# RSSUNE <br> of the <br> CONTIMUTNG GROUP OF THE INTERDISCIPLIKARY PROJECT 

## Sesision No. 4

1. "The Aixiuent Society" - Gemeral Discusaion.

Participants: |  | Prop. Kari Polanyi |
| ---: | :--- |
|  | Paul Bohannan |
|  | George Balton |
|  | Terfy Hopkins |
|  | Paul Medow |
|  | Hariy Pearson |
|  | Abe Rotstein |

New York,
Jenuary $17-18,2959$.
2. "Fhe Affluent Society" - Genefal Discugsion.

Galbraith has raised a number of radiual igeves
fadirectiy. His ressemexce to the rew connection between growth sne wemployraert in the cruciak one.

He has elso posed the quegtion of personal ireedom. This has been promised to ixaividuels by both capitalism and socialising diter afiluence is attained. If one asks how much affluence is needed for personti sreedom, Colbraith would reply, the afrlueacs is now there, but the threat of mnemployment, in the event of a cessation of the pussuit of further afiluerce, continues to render personal ireedom umattaitheble.

The problem of costing social inprovements now amerges as the primeipal one. Abova si3, this refers to the coating of


In a recent article $P$. Sweezy considers the historical ozigin of the establishment of restrictions on the inanciag of the aetivities of the puiblic sector. He noter thet in the early stages of cupitelism, such regtrictions were needed to protect the funas from faxation thet captomifats wartad to invest in the davelopment of privatiely proaucea goods and services. At the present time, hovever, when theae fundis sue bo large and their produativity in the private sector relatively low, there is no Ionger that fütificstion for opposin名 taxation,

The masterfing of the new guestions thet Gelbuaith has how rsised is not only a task thet is important in itself, but It would reprasent a contribution of the west to the fesolution of protlers that also confront the underdeveloped countries.

Conceralng tie relation af "eque Arfyueat Society" to "The Giveat Transformatson" the lettez is a good indroduction to "Pine ArPluent souiezyr, It presents it broacom piotire.

On the issae of resubordineting the economy to soolety, Galbraith makes it clear for ue that the time bas come to surn to nox-fancket gocieties for knowledge (on that fesue.)

But aince there apperra to be a fumamentel institutional aistinction between non-market economies and resket economies, it is important Hot to geek to eaploy sone concept ait the economy that wazld be all-emovacing. Instean; we ghould proceed as we did in our studiea of money. These we stuiled specipic money uses, without defining money in a gemecal way. This is the way to prosreas in science.

It appaars to ba tra that Galbraith aid commit some exrors in hia exitiaism of the areation of new wants by proukecrs in the moderil econamy the ereation or new wants in not an objertionsible thing in principle. It is rataex the inability of the econony to satisiy important wante thet cannot sppeay on markets that is the nasin defect. This gefers not paly to the wants that only the public sector cara provide, but also to the desire for personil freedom, whenever it confliets with estabiished institutional patterns. In this sphere it ie important aceordingly not only to ilma new methoda or fismencimg proauction by the pubiic sectar, but aiso to eatablisi safeguards for personal freedom. There is the concept af the "riche", the extension of the principle of conseientions oojection, eto..
 thinking rurther. wat difference does this uffiusnce make?

It may be that the ter"e scarcity snd surplus are being
 Wnable to produce pubilc goods, but because the institutiona? arrangement sna the muriejt of good̉ meke it obvious that it camanot.

Gaibrsith doesu't need the points re mokes agsinst economic theory. This weskenc the position.

But showlant econonic theory sim at sonething dif?erent from what it was sining ati How showid economics be broedened sud enlarged sna ginumged to toke in these things?

We kava a thance to wederine the position of the economy in soejety and the eqonomice that goes with this.

Galbraith's Affluent Society is not a book on problems of technical economies, but rather on those of political economy. Indeed, in the wider sense it is a book on welfare economies concerned with the sociological, political, and human aspects of present-day economic organization and its results in the United States, Above all, it is concerned with policy. Galbraith describes what is, so as to get support for what ought to be: it is an essay in persuasion.

The thesis of the book can be stated simply. The United States has achieved a position of effluence, or material abundance. Galbraith points out that those still afflicted with primary poverty are relatively few and belong to special sociological groups whose peculiar circumstances prevent them from sharing in the general abundance.) Despite the experienced fact of material ffluence enjoyed by the many, our national and individual norms, attitudes, and ideology four "conventional Wisdom"), still reflect the Ricardian world of primary poverty and its crucial need for increasing production, which gave birth to the classical economics and its prime emphasis on efficiency and maximum output. Orthodox economic theory lends to the illusion that we are still living in the Ricardian world by maintaining that narrow framework of analysis in which maxireur output and not the moral worth of the social utility of its components, or yet other socio-economic goals ${ }_{3}$ is the central consideration.

According to Galbraith, economic theory ignores tha fact that the increased output which is its overriding concern is increasingly used to serve unimportant ends.

Galbraith's book is concerned then, with two basic themes: the reasons why the central emphasis on the importance of maximum output persists despite the fact that out achieved affluence makes further material additions relatively unimportant; and, secondly, the costly socio-economic consequences of such blindness to out state of affluence.

Both points are well-taken. Galbraith performs a useful service in elaborating them at full length; indeed, he performs it with that elegant prose which graces each of his books and assures them the wide reading they deserve. However, the concluding portion of this review will argue that he is rightiofor not wholely the rigint reasons.

A strong-point in Galbraith's essay is his explicit description of the economic changes which have occurred in the United states in the last twenty-five years, (changes in the "underlying reality"), and the future poiicy import of such changef (1) The New Deal and Keynes have become wholely accepted. The Federal fovernment--no matter which political party happens to be in office-is comittad to using fiscal policy to minimize periods of recession and to diffuse material security through market controls and trsnsfer payments: unemployment compensation, social security pensions, farm price supports, the legal recognition of trade unions, managed money supply-- are all permanent parts of the present-day structure, Trey are measures of economic
seourity equivalent in effedt to other market control devices whaih yield security to property owers, e.g., retail price maintenance laws, and oligopoly. Also, they are alike in indicating the de racto preference for material security to allocation efficiency. (2) The traditional liberal policy of income rodistribution has been rendered obsolete by growing affluence. The absolute increase in real income experlenced by the many has acted as an alternative to income redistribution, and so has been a solvent of social tensions assooiated with inequality of income.

Galbraith's policy proposals derive from his exitieism of the traditional priority (in the United States) given to the materiel fulfillment of privately generated wants over social needsm- the recognized exfeption being in the governcent's acquisition of military goods. He tegards it both economic waste and moral disgrace that significant amounts of resources (including some highly skillea labor) are devoted to fabricating consumer demand for essentially trivial consumer products, while the nation suffers obvious shortages of educational and housing facilities and health services. This condition he rugands as a social imbalance which should be redressbd by fiscal policies enlarging those shares of output devoted to publicly provided services, social capital, and economic aid to underdeveloped areas. In good Keynosian fashion he points out that suct increased welfare service provision and foreign aid-o in increasing effoctive demand-would also sorve as deterrents to depression. Also for reasons of personal welfare and income stability, Galbraith urges a revision in the rules for unemployment compersation provision: an increasa in the average
amount paid, and the use of an anti-cyclical saale of variable payments. The scele to be increased in depression and redueed in times of high employnent so as to minimize the temptation to abuse. Such a poliey would also tend to make a somewhat larger volume of unemployment tolerable and so raduce the inflationary pressures inherent in a vigorously pursued full emplayment jolicy. A11 this is not new but wather an extension in scope of the New Deal-Fair Deal programs of employment security and increased welfare service provision. Feynes and Beveridge are still the holy ghostis.

What is new-at least for an eqonomist of repute--is the further policy advocated by Galbraith which explicitly recognizes the sociological and psychological implications of the work process. Galbraith points to the increasing membership in the "The Naw Ciass"-a group which is distinguished by the fact that itg members find their work enjoyable indopendently of the monetary paynents attached. Froressors, scientists, bustness executives, social workers, engineers-in a word--the highly educated and trained have learned that work can be a meaningful and prime source of enjoyment in and of itself, and train their young so as to seek not the most lucrative work, but that which is intrinstcally fulrilling. Galbtaith urges thet the expansion of this new class should be an aim of deliberate social policy the attainment of which requires widened access to higher education.*

[^0]circumstantial debility or cultural immobility, Extenced education will help redress the social imbalance, i.e., increase the proportion of national income devoted to social service provision. Also, of course, if subsidezed by government, it will-in shoring up effective demand-- diminish the frequency and degree of recession. Lastly, increasedeeducational provision will enlarge the numbers of seientific and engineering personnel whose labors result in techmical innovations.

In all this Galbraith is to be comrended. He presents libGrals in the United States with a well-reasoned program of policies which are not unattaingble politically. This last point Is not emphasezed by Galbraith, but should be. Liberals in the United states are suffering needlessly from rineteeti century Marxian and Pabian hangovers. Neither nationalization of industry nor extremely progressive income taxation in order to redistribute income is politically feasible in the United States, Nor indeed is either necessary to attain the secio-economic goals of liberals, The British experience has not been reassuring. Nationalization is not necesssry to maintain full employment, to redistribute income, or to increase social services. In the United States, markedly less unequal income distribution to be achieved through confiscatory tax rates has been made unnecessary by the absolute real income increases at all income levels. Further upgrading of low inoome groups need not be accomplished by increased progressivity in tax rates, but rather through increasod governmontal outlays for health, eduation, housing, and other welfare services from which low income groups woald benelit disproportionately.*
*At present tax rates, the increased provision of welfare services and social. cspital could be fineaned out of additions
to National Income, or, if possible, by reducing military expenditures. On the dtate and local government levels Galbraith argues for increased sales taxation as a means of finance.


#### Abstract

There are a number of defects in Galbraith!s agrument which shonld not go unnoticed. Three especially deserve consideration.

Galbraith forgets at several points in his book that his problem and his solutions are relevant solely to the United Smates. He sometimes writes as though the empirical reality of affluence and its unlovely concomitants he so well doseribes, reflect some general law of development (see p. 158). Clearly, such is not the case. What is special to the United States is the traditional priority allowed to private consumption over puglic consumption, and a corollary, the reluctance to control the production of luxury goods of questionable utility, and their marketing in aestheticly dubious and costly ways. The result is a plethora of neediessly differentiated commodities marketed in offensife ways, which, as part of their sales effort, carry a message of crude materialism as a may of life. Neither the unquestioned priority of private over pliblic consumption nor the reluctance to control output or its marketing exist in such other (relatively) affluent societies as Great Britain or Scandanavia--countries therefore, for which Galbraith's essay is largely irrelevant.

For a reason Galbraith mentions and another that herdoes not, his essay also is irrelevant for industrializing countries such 9s India. At the beginning of his book Galbraith points out that the undereveloped areas are in the Ricardian world of primary poverty- the opposite of afrluence-mand so rightfully regard the achievement of maxinum gutput and economic efficioncy as primary


goals. What Galbraith does not point out is that the industrializint nations have no ideological tradition of laissoz-fairo, of orthodox finance, of minimizing government expenditures and taxation, of allowing the uncontrolled market to determine outputs and incomes-- an ideology which we in the Urited States heve not wholely abandoned. Rather, from the start of indus trialization, their governments have engaged in New Deal-welfare state policies of control, ownership, and social service provision. Further, their sensitivity to the need of acquiring increasing quantities of social oqpital (schools, roads, sanitation, housing, hospitals)--both as a welfare goal and as means to aid industrialization--makes it unlikely that in their futmne approach to material afrluence they will have those special conditions which, in the United states, result in pressing emphasis given to the unlimitsa acquisition of private consumptaon goods. The liklinood is much greater that they will follow the gritishScandanavian model then that of the United States.

Two Further points of criticism should be coneidered. In trying to account for the persistence of absorbing concern with maximum output despite achieved affluence, Galbraith marshals an impressive number of socio-aconomic reasors. One to which he attaches some irportance is his view of the role of economists and the theory of individual consumer (or housohold) demand.*
*See, chapter 10, "The Imperatives of Consumer Domand."

It is significant that those pasaages containtag Galbraith's
interpretation of household deman theory and its social results carry no footnotes indicating literature in support. In a word, his understanding of demand theory is somewhat deficient.

The theory of onsumer demand, as it is now widely accepted, is based on two broad propositions, neither of then quite explieit but both extremely important for the present value system of economists. The first is that the urgenoy of wants does not diminish appreciably as moro of ther are satisfied, or, to put the matter more precisely, to the extent that this happens it is not demonstrablo and not a matter of any interest to economics or for economic policy. When man has satisfied his physical needs, then psychologically grounded desires take over. These can never be satisfied or, in any case, he progress can be proved. The concept of satiation has very little standimg in economics. It is neither useful nor scientific to speculate on the comparative cravings of the storach and the mind.

The second proposition is that wants originate in the personality of the consumer, or in any case, that they are given data for the economist. The latter's task is merely to seek their satisfaction. He has no need to inquire how these wants are formed. Iis function is sufficiently filled by maximizing the goods that supply the wants. (pp. 143-144)
Galbtaith is right for the wrong reasons. Jconomists have not concerned themselves with the processes which create consumer tastes, or with indicating thoif qualitative preference araong consumer goods, because economists are reluctant to substitute their ow value preferences for those of the consumer actually buying goodz. Economists do not regard themselves as in any way better qualified than consumers thomselves to tell consumers what they ought to want. And why, indeed, should economists be better qualified?

The two halves of Gelbraith's second proposition, "that wants originate in the personality of the consumer, or, in any case, that they are giver data for the economist," are desparate. It is true that economists regard consumer wents (or better, tastest) as given data,
but it would be curiously naive of economists to believe that "wants originate in the personaiity of the consumer." It becomes clear from Galbraith's elaboration of what he calls "the dependence effect," that he thinks consumor wants can be fifferentiated according to whether they derive from some basic set of individual physical-mental needs (those which originate in the personality of the consumer), independently of social dictates, or whether they are manufactured, or fabricated, or synthosized for the individuel by social forces: "If the individual'a wants are to be urgent they must be original with himself. They cannot be urgent if they must be contrived for him." (p. 152) This is sn upfontunate illusion which - 280
mars Galbraith's argument, and indead at one point (p.279) is revealed in a glaring inconsistency. As the quoted passage indicates, Galbraith marks off those wants which do not inhere within the individual but which must io rabricated for him, as prima facie evidence of their inimportance. But all individual material wants are socially determined. If a person's demand for a television set or a car with tail-fins is regarded by Galbraith as synthesized-pressed upon him from outside of himself-and thereby unimportant, so must Galbraith regard the person's demand for books or for higher education, which also are synthasized for him. In each case it is social dictate which teaches him to want the commodity. Galbraith does not recognize that the real criterion he employs in differentiating between important and unimportant goods, is whether or not he approves of them morally, If Galbraith condemns such goods as tail-fins as unimportant he should do so on the grounds of
his moral preference or his estimate of their low soeial utility compared to other goods, not on the grounds that the demand for tail-fins is pressed upon the buyer by ggencies outside himself. instisutwal
What is true, of course, is that the ${ }_{A}$ spparatus constructed for instilling into individuals, demands for the private consumption goods of wich Galbraith disapproves, is blatant, ofiensive, and costly, which are consequences of the traditional priority allowed private consumption goods in the J.S.

Galbraith's fifluent Society is above all, concerned with policy. It deseribes what is, so as to get supoort for what ought to be. It is an essay in persuasion.

The thesis of the book oan be stated simply. The United States has achieved a position of material abundance. Thesc atill afflicted with poverty ake relatively few and belong to gromps mhose newliar circunstances prevent them from sharing in the general abundance. Despite the experiensed fact of affluence enjoged by the many, our national and individual noms, sttitudes, and ideclogy (our "conventional wisdom" ${ }^{11}$, still reflact the Ricardtan world of poverty and its erucial need for increasing production. This gave birth to classical economics and its emphasis on efficiency and maximm ontput. Orthodox economic theory tends to the illusion that we are still living in the Ricardian world by mainteining that narrow framework of andycis in which meximum outout and not the moral worth or the social utility of its components, is the central consideration. Accoring to Galbraith, economic theory ignores the fact that the increased output wich is its averefotne concern is increasingly used to serve unimportant ends.

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A strongmpoint is Galbraztin's description of the economic changos which have occurred in tho United States in the last twenty-flve years. First, The New Deal and Keynes have become wholely accepted. The Federal Govermment w... irrespective of party - is committed to using fiacsl policy to minimize recessions and to spread
material security through market controls and to transfer payments: unemploymont compensation, social security pensions, farm price supports, the legal recognition of trade unions, a managed money supply - are all permanent parts of the presentday stmeture. They are measures of economic seourity equivalent in ef fect to other market control devices which yield security to property omers, e.g., retail price maintenance laws, and oligopoly. M1so, they are alike in indieating the de facto preference for material security to allocation efficiency. Secondly, the liberal policy of income redistribction has been randered obsolete by growing affluence. The absolute increases in real income experienced by the rany has acted as an aiternative to income redistribution, and so has been a solvent of sociel tensions associated with inecuality of income.

The policy proposals derive from Galbraith's criticism of the priority given to the fulfillment of private wants over social needs .-. the exception being military goods. He regards it as ecenomic waste and moral disgrace that resources are devoted to trivial consumer prociucts, wile the nation suffers shortages of educational and housing facilities and health services. He calls this a social imbalance which shculd be redressed by fiscal. polinies enlarging these shares of output devoted to publicly norvided services, social eapital, and economic aid to underdeveloped areas. In pond Keynesian fashion he points out that such increased welfare service provision and foroign aid -- in increasing effective demand -- would also serve as deterrents to depression. Also for reasons of personal welfare and income stability, he urges a novision in the rules for. unemployment compensation provision: an increase in the average mount paid, and the use of an anti-cyclical spale of variable payments. The soale to be fincreased in depression and reduced in times of high enployment so as to minimize the temptation to abuse. Such a policy mould zlso tend to make a somewhat larger volume of unemployment tolerable and so reduce the inflationary pressures inherent in a vigorously pursued full erployment poliey.

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What is new-at least for an economist of repute-is the further pelicy advouated by Calbraith which oxplioitly racognizes the soctologiani and prychologiaal implicationg of the wark process. Gaibraith points to the increasing memoerahip in "riho Now Class"-a group which is diatinguished by the fact that Its monhers find their woric enjogable independently of the monatsry payments attsobed. Prefessora, scientists, busiaese expcutives, eoci*l wericers, ongineersin a word-the highly educated and trained have leraned thet work oan bes meaningful and prime sourde of enjoyment in and of itself, and train their young so as to seak not the most lugrative work, but thet which is intrinsically fulfilling. Galbreith urges that the expanaion of this new olass should be an aim of delibernte social policy the attainsent of when requires widenad aecess to higher eûucation.*

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The theory of conaumar deaserad, as it is now widely accepted, is based on two braed propositions, wieither of them gnite explicit but both extronely important for the present value systara of econoaiats. The first ia that the urgeacy of want doss not dianaieh eppreoimbly as more of them are eatisfied, or, to jut the matter more grecisely, to the exteat that this happois it ie not cemonetrebla and not a mutter of any interest to ecenowios or fer economice policy. When tan kas agtivfied his physienl needs, then psyohologieally groundod daeires take oyer. These can nevar be satisficd or, in any cuse, no progrens oan be proved. The concent of sutiatien has very iittle stanking in aconemios. It is naither useful nor sciantific to opecuate an tho somparative crsvings of the stomach end the mind.

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cailed "the depandence difant" that he thiniks censuaer wants can be diffarsntinted scoordiag to whethar h thay derive from amme basic aet of individusl phytiosi-mental noeds (these which erigineta in tide oorsonality of the consumer), indepeadeatiy of social dictates, or vhathar they are mamufactured, or fabrionted, ar systhesised for the individual by sooial forces: "If the indivitual's mante are to ba urgent they rust be original with himself. They cannot be urgent if they must be contrived for him." ( 9.152 ) This is an uniortuante illughou which mars Galbraith's arguacht, and indeed at ono point (p. 279) is rovealed in a gluring inconsistenay. as the queted passage fnalsates, Galbraith marike off these wants which do not inhere within the individual but which mat be febricated for hin, as prime ficie avidence of their umimortanca. out sal individual material wante are eocially detarminod. If a person's doanh for stelevision set or a car with teil-fins is rogoriod by Gaibraitin as aynthesized-prossed upon him from outsice of hivaelf-mand thereky uninportant, se must Gaibraith regare the person's demand for books or for bigher education, whish also are symbeaized for hia. In each onge it is social dictate which teaches kim to want the somadity, Galbraith does not rocogniza that the real oriterion ha exploys in difforentiating Detisen ingortent and unimportant goode, is whethor or net ha approves of then moraliy. If Gribreith eqnderans such goods as tell-iins as unimportant he should do sox on tha gromads of his zaral praference, not on the grounde that the demand for tsil-fins is praszed unon haymexix the buyer by sgencies outside bimself. Fhet is true, of eourse, is that the apperatus constructed for instilling into individuala, demanis for the private vonsuaption goode of whioh Galbreith disapproves, is blatant, oifensive, and costly, which are coazequences or the traditional prierity ailowed private consumgtion geols in the U. 8.


[^0]:    *Indood, the poliey of extended educational facilities performs a number of useful functions in Galgraith's scheme. Aside from reaucing the number of jobs which yield disutility or negative gsychic income, education will alleviate the condition of thet unfortunate minority still experiencing primary poverty due to

[^1]:    FIndeed, the policy of oxtonded ewneational facilities porforas a number of functions in Gaibraith's schoas. Aside frem reducing the number of jobs which giald aisutility on negstive payohic ineoine, education will alleviate the coadition of that unfortunata minority still oxperiencing primary poverty due to ciroumstantial debility or ealtural immobility. Bxtended education will help redreas tha soaial imbalsace, i.e., increase the proporthon of national income disvoted to social service pravision. Also, of course, if subsidized by government, it will-in shoring uy offective agased-dimiaish the irequeney and dogree of recesaion. Lastly, inoressed educational grovision will enlsrge the numbers of scientifle and eaginasing personael whose labors result in tachniex 1 innovistions.

[^2]:    *At present tax rates, the incranged provision of welfare services and social capital could be financed out of adiditions to National Inoome, or, if possible, by mantranting reduedre ailitary expenditures. On the state and loosl gevernant Ievels Gablazith arequs for fnereased mises taxation as atens of finance.

