

# Galbraithianist not Socialist nor Marxist

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## 1 GALBRAITH

There are many who are calling the current Administration's ways Socialist or Marxists. We argue that it really is Galbraithianist. We explain briefly here using Galbraith's three major works: American Capitalism, Affluent Society, and New Industrial State. This trilogy established the Galbraith economic philosophy which seems to be what is dominating the current Administration.

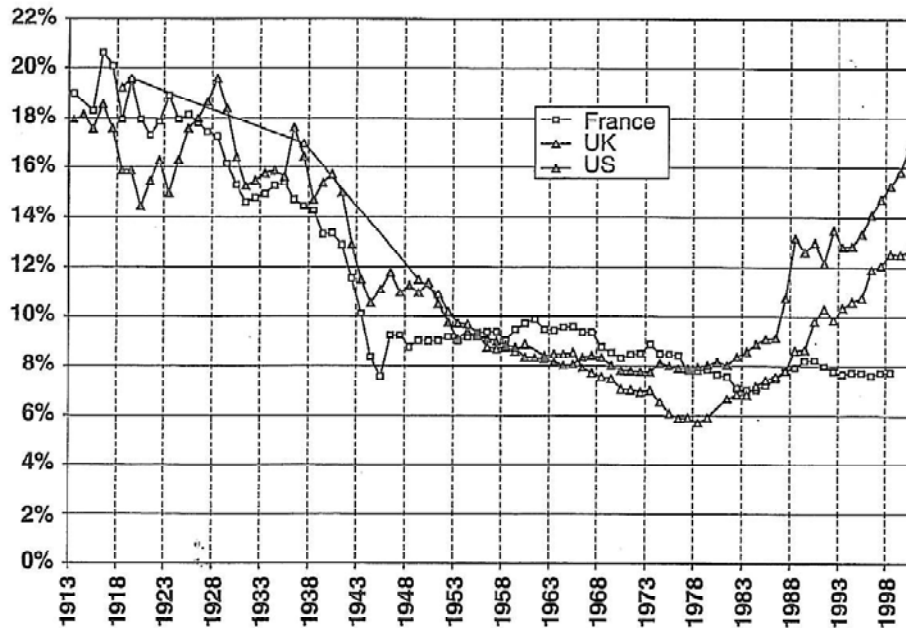
Unlike pure Keynesian philosophy which looks upon the economy as a system with a set of knobs which one can manipulate, the Galbraithian economist looks upon the economy from a power perspective. Namely that the Government has power for good and evil and that the Government has a duty to deploy that power for what it sees as good. The famous book by Bertrand Russell on Power is an interesting example of how power has been used through the ages. Galbraith's experience during his times in Washington showed him how power can be applied in a societal context.

## 2 AMERICAN CAPITALISM

In American Capitalism Galbraith states (p 104-105):

*"In one way or another nearly all of the great American fortunes are based on the present or past possession of monopoly power. ....Income inequality like monopoly distorts the use of resources. It diverts them from the wants of the many to the esoteric desire of the few...Unnecessary inequality in income, unnecessary in the sense that it does not regard differences in intelligence, application or willingness to take risks, may also impair economic stability."*

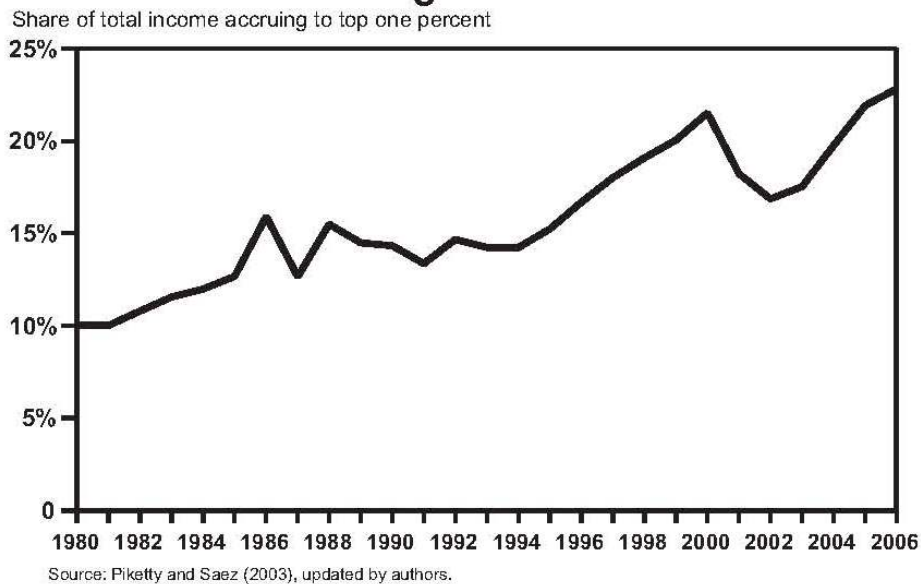
Thus to Galbraith, monopoly is evil and those with intelligence, hard work, and risk takers get rewarded but that excessive wealth distorts the true direction of the economy. The work by Piketty as shown below is an example of the current trend of socialist economists who worry that income distribution is skewed. In the Piketty plot we see the percent of wealth held by the top 1% of the population. We see the explosion now in the US reaching levels not seen since the beginnings of the Depression. However these are not monopoly amounts.



The current Administration picks up on Piketty and in page 11 of the 2010 Budget puts the Piketty curve. The curve has been updated to 2006 and is for the US alone. It is quite interesting to see that Piketty showed the curved back before the Depression in 1930 whereas the Administration shows it only from 1980. As one says, statistics can be quite confusing! It can also be the hand maid of deception.

Figure 9

### Top One Percent of Earners Have Been Increasing Their Share



Countervailing power was the second theme of this work. As Galbraith says (p 111):

*"In fact, new restraints on private power did appear to replace competition. They were nurtured by the same process of concentration which impaired or destroyed competition. But they appeared not on the same side of the market but on the opposite side, not with competitors but with customers or suppliers. It will be convenient to have a name for this counterpart of competition and I shall call it countervailing power."*

To some degree there is a Marxian like dialectic at played here between the thesis, antithesis, and synthesis, yet Galbraith does not share the inevitability of the Marxist and is more a Darwinian in his thought albeit one where control or stabilization by the Government is a key player.

Galbraith continues (p. 136):

*"In fact, the support of countervailing power has become in modern times perhaps the major domestic peacetime function of the federal government.....These measures, all designed to give a group a market power it did not have before, comprised the most important legislative acts of the New Deal. They fueled the sharpest domestic controversies of the New and Fair Deals."*

Thus in his first work we see Galbraith positing two issues:

1. Income inequality leads to social unrest and income inequality is a result of the ineffectiveness of Government in permitting monopolistic entities to take advantage of the people.
2. Countervailing Power is a major element of Government's balancing the interests of the American people and the Government's use of this effects the establishment of new power groups whose new influence can modulate that of other groups. The Government has both the authority and the moral force to effect the establishment of these new entitlements and the support of these new countervailing groups.

The last point is again a bit Marxian in that there is the dialectic process at work again and in this case it does pit the proletariat against the capitalists. We see this in the current Administrations efforts in various venues. We see this in the President's own background as a Community Organizer. It is the Acorn empowerment and it is the Government's role as facilitator, not necessarily as the end agent itself.

### **3 AFFLUENT SOCIETY**

The Affluent Society claims three major things concerning consumption<sup>1</sup> :

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<sup>1</sup> See The Global Development And Environment Institute at Tufts University, [http://ase.tufts.edu/gdae/about\\_us/leontief/Schor\\_ConsumerCritic.pdf](http://ase.tufts.edu/gdae/about_us/leontief/Schor_ConsumerCritic.pdf)

1. That the producers create consumer demand that the consumer is in many ways responding to the producers of the goods via advertising.

The consumer's mind has effectively been taken over by the producer. The producers, according to Galbraith, have the ability to produce what they can produce and get the consumers to buy whatever they produce.

2. That the relationship between consumption and some form of consumer utility function is near evaporating, that consumer buy when motivated by the producer and not as a result of some underlying exogenous need or utility.

This means that people are no longer the arbiters of their own fate. This was developed as a response to Madison Avenue advertising and the advertising age in the 1950s and 1960s. During that period people believe that by the appropriate form of advertising, media manipulation that people could be made to buy anything. The natural extension corollary to this is the use of the broad based media of toady by Government to make people believe whatever Government wants them to believe. This assumes that people have abandoned any inherent utility function. More importantly this assumes that people have abandoned values.

3. That the structural pressures to increase private consumption drives out the provision of public goods.

This means that to Galbraith the consumer was being directed by the producers to spend their money on goods from the commercial sector and as such the needs of the public sector were being neglected. This in Galbraith's eyes meant that the countervailing power of the government should intervene via taxation and reallocate the expenditures based upon trends as perceived by Government into public works which in the view off the government were more beneficial, and had a utility far in excess of the consumption which was occurring.

Galbraith has been quoted as to his environmental bent by telling the tale of a family who goes on a camping journey amidst roads in disrepair and streams filled with polluted waters.

#### **4 NEW INDUSTRIAL STATE**

The New Industrial State was his third in the trilogy. I remember reading it when it came out in the mid 60s. There also was the debate between Solow and Galbraith. This is well elaborated upon in the book by Parker on Galbraith. Indeed the Parker book is

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exceptionally well done albeit politically biased towards Galbraith and strongly anti-Republican. Parker relates the Thesis that is at the heart of this book (pp 439-448):

1. The giant corporation is the "characteristic organization" of modern capitalism.

In the mid 60s there was AT&T, GTE, ITT and massive companies in all sectors. The age of the true entrepreneur was not yet there. In fact it was the Government which expressly prevented this. For the Government made AT&T a monopoly and the Government actually sucked massive amounts of capital in taxes, 90% marginal rates, and massive amounts of technical people into Defense and NASA efforts thus depleting the US economy for a generation. To some degree this is akin to the "green jobs" of the current Administration which will suck the people from "market driven" value creation to Government funded employment.

2. Shareholders, the nominal owners of the company, have little power over the company.

Again true then but shareholder suits did start up albeit they were eventually suppressed by the Government.

3. The members of what Galbraith calls the "technostructure", the techno bureaucrats in companies, own little in the company and seek low risk by not maximizing profits and fitting the classic economic model.

This is also now a changed paradigm. Again the entrepreneur changed this and then it was adopted en masse by the corporations where options now make management large owners in companies. Those massive compensation packages are truly light on salary but heavy on deferred option compensation. Yet profit maximization is deferred for long term market survivability. That is more a way of the market than of the change in corporations.

4. Corporations do not profit maximize but seek to sustain themselves and to survive.

This is clearly true of the large company, because if they maximized profit from quarter to quarter the way the market works volatility would be too excessive. However if we look at the recent financial crises there is clearly just the opposite. They went to extremes maximizing profit. The extremes took them to, and over, the brink.

5, Advertising and a national ideology of praise for growth in the consumption of consumables misdirects the collective energies away from the fact that the US is awash in affluence.

Galbraith is fixated with the affluence issue. Strange since in this period it was nowhere near what it had been during the pre-depression period or now.



6. The key resource of the US economy is not the large industrial capacity but the ability to mobilize organized intelligence in the business sector.

Galbraith saw the result of the deployment of intelligence during the war and after it in industrial areas. This included the application of statistics to marketing and the ability to target specific customers with specific messages. This was all new and he saw in it a major strategic advantage.

## 5 CURRENT ADMINISTRATION

We look at the current Administration and in many key areas they exhibit Galbraithian approaches to Government. Specifically we look at the following:

1. Power: Galbraith was a believer in power, and power to influence, to control, to manage. The Galbraithian power if held in the hands of a benign and fatherly government. The current Administration is a massive collector of power. It does so through the explosive expansion of entitlement programs.

2. Countervailing Power: The Galbraithian believes that Government can use its power to create countervailing dialectics in the economy between established classic capitalist entities and collections or groups which the Government believes can and should be represented. Acorn is a prima facie example. The groups being sponsored by illegal immigrants is another. These groups are empowered by the Government and then the dialectic is created. Countervailing power is in the end Government power as well. The Government facilitation if not outright creation and support of countervailing powers are the ways Government can exercise control of the people with an arm's length approach. It is an invisible to most approach. One must deconstruct the new entities introduced often through legislation to see what their true purpose is.

3. The Prevalence of Large Corporations: This assumes that there does not exist any class of entrepreneurs as we know them today. That business organically thrives to the point of monopolies and then continues in a risk adverse manner to persevere. That they are not driven by classic capitalist drives but by mere survival sustained forever. This history of capitalism is just the opposite. It is purely Darwinian. Just look at AT&T. The Administration's treatment of GM is an example of this belief of the countervailing power with the large sustained corporation and fails to understand that it is unacceptable in a capitalist world. The weak must not survive, that includes an over bloated labor union.

4. Advertising, or in our current day parlance, the new media, can control public opinion: The current Administration is a true believer and practitioner in that. They believe that, like the Galbraithian Corporation which uses advertising to promote its

view, the Government can do the same. Thus, the President on Leno. The Administration seems to be on a continuous campaign, and as a campaign is selling, is advertising. To such a mindset, the advertising is not in conflict with Government and governing it is an integral part of the process.

5. Government is the ultimate and optimum arbiter of all societal issues: Government is a benign and all knowing benefactor and is required to arbitrate between all the players. Government is essential. Government worked well when it worked big. The Government is the wise Oz, the wizard who is all knowing and all powerful. The market, specifically the free market, is a ruthless jungle from which the Government protects the citizens. Unlike a socialist who wants the Government to own the resources, the Galbraithianist wants the Government to arbitrate between the consumer and the corporations. This is clearly what the current Administration proposes and is attempting to do.

6. Concentration of Wealth is bad: The accumulation of wealth in the hands of a few is unacceptable and it strikes at the heart of American culture. It is the role of the Government to transfer such excessive wealth to those in need, need as determined by the Government. The Administration seeks to take wealth from those at the top incomes and to further flatten the distribution of wealth to all. In their mind the skewed distribution is almost immoral. There should be equality of wealth because wealth in a Galbraithian sense is inherently evil. Wealth however is defined on their terms.

7. The People can readily be motivated by media to act in accord with Government: People are artificially motivated to consume commercial products by corporations to the detriment of public services, goods, and the environment. The Administration's plan for cap and trade is an example of how the Administration seeks to flow money from the consumers, the people, to programs and projects that the Government believes are better. The Stimulus package is another step in the direction. Unlike the New Deal, the current Administration has taken massive moves in those areas.

## 6 A WORLD VIEW

We spend a few thoughts on the concept of architecture and world view. We have discussed this in previous works and upon some thought it interestingly works here as well, as a matter of fact quite well. The world view influences the architecture. In this case we mean how the Government sees itself and in turn how it then implements itself. We first applied this to the area of telecommunications in 1990 at a Harvard talk which was subsequently published in France in the France Telecom Journal, *Le Reseaux*<sup>2</sup>.

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<sup>2</sup> See: <http://enssibal.enssib.fr/autres-sites/reseaux-cnet/56/07-mcgar.pdf> also see <http://enssibal.enssib.fr/autres-sites/reseaux-cnet/> and see <http://www.google.com/url?sa=t&source=web&ct=res&cd=24&url=http%3A%2F%2Fenssibal.enssib.fr%2Fautres-sites%2Freseaux-cnet%2F56%2F07-mcgar.pdf&ei=1VPDSZiFLpLCTwf6nsTICg&usq=AFQjCNGA0Ruhrg4IJckYkDGyrEMMFpgpPQ&sig2=VGJJuawrNL4StnnjmXONTA>

At the time I thought that a bit strange for the French to publish it amongst many other prominent articles but in reality it was a philosophical approach to telecommunications and only the French think that way. Hopefully the nexus to Government is more readily comprehended.

The "architecture" of a Government is the set of "instruments" which are used to effect the management and progress of a country, a people. The western world has evolved a view of a Government as composed of the various elements such as the Executive, Judicial, Legislative, and the accompanying methods, procedures and their interrelationships which in their totality constitute what we call the Governmental System. These elements and their inter-relationships are the architecture. To some degree the Constitution of the United States is an Architecture statement. It is not the handbook, but the overall vision, the boundaries within which we seek to provide this thing we call a Government.

The Architecture is predicated on paradigms or examples which we rely upon for validating this collection of interconnecting elements in our minds as a holistic and believable effort with the end goal of providing leadership and direction to the people in its confines. The paradigms are examples upon which the creators of the Architecture rely upon as justifying their actions. For Washington and the Founding Fathers it was the Revolutionary War and the works of Locke and others. For them it was an amalgam of actions and thought.

However it is often worthwhile to step back and examine these elements and to reassess what is being done is being done in a manner which meets the overall goals and is evolutionary can changes to permit new methods, techniques, elements and processes. Furthermore by stepping back we may have the opportunity to glimpse at the possibility of creating and introducing new and more efficacious elements into the world.

We will argue that the actions of a Galbraithian Administration are nominal extensions of the current architecture of a Government based on existing paradigms and embedded in the well established world views. One challenge we have is to determine what those deeply embedded paradigms are so that we can understand the Architecture.

The concept of an architecture of the Governmental process has been articulated by many in varying formats. We do not intend to state anything new here but to attempt to look perhaps at the issue in a somewhat different manner.

An architecture, first, requires that the underlying system be treated in terms of a set of commonly understood elements and that these elements have a clearly demarcated set of functions and interfaces that allow for the combining of the basic set of elements. The way the elements then can be combined, reflected against the ultimate types of

services provided, determine the architecture. In health care these elements are the diagnostic tools and procedures and the treatment protocols.

An architecture, secondly, is driven by two factors; technology and world view. Technology places bounds on what is achievable, however those bounds are typically well beyond the limits that are self-imposed by the designer or architect in their view of the user in their world.

This concept of architecture and the use of design elements are critical in understanding the paradigms used in the structure of information systems. World view is the more powerful driver in an architecture. We argue in this paper that it is essential to develop a philosophical perspective and understanding of how to view networks. We argue with Winograd and Flores, and in turn with Heidegger, that we must be thrown into the network, to understand the needs of the users, and to understand the structure of the paradigms that are used to construct the world view.

To better understand the importance of an architecture we develop the concept of the historicity of architectures based upon the work of Kuhn and then that of McLuhan. Kuhn begins his thesis of how scientific revolutions occur by the introduction of the concept of paradigms. Kuhn defines these as; "...the term paradigm is used in two different senses. On the one hand, it stands for the entire constellation of beliefs, values, and techniques, and so on shared by the members of a given community. On the other, it denotes one sort of element in that constellation, the concrete puzzle-solutions which, employed as models or examples, can replace explicit rules as a basis for the remaining puzzles of normal science, The first sense of the term, call it sociological, ...,"

The concept of a paradigm is in essence the collection of current technologies that we have at hand for the network and the ways we put these elements together. New paradigms result from new technologies. New technologies allow for the placing of the elements together in new ways. Kuhn, then goes on to demonstrate that the world view, that is how we view ourselves and our environment is based upon the our acceptance of these paradigms, as either collections of techniques and technologies or as collections of embodiments of these techniques and technologies in "examples". We then end to accept this as the way things are and should be.

Then Kuhn argues, as the technologies change, changes in the paradigms do not occur in a continuous fashion but almost in quantum leaps. The new paradigms build and congeal until they burst forth with new world views. It is this model that we agree applies to the evolution of broadband.

It is this philosophical view, almost Hegelian in form that is essential in understanding the underlying and formative changes in paradigms that will change our world view.

As a second perspective of the impact of technology as a dominant driver, we can refer to McLuhan and his development of the concept of media. Drucker has referred to the presentation of McLuhan's doctoral thesis and McLuhan is quoted as follows (See Drucker, p. 250):

*"Movable type, rather than Petrarch, Copernicus, or Columbus was the creator of the modern world view..." "Did I hear you right," asked one of the professors as McLuhan had finished reading, "that you think printing influenced the course of the universities taught and the role of the university, altogether?" "No, sir," said McLuhan, "it did not influence; printing determined both, indeed, printing determined henceforth what was going to be considered knowledge."*

This concept later evolved into the medium being the message. In our context it is the fact that both Kuhn and McLuhan recognized, albeit in differing fields and in differing ways, that fundamental changes in technology and technique, call it paradigm or the medium, will change the world view, also the message.

It is the importance of understanding the change in the technology, its function and evaluates the possible change that this will have in the world view. It will be argued, that much of the thinking in the current diagnostic and staging areas, staging in particular, is based upon possibly outmoded techniques and structures, and that a differing world view will evolve as we introduce genetic based methods and methodologies. We shall develop this construct more fully as we proceed.

The concept of a world view is an overlying concept that goes to the heart of the arguments made in this paper. If we view our world as hierarchical, then the king and their role in a Hobbesian sense may be the way to proceed. If we believe in a totally flat world, a world of equalities then pure democracy follows. The very observations that we make about our environment and the needs of the users will be reflected against that view. As an external observer, we at best can deconstruct the view and using the abilities of the hermenutic observer, determine the intent of the builder.

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