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Fun in Econ 101

The surprisingly sensible, never boring words of John Kenneth Galbraith

A Journey Through Economic Time:

A Firsthand View
By John Kenneth Galbraith
Houghton Mifflin, 246 pages, \$24.95

Reviewed by Donald McCloskey
An author whose books include "Second Thoughts: Myths and Morals of U.S. Economic History"

We need more of John Kenneth Galbraith. Not because Galbraith has been a big Democrat and an adviser to Stevenson, Kennedy and Johnson, a figure in the economic life of the nation since the New Deal. We've got plenty of that Galbraith already, and his memoirs are on the bargain table. And it's not because Galbraith's theories, such as the "affluent society" or "countervailing power," are worth the price of his books. Those theories are warmed over Veblen, Adolf Berle and Keynes. Galbraith is not a deep thinker, as he himself admits.

We need more of him because

he's an economist who can speak to non-economists, and economists like that are a phenomenon. Most people eyes glaze over at the mere mention of the subject. Bonds. Interest rates. Unemployment. B-o-r-ing. Galbraith is one of a handful of professors who can make the Dismal Science sing.

Galbraith's journey through economic time begins after economics had lost its popularity. Once upon a time—in 1840, say—every educated person knew a lot about economics, the way nowadays we know a lot about baseball or pop psychology. The all-time hit Italian novel, published in 1840, devotes a chapter to telling why it's bad economics to limit prices in the market. (Galbraith's proudest job was running the Office of Price Administration for over a year during the Second World War. He would have done a better job if he had read Manzoni's "The Betrothed," Chapter 12). Thus glory passes. For a century no one has been ashamed to be an economic idiot.

Galbraith has been fighting the idiocy since his first book, 56 years ago. His latest, "A Journey Through Economic Time," is a readable and reliable guide to economic history since 1914. A few of his 30 other books have been economic histories, such as "The Great Crash: 1929," which he summarizes in this one. He was never a historian, though, and hasn't kept current with research. To use a phrase he made famous, he has relied on the conventional wisdom, as when he declares that the American exchange rate declined only when FDR bought gold, in the fall of 1933, which it didn't.

"Journey" lays out the conventional story of the Great War, reparations, hyperinflation, depression, Keynes, war again, the peace, the Marshall Plan, "the good years," President Kennedy (who Galbraith knew when JFK was a student at Harvard), India, "the dim years," Nixon, gold, "the achievement of Reagan" (making his rich friends richer), and

the "implosion" of communism. What makes the book good, though, is not the history, which is potted, or the personal memories, which are few. What makes it good is the Old Economist showing you page after page how to think like one.

I deplore Galbraith's all-purpose remedy for social problems: more government. How a smart guy with experience in Washington could keep the faith is a mystery. Yet still there's that voice, booming down from well over six feet, charming or irritating all within its sound.

Galbraith is fascinated by rhetoric, the force of words in life. A trick he runs on every other page, for example, is to use religious words to describe ideas he doesn't like. (He was raised in Scotch Presbyterian Canada and seems to have framed his secular life with religious rhetoric.) Economic conservatives, in contrast to Galbraith the village atheist, have mere "faith," "canons," "theology." They are the "high churchmen of the covenanted political and financial religion."

Galbraith sneers throughout at "orthodoxy" in economic thinking, which is funny because in his 80s his own views have become the high-church ones. You're not surprised when he describes his conversion to Keynesianism during the 1930s in religious terms.

But I was surprised to rediscover how good an economist Galbraith is. As much as he would rather be a writer, converting people to his government-loving faith, he an economist down to his shoes. It comes out all over, for example in his startling and correct argument that the diminishing importance of land—Galbraith began as an agricultural economist—makes appeals for *Lebensraum* and wars of aggression less likely. The environmentalists haven't figured that one out, but it's Economics 101.

Then there's his attack on the idea of strategic bombing and embargoes, based on his study of Germany's war machine: "The modern rich economy has a high measure of resilience. A dismaying shortage in one area can be overcome by drawing supplies from a less essential use elsewhere. The long-range or strategic bombers did not win World War II."

Galbraith's book is filled with such lessons in economic non-idiocy, so buy or borrow it. You'll be a better citizen and will not believe so easily the latest economic idiocy from Washington or the Sierra Club or the other fonts of conventional wisdom. For without Econ 101, as Galbraith suitably quotes his guru Keynes 70 years ago, people tend to settle problems "as theology, politics, or electoral chicane—from every point of view except that of the economic future of the States whose destiny they were handling."