

**I**nvestigation favourable except conceited, egotistical and snobbish.' The outcome of the Federal Bureau of Investigation's 1955 enquiry into John Kenneth Galbraith was eventually revealed to him under the USA's Freedom of Information Act. It added to his already immense store of anecdotes about the richness and variety of American public life.

The FBI was not quite right. Other economists resented Galbraith as if he were conceited, egotistical and snobbish, but his actual or alleged vanity was not the reason. Instead Galbraith's problem was that he was incapable of writing a dull paragraph. His active literary career spanned a period of over 70 years, starting with specialist papers on agricultural economics in the early 1930s and ending in 2005 with the preface to a collection (by other writers) on *John Kenneth Galbraith and the Future of Economics*. Several works — *The Great Crash, The Affluent Society, The New Industrial State* and the autobiographical *A Life in Our Times* — individually sold hundreds of thousands or even millions of copies. Altogether Galbraith's books have probably sold over ten million copies. No other economist comes close to this number or even half of it.

In the second half of the 20th century the propensity to write with clarity and wit about important issues of public policy became a handicap among professional economists. The favoured career path for top economists was to author articles of considerable mathematical complexity for the leading journals, in order to demonstrate technical prowess. Galbraith could not compete in this world and did not try. The character of his work did not change: it remained readable, topical, elegant and often very funny. By the 1990s it was as improbable for a heavyweight academic economist to say that he admired Galbraith's work as for a senior British civil servant to confess to reading the *Sun*.

But if Galbraith's approach increasingly distanced him from economists in the universities his popular influence gave him access to the leading figures in American public life. Galbraith knew personally every American president from Roosevelt to Clinton. His politics were liberal, even 'left-wing' by American standards, and his party affiliation was consistently Democrat. A strong supporter of the New Deal in the 1930s, he adhered to such causes as the increased state provision of

## Two giants and wizards

**Tim Congdon**

**J. K. GALBRAITH**  
by Richard Parker

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**MILTON FRIEDMAN**  
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health care and reductions in defence spending until his death at the age of 97 in 2006.

So interwoven are the events of Galbraith's life with the development of left-liberal American politics that Richard Parker's biography — first published in the United States in 2005 — sometimes reads not just as a story about one person.



'You'll love the pizzas here. They put absolutely everything into them.'

Instead it becomes the chronicle of a movement. Galbraith's heyday was in the 1950s and 1960s, when he was a key intellectual contributor to the production function of American politics. He advised Adlai Stevenson in two presidential election campaigns, John F. Kennedy in his election campaign and actual presidency, and similarly Lyndon Johnson in his election campaign and actual presidency. The three Democrat leaders were heavily dependent on Galbraith and a small group of associates, Arthur Schlesinger and Theodore Sorensen in particular, for ideas and phrases. (Schlesinger and Galbraith were lifelong friends and neighbours. In Parker's words, the Schlesingers lived 'just across the back wall of the Galbraiths' property' in a suburb of Cambridge, Massachusetts.)

One episode is telling. At some point in mid-1965 Johnson could not find anyone in Washington to write two speeches. The president phoned Galbraith at his summer retreat in Vermont to ask for help. A plane was sent up specially to bring him to the White House. He was given a desk just outside the president's office and left alone for a day. The more important of the two speeches, on economics, was to be given to a trade union group. When the president saw it, he made a pretence of reviewing and discussing it, but quickly gave up. 'Ah, Ken, just what I want to say. I'm not going to change a word. It's just a wonderful speech.'

Was Galbraith always on the side of the angels? Did he always back good causes or were there serious misjudgments in a long career of public service? The most divisive issue on the American Left in the 1960s was Vietnam. Then, as now, the American polity suffered from the blandishments of over-powerful and often over-excited military-industrial chumps in the Pentagon. From the outset Galbraith recognised the dangers of military involvement in South-east Asia. He warned Kennedy against committing troops to Laos (supposedly at risk of 'falling to Communism'), because it was 'a jungle regime' where 'the writ of government runs only as far as the airport'.

He continued to warn Johnson after Kennedy's assassination in 1963, but by 1966 — despite the wonderful speech-writing — Galbraith and Johnson had quarrelled. Assessments of the American intervention in Vietnam, as in Iraq more recently, will never stabilise, but surely Galbraith had the better of the argument. Much of his advice on American foreign

policy, and in particular his dissection of the Pentagon's naive militarism, was far-seeing. In a letter to Kennedy, he remarked:

I am convinced that in these primitive countries we cannot always back winners and we cannot be sure that the winners will stay on our side. For the same reason we should never assume that anyone is lost to the Communists.

In early 2007 financiers in the City of London have raised money for a country-specific Vietnam fund to invest in the soaring Saigon stock market.

But on one of the central issues of his life and times, how to manage the American economy, Galbraith was on the losing side. In the early 1960s he was closely allied with the New Economics, a type of Keynesianism espoused by members of President Kennedy's Council of Economic Advisers. Their aim was to lower unemployment and 'to get the economy moving' by fiscal expansion, particularly by large tax cuts. Although Galbraith would have preferred the fiscal boost to take the form of more government spending, he certainly endorsed the idea of widening the budget deficit to increase demand. He scorned the use of monetary policy and, in particular, derided the obsession in some Wall Street circles with the fixed dollar-gold price that was part of the Bretton Woods system.

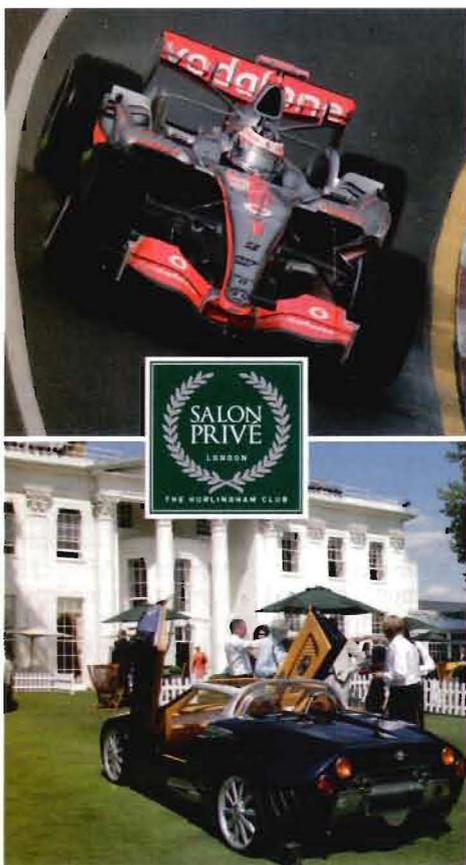
The result was that in the 1960s expanding budget deficits were accompanied by rapid money supply growth and rising inflation. The USA's gold reserves were being steadily depleted, as foreign investors and central banks sold their excess dollars and bought gold. In 1971 President Nixon decided to end the dollar's convertibility into gold at the price of \$35 an ounce which had held since 1934. In accordance with the majority of the advice he received, including that from Galbraith and other leading Keynesians, Nixon introduced wage and price controls to halt inflation. Nixon's policy proved to be useless. The Federal Reserve kept interest rates too low and allowed a continuing high rate of money supply growth. The US consumer price index rose by 8.8 per cent in 1973 and 12.2 per cent in 1974. A similar but more alarming sequence of events was played out in Britain, another English-speaking country in which Keynesians dominated economic policy advice. The Heath government's anti-inflation programme was swept away by a coalminers' strike in 1974, while the annual increase in retail prices exceeded 25 per cent in 1975.

Double-digit inflation created the political receptiveness for a view of the economy's behaviour which was quite different from Galbraith's. In 1963 Milton Friedman of the University of Chicago

(with co-author Anna Schwartz) published *A Monetary History of the United States 1867-1960*, which demonstrated that the quantity of money was a dominant influence in the determination of national income and the price level. He rejected totally the case for direct administrative interference with individual prices as a means of controlling inflation. In his view, it was money that 'mattered'. The only effective long-run solution to inflation was to limit money supply growth.

Both Parker and a new biography of Friedman by Lanny Ebenstein report an exchange between Nixon and Friedman. After he had imposed price controls Nixon sought Friedman's thoughts in a meeting in September 1971. Nixon explained that George Schultz, his budget chief and a long-time friend and colleague of Friedman, had not been responsible for the main decision. Friedman's response was classic. He told the president, to his face in the Oval Office, 'I don't blame George. I blame you.' According to Parker, 'the two men never spoke again'.

Friedman's arguments became more persuasive during the 1970s, amid relentlessly bad macroeconomic data in both the USA and the UK. But he did not restrict himself to monetary policy. There is a strong correlation in the economics



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world between people who believe in price stability and sound money, and people who admire the price mechanism and favour the minimisation of government intervention. Friedman's advocacy of free market capitalism was forthright and effective. Its success in the public debate in the late 1970s, and the application of much of his analysis under Reagan and Thatcher in the 1980s, came as a profound shock to liberals in the USA and the Left in Britain.

Parker laments the change in thinking as 'the great unraveling', whereas Ebenstein celebrates Friedman's emergence as one of the most prominent public intellectuals of his era. Neither biography pretends to impartiality. These are narratives of how two great generals fought the battle of ideas, and both Parker and Ebenstein write as if they were in the generals' tents and served as their aides-de-camp. The two books are superb background to some of the most exciting intellectual campaigning of the second half of the 20th century. They are best taken together and should be compared at critical moments. Parker's biography, in particular, reads as easily as a novel and is an outstanding piece of work.

Ebenstein's book is shorter and leaves more questions unanswered. For example, it mentions that as a young man Friedman, like Galbraith, was in favour of the New Deal and supported an active role for the state in redistributing income. These strands in Friedman's thinking had vanished by the 1970s. One has to ask, 'why?' and 'what were the books, events and teachers at work?'. Ebenstein doesn't really help. Another revelation is that Friedman's emphasis on money started in his thirties, relatively late in his career. This needs more discussion, as Friedman had extensive instruction in money and banking as a student at the University of Chicago, and made the controversial claim that Chicago had a distinctive 'oral tradition' of monetary economics.

One of the surprises is that, despite their ideological antagonism and professional rivalry, Galbraith and Friedman were friends. They both had summer retreats in New England, where they did much of their writing. They and their families visited each other occasionally at these homes. In a critique of Galbraith's views given to the Institute of Economic Affairs in London in the 1970s, Friedman opened by saying, 'I want to start by explaining that I have no prejudice against John Kenneth Galbraith. Indeed some of my best friends are Galbraithian, including John Kenneth.' In his 1987 *Economics in Perspective* Galbraith proposed that 'the age of John Maynard Keynes gave way to the age of Milton Friedman'. Economics will be lucky if its leaders in the 21st century are such decent and wonderful men.