
Book Reviews

John Kenneth Galbraith: an intelligent, sane economist

by Lawrence Freeman

Letters to Kennedy

by John Kenneth Galbraith

Cambridge, Mass: Harvard University Press, 1998
158 pages, hardbound, \$24.95

It is refreshing to read the writings of a *sane* economist, like John Kenneth Galbraith, especially compared to the insane rantings of today's so-called economic authorities, who have obliterated any notion of political economy by their fantasy-filled flight into the never-never world of virtual-reality derivatives. One may not agree with all of Galbraith's views, but as a senior economist in his 90th year, he demonstrates a grasp of reality unknown to today's Nobel Prize economists such as Robert Merton and Myron Scholes, who drove the Long Term Capital Management hedge fund into bankruptcy, and to such far-out, lunatic monetarists as Federal Reserve Board Chairman Alan Greenspan.

In a letter to Sen. John Kennedy dated March 13, 1959, Galbraith advises the Presidential candidate, "One will always encounter the argument that the Federal government should conduct its affairs like the average family and balance income and outgo. I have always found the most useful answer to this that the Federal government, by unbalancing its budget, can help the man who needs a job balance his budget."

Galbraith displays in those brief remarks, how sane, rational economists used to think, before the 1964-72 cultural paradigm shift, which changed the axioms of economics, away from the concern of advancing the productive labor process for the welfare of people, to the worship of money and the goddess Fortuna.¹ In his letters, Galbraith gives the young President economic advice based on "pro-human," pre-1964 (i.e., pre-counterculture) values, and to his credit,

1. For a thorough treatment of the effects of the post 1964 cultural paradigm shift, see Lyndon LaRouche's "The Roots of Today's Mass Hysteria," *EIR*, Nov. 6, 1998.

has maintained a commitment to those "people-first" values over the succeeding four decades.

Galbraith, in a *New York Times* commentary earlier this year, describes quite well the pathetic state of affairs of today's policymakers. He comments that they seem "overwhelmingly, some say will say exclusively, concerned with sex," because "no tedious study or discussion is required." He states that the fragility of the current financial structure, "is the natural product of a long period of speculation in the stock market, in related financial instruments, and in real estate." Rising expectations, he says, fuel "the classic speculative bubble." In an interview with the London *Observer*, Galbraith displays his sarcastic humor. When asked about the potential for a financial crash, he says, "I, of course, don't use the word crash; I repair to financial language and talk not about a major correction, but a major adjustment. (I am considering retitling my book on the 1929 crash, *The Major Adjustment*.)"

A unique friendship

Letters to Kennedy is enjoyable reading, filled with Galbraith's humor and insights into government policymaking from a selection of several dozens of letters to Kennedy, covering the period from January 1959 to November 1963, divided into three sections: politics, economics, and foreign affairs. Included are a handful of letters written by Kennedy. This book is quite beneficial for historians examining policy during the Kennedy years, including the early debate over U.S. involvement in Vietnam. It is especially interesting for those concerned with looking at the counsel provided to Kennedy by the experienced New Dealer from the Roosevelt period. However, while the reader gains many useful insights into the debates on domestic and foreign policy surrounding the Kennedy Presidency, the letters do not always give us the context, consequences, or outcome of Galbraith's advice to the President.

A majority of these letters were written from New Delhi, India, where Galbraith was serving as Kennedy's Ambassa-

dor,² thus providing the reader with some glimpses of India during the government of Jawaharlal Nehru and its relations with Russia, China, and Pakistan in the early 1960s.

The relationship between Galbraith and Kennedy was close, allowing Galbraith to bypass the normal channels of communication through the State Department and the White House staff. This direct access to the President was resented by Secretary of State Dean Rusk and National Security Adviser McGeorge Bundy, who tried to have Galbraith's letters routed through the State Department. Galbraith responded with his own unique and to-the-point metaphor "that communicating through the Department would be like fornicating through a mattress." The respect and affection Galbraith and Kennedy had for each other show Galbraith to be more than a mere adviser to the President. One intuits from these letters something above a simple friendship between the "egghead" intellectual, as Galbraith referred to himself, and the dynamic young President, who was a voracious reader, and whom Galbraith considered "an extraordinary, intelligent person." With Kennedy surrounded by coterie of establishment figures, including Robert McNamara, John J. McCloy, Bundy, and Rusk, Galbraith's voice provided a unique perspective, often at odds with the establishment's outlook.

Monetarism versus people

It is not extraneous to Galbraith's reality-based views on economics, that he began his career as an agricultural economist, having grown up in a farming community in Ontario, Canada in the early decades of this century.³ He didn't fall under the spell of monetarists such as Milton Friedman, but believed in the responsibility and obligation of government to make life better for its citizens, and to assist the poor and less fortunate. Having cut his "economic teeth" on dealing with the tribulations of hard-working, productive farmers trying to survive, he developed a healthy disbelief in the so-called laws of the free market. He strongly supported parity pricing for farmers, which the "free marketeers" refused to accept.

Galbraith belonged to the old school; he was not afraid to tell the truth. In a March 1961 memorandum, he explained the "hard facts" to Kennedy, that the economy was not performing satisfactorily, and was not getting better. He opposed a tax cut, which was being favored as a solution to reverse the country's economic woes at the time, because it would not yield net economic growth. In a footnote, he explains his opposition to other Kennedy advisers, including Walter Heller, chairman of the Council of Economic Advisers: "I was against the tax cut, arguing instead for an increase in social spending. Government spending would pump money into the economy and spread the benefits around. Tax cuts dispropor-

2. Galbraith's extensive compilation of letters while serving in India is contained in his *Ambassador's Journal*, (Boston: Houghton Mifflin, 1969).

3. All biographical references are from Galbraith's autobiography, *A Life in Our Times* (Boston: Houghton Mifflin, 1981).



John Kenneth Galbraith addresses the UN in 1981. His letters to President Kennedy give a refreshing glimpse into how a competent economist deals with reality—by contrast with today's Nobel Prizewinners.

tionately benefit the wealthy."

Galbraith was influenced by John Maynard Keynes's theories, as well as his stints in the first and third Roosevelt administrations, initially as a summer employee in the Department of Agriculture in 1934, and then in the 1940s as the man in charge of the Office of Price Administration. Galbraith outlined his alternative to a tax cut in his letter to the President-elect on Nov. 17, 1960, just a couple of weeks after the election: "So we drive for more exports; we have a wage and price policy. . . ; we launch a productivity drive. . . ; we use production payments to make our farmers competitive." In the same letter, he warns Kennedy not to expect any help from Wall Street and the establishment's "banker statesman" McCloy, and Douglas Dillon.

Galbraith was very concerned about the harmful effects of unemployment on the population. His advocacy of lowering interest rates then did not have the same aim as Greenspan's reduction of rates today, whose only intent is to prop up the cancerous speculative financial bubble. Galbraith's "objective is to reduce the retail and mortgage rates—the rates that effectively influence investment, employment and the rate of growth." Unfortunately, in these letters, Galbraith fails to mention any investment programs or infrastructure projects to foster economic growth, other than construction of "housing,

school building and urban renewal.”

Galbraith attacked the independence of the Federal Reserve, because it was not concerned with “expanding output and increasing employment.” He told the President, “Independence has become the design for maintaining the affiliation with those who lend money as distinct from people who need jobs.” Galbraith, expressing Franklin Roosevelt’s outlook, recommended “a special omnibus bill—The Special Assistance Act of 1961,” which, among other components, called for “a supplementary assistance program for families of unemployed based on the number of children.” Roosevelt’s interventionist attitude to provide for the welfare of the population against free-market fanaticism, was characteristic of Kennedy administration policy. It has been the systematic elimination of the Roosevelt-Kennedy outlook, brought on by the 1964-72 cultural paradigm shift, the adoption of the anti-industrial, anti-scientific “New Age” post-industrial utopian insanity, that is the root cause of the financial maelstrom that we are living through today.

An adviser on foreign policy

In preparation for Kennedy’s inaugural address, Galbraith recommended that the basis of the President’s policy for Ibero-America should be to “build on the Roosevelt foundation,” a reference to Franklin Roosevelt’s first major foreign policy statement of his Presidency. In his April 12, 1933

“Good Neighbor” address, FDR reaffirmed America’s commitment to the Monroe Doctrine, which was a firm rejection of his cousin Teddy Roosevelt’s colonialist-imperialist attitude toward our southern neighbors, in favor of strengthening “the independence of every other republic.” While Galbraith’s recommendation shows how Roosevelt’s thinking was presented to the Kennedy White House a generation after FDR, the letters do not reveal how much, if any, of Roosevelt’s thinking was adopted.

Galbraith did not fall into the establishment’s view that communism was the greatest evil that the United States faced in dealing with the Third World, and as a result found himself in opposition to Rusk, the Dulles brothers, Bundy, et al. Galbraith says of himself, “I became one of the few voices for a rational non-militarist policy toward the Third World.” Writing from his ambassadorial post in India, Galbraith expresses his concern for people, upon which a great nation’s foreign policy should be premised: “I don’t exclude a certain compassion for poor people. If one lacked compassion he would not see the full importance of our assistance.”

Galbraith most strenuously object to providing military assistance for the collapsing Diem regime in South Vietnam, and advised President Kennedy, as did Gen. Douglas MacArthur, against further U.S. military involvement. Kennedy sent Galbraith on a special mission to Vietnam, to get an independent, on-the-ground assessment, free from the controlled reports he was receiving from the State Department and National Security Council. Upon returning to New Delhi, Galbraith, on Nov. 21, 1961, sent the President a 24-paragraph telegram, labelled “Top Secret”: He was highly critical of the Diem regime, citing its poor economic policy, its incompetence, and the bad deployment of its army, among other deficiencies. Galbraith said of himself regarding Vietnam: “I continue to be out of step with Establishment.” In his telegram, he told Kennedy that “the key and inescapable point, then, is the ineffectuality of the Diem government. . . . It will be said we need troops for a show of strength and determination in the area. Since the troops will not deal with fundamental faults—since there can’t be enough of them to give security to countryside—their failure to provide security could create a worse crisis of confidence.” Six months later, on April 4, 1962, he wrote to Kennedy: “There is a consequent danger we shall replace the French as the colonial force in the area and bleed as the French did.”

There are strong indications that President Kennedy was prepared to follow Galbraith’s and MacArthur’s recommendations against a military escalation in Vietnam, and this, along with other disagreements between the President and the ruling establishment, led to his assassination. The President was fortunate to have “a Galbraith” to provide him with sound counsel. President Clinton desperately needs to have such sober counsel today, and can have it, with the appointment of Lyndon LaRouche as his economic adviser, if only President Clinton would muster the courage to take such an action.

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