

The Unfinished Business of the Century

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Sixty-two years ago, Catherine Atwater and I, newly married – she joins me here tonight – spent a year in Cambridge. It was then in the high pulse of the Keynesian revolution. Economic discussion was constant, intense, but London also called; once a week we came up to seminars here at LSE. A major attraction was Friedrich von Hayek, who, however, was only slightly heard. The two hours were given over, al but exclusively, to telling him he was wrong. I found myself in support of this correction. It was education by the rebuke of error. (I trust that is not the tendency on this pleasant and, for me, nostalgic occasion.) Over the years I've often presented myself to ardent conservatives as a student of Hayek. It has added in an agreeable way to the normal confusion.

My subject today is “The Unfinished Business of the Century”, and, needless to say, “the Millennium”. We have had frequent word on the achievements of the past. More needed is a word on the needs of the future. There is much to be said on this; any fears you harbour as to the possible length of this lecture could be well founded. But I will do my best to abbreviate and allow time for your questions and, in the LSE tradition, your disagreement.

Much in this last century has, indeed, been accomplished. In what we choose to call the advanced countries there has been an enormous change in the basic substance of life, particularly in the production of food, shelter, clothing, other manufactured artefacts, provision of health care and in the means of transportation and communication.

I began my life in economics with the study of agriculture. At that time just under half of all those gainfully employed in the United States were engaged in producing food, tobacco and cotton, as for centuries before most had been so occupied. Now fewer than five percent are thus engaged. In this last century men and women have escaped the repetitive and often dismal exertion that kept people fed and clothed. The amenities of rural life were always greatly praised – it was praise partly designed to conceal the lonely effort involved. I was born and reared on a farm in Canada. To this day I never awaken in the morning without a sense of satisfaction that I will not have to spend the next hours in that monotonous but richly commended toil. One of the achievements of the century has been the general escape from what Marx, with some exaggeration, called the idiocy of rural life.

We have also seen a wonderful lengthening of the years of health and enjoyment of life. Being alive and in good health surely enlarges the aggregate of human enjoyment. There are also practical effects. If at the beginning of the century I were speaking to you as I do tonight, it would be from the next world. Some of you would be there as well. Others, still here, would happily have escaped this lecture.

We have also now the much celebrated technological supplements to human intelligence, including the computer world. This, in some aspects, is serviceable and good, in others contrived and diversionary. Still, there can be no doubt that greater equality in mental achievement has come from the technological advance of this past century.

More important, there has been a general escape from the worst feature of modern existence – something to which I have already alluded. That is hard, tedious toil. This has not yet been eliminated, but one of the greatest accomplishments of the century has been the reduction in the proportion of people so engaged.

In this connection we must note that the word ‘work’ is our most misleading social term. It designates the occupation of those who would be very unhappy without it, including many to whom I speak tonight. And we use the same word for hard, repetitive even physically painful toil. No word in the English language stretches over such different conditions. There is the further perverse fact that those who most enjoy what is called work are those who are best paid. And they are also allowed the most leisure.

The most enduring American social classic of the nineteenth century, coming just at its end, was Thorstein Veblen’s “The Theory of the Leisure Class”. It assumed almost without argument that if rich enough, you, and certainly your dependants, did not need to work. There is a present effect. Over the sixty years I have been teaching at Harvard, I have often, while crossing Harvard Yard, been stopped by one of my colleagues with the question, “Aren’t you working a bit too hard?” Leisure is essential for the affluent and also for those of us for whom work is pleasant, mentally rewarding. For those who must truly toil, however, leisure is an escape from social virtue. Nonetheless, here too there has been progress. In the century past many have graduated from the miseries to the enjoyments of work. That more can do so is a major hope for the time ahead.

I turn now to urge a more discriminating scrutiny of what is considered the greatest achievement of the last century. That is economic success and therewith the way we measure it.

Of the economic success, to which I’ve already adverted, there is no doubt. In the fortunate countries there has been an enormous increase in the production of goods and services, the wherewithal of life. The measure of the increase, the annual rise in Gross Domestic Product, has become the prime indicator of all human progress. I do not suggest that an increase in GDP and its measurement is unimportant. Our debt to my well-loved colleague at Harvard, Simon Kuznets, who first measured Gross National Product (as it once was), is very great. But there are limits.

This summer thousands of visitors will descend on Florence, Italy. By all modern standards, in its greatest days past it was a city of small, even insignificant income. William Shakespeare was of a country with a very low Gross National Product. Paris in the years of the Impressionists was appreciably less affluent than now. So, also, was the world that gave us Charles Darwin, and no one since has so challenged embodied belief. Success as measured by economic output bears no close relationship to human achievement. The most ardent artistic effort is now devoted not to the arts but to promoting the sale of goods and services. And so also most of our scientific effort. Darwin’s successors now concentrate heavily on getting new products for the market.

If the history of the arts and of science gives us pause as to the measures of present achievement, there are also problems within economies as well. The most serious is the ancient and unsolved problem of instability – of the enduring sequence of boom and bust. The history goes back for centuries to the Tulipmania in Holland in 1637 and perhaps before, to the early eighteenth century promise in Paris of gold in Louisiana – gold not yet discovered – and here to the South Sea Bubble. (In later years there was a wonderful prospect for draining the Red Sea to recover the treasure left behind at the crossing of the Israelites.) In the century, in the United States, about every 30 years there was a sequence of boom and bust, including the Great Crash of 1929. The speculative crash, now called a correction, has been a basic feature of the system. In the United States we are now having another exercise in speculative optimism following the partial reversal last year. We have far more people selling derivatives, index funds and mutual funds (as we call them) than there is intelligence for the task. I'm cautious about prediction; I years ago discovered that my correct predictions are forgotten, my others meticulously remembered. But some things are definite; when you hear it being said that we've entered a new era of permanent prosperity with prices of financial instruments reflecting that happy fact, you should take cover. This has been the standard justification of speculative excess for several centuries – for a good part of the millennium. My one time Harvard colleague, Joseph Schumpeter thought inevitable and even beneficial what he called "creative destruction" – the cyclical process by which the system eliminates the people and institutions which are mentally too vulnerable for useful economic service. Unfortunately the process has larger and less benign effects, including the possibility of painful recession or depression.

Let us not assume that the age of slump, recession, depression is past. Let us have both the needed warnings against speculative excess and awareness that the ensuing slump can be painful. And there will then be need for specific remedial action by the government. Keynes, one regularly reads, is out of fashion; his is a cyclical legacy that fades in good times, returns with recession. So others who accept government action as a necessary stabilising force.

I come to two pieces of the unfinished business of the century and millennium that have high visibility and urgency. The first is the very large number of the very poor even in the richest of countries and notably in the United States. Once the impoverished were scattered over the countryside – in our case, especially in the rural South. Now everywhere they are in the great cities, melding in with the larger urban mass. In the fortunate lands, poverty, urban poverty, is the most evident and painful of the economic and social legacies from the centuries past.

The answer or part of the answer is rather clear: everybody should be guaranteed a decent basic income. A rich country such as the United States can well afford to keep everybody out of poverty. Some, it will be said, will seize upon the income and won't work. So it is now with more limited welfare, as it is called. I've already discussed the issue of leisure and work. Let us accept some resort to leisure by the poor as well as by the rich.

There is more. In the modern economic system, and especially in the United States, we have a bizarre problem in the distribution of income – a heavy concentration in the very top income brackets, much less to those below. There is now a stirring discussion of inequality; I would like to see it intensified. When it is said, as it is, that we should protect the income of the rich, reduce taxes in order to encourage effort, I have an answer. Perhaps we should have a higher marginal rate of taxation to stimulate effort to maintain after tax income. This is not widely applauded. I yield, but the equalising effect of taxation must be strongly defended.

Inequality, poverty, has also its grave international dimension. As we look at the achievements of the century just past, we must all pay tribute to the end of colonialism. Too often, however, the end of colonial rule has also meant the end of effective government. Particularly in Africa colonialism frequently gave way to corrupt government or no government at all. Nothing so ensures hardship, poverty and suffering as the absence of a responsible, effective, honest polity. Once this was the result from the earlier escape from colonialism in Latin America. So now in much of Africa and in lesser measure in Asia.

In a humane world order we must have a mechanism to suspend sovereignty when this is necessary to protect against human suffering and disaster. Let there be government by the United Nations to bring about an effective and humane independence. Economic aid is important, but without honest, competent government, it is of little consequence. We have here one of the major unfinished tasks of the century and the millennium.

My emphasis, you will have observed, is on the United Nations. I believe it should have had the dominant role in the recent tragedy in the Balkans. I am also far from enthusiastic about air power as there used, a matter on which, oddly enough, I claim major experience. There was nothing to be said for the Serbian rule of Kosovo. But neither for the basically indiscriminate nature of bombing – of men, women, children and, one should add, foreign embassies.

There is one more piece of unfinished business. In the United States in our foreign policy we have a rigorous control of action not by thought but by acceptance of the past. This keeps us from accommodating our foreign policy to the realities of the world scene. Some Cuban migrants apart, no one defends our policies toward Cuba. Yet under the tyranny of accepted policy we continue an embargo on trade and a partial embargo on other communication that makes no sense whatever.

But this is a detail. There is a far more serious legacy of the last hundred years and particularly of the last fifty years. It is our position on the edge of a total end to civilised existence on the planet, perhaps of life itself. Available are the nuclear weapons which could do precisely this. And there is a strong commitment to keeping and protecting these weapons even though we fully realise the threat. As long as we accept them in the nuclear countries, we are limited in our abilities to persuade others to a policy of sanity and survival. When India and Pakistan last year exploded nuclear weaponry, we in the United States reacted adversely. They had the natural answer: “What about you?”

Thus the greatest unfinished business of the century now ending is the need to eliminate this weaponry. It need only to fall into the hands of mentally vulnerable politicians to bring a nuclear exchange which, to repeat, could be the end of all civilised existence and, quite possibly, of all existence. This weaponry and its threat is the most serious legacy of the century just ending. The most urgent task now and of the new century is to bring to an end the threat of Armageddon, something on which there has been solemn comment over the centuries and which is now a reality. With that glowing thought, I put myself in your hands.