituted in society and what are the implications of alternative institutional arrangements?

I think institutionalists rather generally share a value system superior to that implicit or explicit in conventional economics. This is the instrumental or substantive value system that places the economy in a subordinate position to the reproduction and fuller unfolding of the human life process as a whole.[22] With his classic concept of the *test of anxiety*, Galbraith very well captures this methodical conviction.[23] Economics should be relevant to popular concerns. To be so, it must have a concrete focus and be in touch with the culture or set of meanings that exists in society. Through this method, Galbraith and other institutionalists have undertaken the task of telling an economic story that is an alternative to the mainstream's rococo elegance, and that challenges rather than reinforces the invidious, pecuniary culture of market capitalism.

Conclusion

In short, I take the enduring message of *The Affluent Society* to be that pernicious effects on the quality of life flow from the fact that democratic industrial society is wedded to an ideology of consumption and economic growth. The ideology of consumption means that the affluent society's central cultural context, the core of its idea and value systems, is more-is-better (pp. 281 and 349). People are socialized to judge the system and its leaders by the economic cornucopia, to seek happiness via consumption, to solve problems by buying, and to relate to one another through possessions. Advertising converts any and every human need to commodity terms; any feeling of impotency, lack of belonging, purposelessness, or unhappiness is portrayed as a consumption problem. If one is not happy, one is systematically taught that the problem must rest with the selection of a deordorant, toothpaste, hairstyle, automobile, diet soft drink, or other consumer commodity. All needs are reduced to needs for consumer commodities, all problems are to be resolved through consumption and any perceived deficiency in one's life stems from inadequate consumption. The only answer is to consume more, no matter the problem.

In such a society, human time and resources are very poorly allocated (p. 346). Time for reflection and contemplation is usurped by the incessant quest to earn and buy. Education for human development takes a back seat to that which serves to expand commodity production. All of this is reminiscent of John Dewey's argument that the twentieth-century crisis of liberalism is caused by its fixation with one historically specific *means* for human progress to the neglect of the enduring *ends* of that progress. The result is that liberal society utilizes the character and initiative of its people in their least significant realm—expanding economic output—and largely neglects the application of these means to the development of culture and human relations.[24]

Severely pernicious cultural effects and foregone opportunities for human liberation and self-realization are the costs we bear in order to expand the production of commodities that have a highly tenuous and ambiguous relation to human needs and development. Clearly, the issues of values and public policy raised in *The Affluent Society* are very relevant to the 1980s and beyond. No less clearly, *The Affluent Society* remains, after twenty-five years, not merely remarkablely fresh but absolutely indispensable reading.

Notes

1. John Kenneth Galbraith, *The Affluent Society* (Boston: Houghton-Mifflin, 1958). For convenience, throughout this article page numbers given in parentheses refer to *The Affluent Society*.
2. I choose to ignore the less ingenious notion that Galbraith put forth con-

cerning the consumer society's threat to national defense. I trust that Galbraith would not take exception to this benign neglect.

3. The substantial secondary literature on Galbraith includes several monographs and books: Charles H. Hession, *John Kenneth Galbraith and His Critics* (New York: New American Library, 1972); Myron E. Sharpe, *John Kenneth Galbraith and the Lower Economics* (White Plains, N.Y.: International Arts and Sciences Press, 1973), now in a second edition; John S. Gambs, *John Kenneth Galbraith* (Boston: Twayne, 1975); C. Lynn Munro, *The Galbraithian Vision* (Washington, D.C.: University Press of America, 1977); and David Reisman, *Galbraith and Market Capitalism* (New York: New York University Press, 1980). In addition, considerable emphasis on Galbraith is found in Allen M. Sievers, *Revolution, Evolution, and the Economic Order* (Englewood Cliffs, N.J.: Prentice-Hall, 1962); and Edmund S. Phelps, ed., *Private Wants and Public Needs*, rev. ed. (New York: W. W. Norton, 1965).
4. F. A. Hayek, "The *Non Sequitur* of the 'Dependence Effect,' " in Phelps, *Private Wants*, pp. 37–42.
5. J. K. Galbraith, *The New Industrial State* (Boston: Houghton Mifflin, 1967), esp. chapter 19.
6. C. A. Zebot, "Economics of Affluence," *Review of Social Economy* 17 (September 1959): 112–25.
7. J. K. Galbraith, *Economics and the Public Purpose* (Boston: Houghton Mifflin, 1973), esp. chapter 22.
8. Ibid., p. 223.
9. Henry C. Wallich, "Public versus Private: Could Galbraith Be Wrong?" in Phelps, *Private Wants*, p. 45.
10. Paul Baran and Paul Sweezy, *Monopoly Capital* (New York: Monthly Review Press, 1966), esp. chapter 6.
11. Galbraith, *The New Industrial State*, chapter 26–29.
12. Ibid., chapters 30–31 and 35.
13. Galbraith, *Economics and the Public Purpose*, esp. chapter 16 and Part Five.
14. See the author's *Economic Thought and Social Change* (Carbondale, Ill.: Southern Illinois University Press, 1979), esp. chapter 6.
15. This is the theme of *Economic Thought and Social Change*, in which note is taken of the literature that swelled during the 1970s on the crisis of economic thought.
16. It is interesting to note that the buildup under President Reagan has been most spectacular in the purchase of weapons systems and less pronounced in personnel or maintenance expenditures. The commodity production needs of corporate defense contractors may be more significant in the Reagan rearmament scheme than purely military considerations. The response, or more accurately the lack thereof, to Senator John Tower's March 1983 questionnaire to fellow senators concerning possible defense expenditure reductions in their states suggests that what I once called *peace-war* is still very much alive. See "Limited Capitalism, Institutionalism and Marxism," *Journal of Economic Issues* 11 (March 1977): 61–71.
17. So far as I know, this useful term to characterize the methodology of in-

stitutionalism was coined by Norman D. Markowitz, *The Rise and Fall of the People's Century* (New York: Free Press, 1973), p. 14.
18. C. E. Ayres, "Ideological Responsibility," *Journal of Economic Issues* 1 (June 1967): 3–11; Galbraith, *New Industrial State*, p. 387.
19. J. K. Galbraith, "Economics as a System of Belief," *American Economic Review* 60 (May 1970): 469–78.
20. Galbraith, *Economics and the Public Purpose*, p. 227.
21. I have explored these themes more fully in "Toward a New Value Standard in Economics," *Economic Forum* 13 (Fall 1982): 67–85.
22. See Galbraith, *Economics and the Public Purpose*, chapter 20.
23. John Dewey, *Liberalism and Social Action* (New York: Capricorn, 1963), pp. 38–39.