From Galbraith to Krugman and back

Galbraith, Krugman and 'Good Economics'

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ABSTRACT
J.K. Galbraith's heyday was in the 1950s-70s. He was one of the most cited economists of his time, and attracted much praise and blame. In 1994, Krugman was a caustic critic and dismissed Galbraith's influence as a victory of style over substance. He castigated Galbraith as but “a policy entrepreneur”, yet by 2004, Krugman appeared to have undergone a striking metamorphosis, and his New York Times columns (2000-2006) conspicuously echo Galbraith’s understanding of socio-economic issues. This newer Krugman questions consumer sovereignty, bemoans the power of producers, questions the uses to which State power is put, worries about a medical-industrial complex, and laments the hijacking of public policy by private interests.

Is this new Krugman merely a journalist, who has left scientific economics behind, or has he 'seen the light' as to what really constitutes ‘good economics’ and a more holistic scientific procedure?

Keywords: Galbraith, Krugman, social economics, political economy, scientific method.

1. Introduction
In 1994, Krugman disdained to call Galbraith an economist at all, dismissing him as but 'a policy entrepreneur', i.e. as a mere rhetoritician. More recently, however, Krugman has become an
advocate for positions which would have warmed the cockles of Galbraith's heart, and a case can certainly be made that Galbraith would have been happy to put his name to many of Krugman's New York Times columns of the last few years.

Galbraith was of course no stranger to criticism from within the economics profession - having been dismissed by Samuelson as “a good novelist” and by Friedman as “a missionary seeking converts”. Krugman's condemnation is no less biting and comes from closer to home i.e. from another economist in the post-Keynesian tradition who is quite critical of various orthodox, conservative positions, but who nonetheless saw Galbraith as even worse. Despite his links to an evolutionary and institutionalist approach, Galbraith did no better than the very orthodox, notes Krugman (1994), in foreseeing the rise of New Keynesianism, evolutionary economics and the notions of path dependence and QWERTY. Krugman’s more recent NYT columns nonetheless echo many of the criticisms Galbraith has long levied against orthodox neoclassical economics, and Krugman's putative metamorphosis to something resembling a Galbraithian position is an interesting case to consider for those interested in social economics, and the institutionalist claim that the interdisciplinary whole is greater than the sum of its parts. Given also a recent poll of heterodox economists offering support for Galbraith as one of the most instructive economists of the twentieth century (Post-Autistic Economics Review, 2006), as opposed to Boettke's (2006) Austrian School dismissal of Galbraith as a “brilliant failure”, significant methodological questions are raised about scientific rigor in economics.

2. Krugman’s 1990s View of Galbraith

In Peddling Prosperity Krugman (1994) viewed Galbraith as a victory of style over substance. He notes that Galbraith has never been taken seriously by his academic colleagues, and that 'policy entrepreneurs', like Galbraith, merely write what politicians want to hear. For Krugman, a policy entrepreneur is one who writes for the general public and who offers easy solutions where there are
likely to be none, whereas the professoriate writes analytical papers which must withstand the scrutiny of the scientific community. He ridiculed Galbraith’s *New Industrial State* as a book to which history has (rightly) proved unkind. He objects that while Galbraith presents our political process as a faithful representation of the interests of the affluent - the truth is more complicated, and on many (big) issues the reality is that voters do not have a clear vision of where their interests lie (1994:6). In philosophy of science terms, there is certainly no suggestion in the 1994 Krugman of acceptance of Myrdal's methodological claim that there cannot be a view except from a viewpoint, thus leaving even 'scientific economists' to reflect some particular viewpoint and set of values - as is tacitly accepted by Galbraith.

Two years later, in reviewing Galbraith’s *The Good Society* (1996), Krugman derided Galbraith as a famous but ineffectual liberal unprepared to confront the real dilemmas facing modern liberalism. He identified major flaws in Galbraith's approach, which he described as a vision of the economy in which what is good for social justice invariably turns out to have no unfavourable side effects. He castigates Galbraith as a very old fashioned Keynesian who is still locked in the primitive macroeconomics of his youth. He again denounces the *New Industrial State* as offering an image of an economy that was becoming increasingly dominated by General Motors-type corporations (giant firms, freed by their size and power from the rigors of competition, run by technocrats who pursued bureaucratic imperatives rather than serving the interests of the stockholders), whereas the reality is that this has not happened and large corporations in fact now play a considerably smaller role in the economy than they did when Galbraith wrote his book. In contradistinction from Galbraith, Krugman concludes (1996) that “Rather than evolving away from a market economy and the constraints it imposes, we are now more firmly ruled by the Invisible Hand than ever before.”

As we will see below, this view scarcely seems compatible with the views expressed by Krugman in many of his more recent *New York Times* columns. It now seems less likely that he would offer
shrinking employment as a quantifiable measure of the role of large corporations in the US economy. Indeed, the new Krugman of the *New York Times* columns (2000-06) frequently laments the abuses of power by large corporations, and indeed has himself now been castigated as the most prolific “policy entrepreneur” of them all (Kuttner 1996).

Overall, Krugman's 1994 teaching was essentially a New Keynesian teaching that markets don't work as well as laissez faire economists maintain. There are 'sticky prices' and problems with path dependence, 'near rationality' and information asymmetry. He allows a stronger case than economic rationalists do for government intervention, but his argument is nonetheless not a Galbraithian one of demanding that economic and political systems be looked at as part of one larger integrated social whole.


Since 2000, Krugman has embarked on a new career as a journalist. Whether that really reflects a move from scientific economics to policy entrepreneurship may be a matter of judgement (especially given his continuing diatribes against the Bush Administration), but presumably Krugman himself sees it as a necessary contribution to combatting influential but scientifically ill-informed policy entrepreneurs already manipulating popular opinion in the media. In itself, that amounts to a tacit concession of Galbraith's claim (1973a; 2004) that there is a pressing need for someone to provide 'emancipation of belief'. It seems that Krugman and Galbraith now share the view that power creates belief and belief creates power, such that a major goal of the socially conscious is to emancipate popular belief from misinformation and disinformation. Indeed, Krugman's columns go further towards a coalescence of views with Galbraith's insofar as he commonly complains of corporate abuses, links between corporations and government (just as per Galbraith's *New Industrial Society*, in fact), and the hijacking of public policy by private interests. Evidence to this effect is now presented, on the basis of selected Krugman *NYT* columns.
(a) Enron and Californian Power Supplies

In spring 2001 the lights were going out all over California, and the price of electricity was soaring. Vice-President Cheney convened a task force which concluded that the energy crisis was a long-term problem caused by meddling bureaucrats and pesky environmentalists, who weren't letting big companies do what needed to be done. Krugman (“Delusions of Power”, 28/3/03) trumpeted that everything the Cheney taskforce said was wrong, and that “In fact, the California energy crisis had nothing to do with environmental restrictions, and a lot to do with market manipulation.”

For Cheney, the solution was to scrap environmental rules, and give multibillion-dollar subsidies to the energy industry. For Krugman, (as evidenced by a new 2003 report from the Federal Energy Regulatory Commission), “There's no longer any doubt: California's power shortages were largely artificial, created by energy companies to drive up prices and profits.” How could Cheney have been so wrong, asks Krugman? He answers that Cheney ensured that his task force was staffed only by like minded men, and that “Mr. Cheney basically drew his advice about how to end the energy crisis from the very companies creating the crisis, for fun and profit”. Few better examples could be given of Galbraith's desire (1967; 2004) to expose links between corporations and government to corporate advantage and public disadvantage, or of Galbraith's strictures that deductive analysis of the consequences of a given policy is hardly 'scientific economics’ if it fails to apprehend the source of that policy.

Krugman (“Machine at Work”, 13/7/04) went on to note in an overtly Galbraithian way that “If Enron hadn't collapsed, we might still have only circumstantial evidence that energy companies artificially drove up prices during California's electricity crisis.” Because of that collapse, we have direct evidence in the form of the now-infamous Enron tapes, and we now know that powerful Republican Administration figures “helped Enron to secure energy deregulation legislation, even as its traders boasted to one another about how they were rigging California's deregulated market and stealing millions each day from 'Grandma Millie'.” It may have been Galbraith (1967; 1973b) who
said that government is sometimes merely the executive arm of powerful corporations, but it is Krugman who illustrates that point from the contemporary energy sector. In a reference to the Enron case and other corporate scandals of the time, Galbraith himself notes (2004:x), that “Perhaps I should have been grateful [since] there are few times when an author can have such affirmation of what he or she has written”.

(b) Free to Choose Obesity

Krugman laments that in an American landscape of what medical experts see as an obesity epidemic, there are nonetheless those who portray obesity as a free choice – and therefore an optimal choice – of a willing public. In “Free to Choose Obesity” (8/7/05) Krugman takes an obvious swipe at Friedman's *Free to Choose*, and concludes that “there are situations in which 'free to choose' is all wrong -- and that this is one of them”. As far as Krugman is concerned “only a blind ideologue or an economist could argue with a straight face that Americans were rationally deciding to become obese”. He accepts that even adults have problems with self-control, and endorses the notion that "at least some food consumption is almost certainly not rational”.

It follows that consumer sovereignty is a limited concept then, for Krugman, as for Galbraith (1967; 1970). Questions of economic psychology and advertising become important, and in Galbraithian style, Krugman adds that the food industry produces *disinformation* by outsourcing campaigns against medical researchers and disseminating crude anti-anti-obesity propaganda to industry-financed advocacy groups. He echoes Galbraith's appeal to improve the American economy by strengthening the public sector (1958; 1973a; 2004), by adding that “we need to ... realize that the history of government interventions on behalf of public health, from the construction of sewer systems to the campaign against smoking, is one of consistent, life-enhancing success”. We need to applaud the ability of the public sector to perform useful roles in facilitating productivity improvements in the private sector and in re-directing it towards superior social goals (which in some sense must reflect an implicit teleological view, even if Krugman shows no inclination to explore this dimension of the issue). Whereas Galbraith once focussed on the evils he associated
with “the military-industrial complex” (1967; 2004), Krugman now complains of a “medical-industrial complex” and offers evidence of deliberate corporate dis-information programs in the food, energy and health industries as well. Indeed, the scope for obfuscating truth and confusing consumers in a sea of information asymmetry has grown over time, not shrunk, and Krugman accordingly expresses concern that it may be harder for government to turn around obesity trends today than it was to turn around smoking trends in Galbraith's heyday. Today, proposals to deal with community problems have to contend with corporate financing of advocacy groups and a public predisposed to believe – falsely - that the market is always right and that government always screws things up.

Krugman's efforts on the obesity issue are clearly Galbraithian.

(c) Iraq and Halliburton

One of Galbraith's concerns (1973a) regarding weapons corporations was that they made not only weapons, but foreign policy as well, the better to sell their weapons. Given the political sensitivities in the Middle-East, he expressed similar concerns about the oil majors. Krugman pretty much echoes these concerns in his comments on the situation in Iraq, including the failure of the American reconstruction effort. As Krugman puts it, (“Who's Sordid Now?” 30/9/03) “Cronyism is an important factor in our Iraqi debacle. It's not just that reconstruction is much more expensive than it should be. The really important thing is that cronyism is warping policy: by treating contracts as prizes to be handed to their friends, administration officials are delaying Iraq's recovery, with potentially catastrophic consequences.”

Galbraith (1967; 1973a; 2004) expressed concern about the rotating door policy which saw high level staff working for the Defence Department for a period and then for a weapons corporation (whose profit goals did not necessarily coincide well with the needs of public policy) and then perhaps again for the Defence Department, whose contracts that corporation would now be bidding for. Krugman reprises Galbraith's concerns about such a rotating door policy. He notes that
Halliburton, the big oil services conglomerate headed by Vice-President Cheney between stints in Bush Administrations, is drawing embarrassing headlines over the lucrative contracts it was awarded to service Pentagon operations in Iraq. While no wrongdoing has been proven, he concludes, in a paraphrase of Galbraith, that “there is a reason that big defense contractors often recruit well-connected former government officials as their chief executives. They do not operate in a normal business environment… [but] sit in a kind of financial wonderland where …Lucrative contracts are awarded without competitive bidding, and unexpected cost overruns and other dubious charges are simply passed along to the taxpayer.” Krugman laments that most of this is, unfortunately, completely legal – which is effectively why Galbraith (1973a) called for the nationalisation of defence corporations. Krugman puts his faith instead in the fact that safeguards do exist to protect the public, and Halliburton may have violated them, exposing itself to the prospect of legal action.

More recently, in the context of winning the peace in Iraq, Krugman notes in a rare agreement with President Bush (“As Bechtel Goes”, 3/11/06) that the ability to win that peace largely depended on the ability to deliver electricity, sewerage and other basic services. Engineering giant Bechtel received $2.3 billion of taxpayers' money but failed in its mission of rebuilding power, water and sewage plants. Its withdrawal from Iraq represents US acceptance of defeat on reconstruction, and Krugman considers the reason for these failures to be obvious: “major contractors believed, correctly, that their political connections insulated them from accountability. Halliburton and other companies with huge Iraq contracts were ... so closely identified with President Bush and, especially, Vice-President Cheney that firing or even disciplining them would have been seen as an admission of personal failure on the part of top elected officials...” In Krugman’s words, “those charged with rebuilding Iraq had no incentive to do the job right, so they didn't”. Put differently, the idiosyncrasies of Washington political economy – and something like a Galbraithian military-industrial complex - compromised the war effort and placed the lives of US soldiers at risk.
The parallels between Krugman and Galbraith are again obvious, and both see corporate abuse of power as imperilling American security.

(d) Global Warming, Al Gore, J.K. Galbraith, and Paul Krugman

Another issue of major significance today, which got rather less airplay in Galbraith's heyday is global warming. Galbraith certainly touched upon environmental matters (e.g. 1958; 1970), but the sense of impending crisis from global warming is more recent. Krugman takes up that case, and in an echo of Galbraith's earlier concerns, argues that energy companies have manipulated situations and relationships with governments to produce very profitable results for themselves at public expense (as in the Enron case regarding Californian electricity supply), and that industry lobby groups finance “independent research groups” to produce disinformation and to obfuscate public understanding, just as Gore says in the global warming case. He further contends (“A Test of our Character”, 26/5/06) that the reaction of energy-industry lobbyists and right wing media organisations to Al Gore's much publicised global warming movie (An Inconvenient Truth) provides Gore [and Galbraith] with the best possible example of corporate disinformation programs.

Krugman’s position on global warming is obviously Galbraithian. He and Galbraith converge on the point that information flow to the voting public is presently being distorted by corporate power (see also Clive Hamilton on Australia's 'Greenhouse Mafia': 2006), and that neither energy nor media markets presently work well. In effect, the Galbraith-cum-Gore-cum-Krugman view is that in a day of scientific complexity and large and powerful corporations, market failures in the information market may be deliberately engineered, and may thereby act as a threat to social economy and to the democratic process. Given a prospect of soon passing a tipping point beyond which environmental damage is irreversible and disastrous, a more effective governmental response is urgently called for.

(e) Hurricane Katrina
In *The Good Society* (1996) and *The Economics of Innocent Fraud* (2004) Galbraith continues to press his case that we pay a high price for believing various myths of economic orthodoxy, including the notion that government intervention is necessarily costly and ineffective. Krugman (“The Crony Fairy”, 9/4/06) replicates this stance in his attack on the Bush Administration for emasculating FEMA, the State emergency rescue organisation, which was heavily criticised for its poor performance in response to Hurricane Katrina. When it was needed and lives depended on it, FEMA was found to be poorly resourced and poorly managed, and the people of New Orleans paid a high price for that. To the Bush Administration, Krugman notes that FEMA was a State body afterall, and therefore one that cannot really be helpful. Infected with this view - or Galbraithian myth - the Bush Administration therefore saw no harm in emasculating it, and using it simply as a repository for cronies.

(f) Health insurance

Apart from terrorism and global warming, health insurance ranks as one of the major issues on the American social and political radar screen. Krugman (“First, Do More Harm”, 16/1/06) objects that the Bush Administration idea of health care reform is driven by an ideology at odds with reality, inclining it to take an inadequate US health care system and make it worse.

In the health insurance market, Krugman (“Death by Insurance”, 1/5/06) argues that “For lower-income working Americans, lack of health insurance is quickly becoming the new normal....” He laments that the US health care system is driving a growing number of Americans into financial ruin, and in many cases kills them through lack of basic care. He has no doubt that “covering everyone under Medicare would actually be significantly cheaper than our current system”, since in a world of multiple competing medical insurance companies, administrative costs are much replicated. That of course would be called American socialism, and is thus ideologically unacceptable to the Bush Administration even if it promises improvements in delivery of health care.
Krugman further notes that “In practice, people who are forced to pay for medical care out of pocket don't have the ability to make good decisions about what care to purchase”. He thereby echoes Galbraith's concerns about the limitations of consumer sovereignty. Galbraith (1973) called for nationalisation of weapons corporations and oil majors, but would have had no reason not to add nationalised health insurance to the list, especially at first sight of a collapse in the traditional American employer-provided health benefits arrangements. Galbraith would not have taken fright at the notion of nationalised health insurance or a 'single payer system', and would have been quick to endorse the usefulness of countervailing power in negotiating with drug companies. A question to ask is at what point in Krugman's estimate does Galbraith cease being a 'policy entrepreneur' and become a 'far sighted economist', attuned to problems of information asymmetry, the limitations of consumer sovereignty and the importance of the public sector?

Krugman extols the virtues of the Veterans' Health Administration (VHA) (“Health Policy Malpractice”, 4/9/06; “Health Care Confidential”, 27/1/06), which he says the Bush Administration stays quiet about for fear of undermining their anti-government crusade. He notes that the V.H.A. is an effective bargainer on drug prices – effectively exercising Galbaithian countervailing power - whereas the drug Bill recently before Congress forbids Medicare from doing the same. Drug companies may gain from such an approach (“D for Debacle”, 15/5/06), but consumers will not. He notes that both the insurance industry and the pharmaceutical industry are major campaign contributors, and again asks at least tacitly, whether government is the independent arbiter of neoclassical theory, or something more like the executive arm of powerful producer corporations, as Galbraith contends (1967; 1970; 2004).

Krugman goes a further step in again endorsing an interdisciplinary social dynamics approach to understanding economic policy. He notes (“Bad For The Country”, 25/11/05) that “If the United States had national health insurance, G.M. would be in much better shape than it is”, simply because G.M.’s health care costs are high partly because of the inefficiency of America's fragmented health care system. Americans spend far more per person on medical care than countries with national
health insurance, while getting worse results. What the US needs is to make social insurance programs work better, and not merely privatise them, as Conservatives want to do.

Most seriously of all, perhaps, is the present prospect of surgeons being offered lucrative consultancies by corporations producing implant (or similar) devices. Krugman (“Drugs, Devices and Doctors, 16/12/05”) notes that growing conflicts of interest may be distorting both medical research and health care in general. He attacks the emergence of a vast medical-industrial complex, in which doctors, hospitals and research institutions have deep financial links with drug companies and equipment makers, thereby encouraging doctors and researchers to be servants of the medical industry. Consequently crucial scientific research and medical decisions have to be considered suspect. As Krugman sees it, the American health sector reality is a medical-industrial complex in which conflicts of interest are the norm, not the exception.

This account could scarcely be more Galbraithian.

(g) Inequality

For Galbraith, as for Myrdal, inequality was an ever present theme. Krugman takes up that theme in a contemporary setting and notes that economic inequality is rising in America. He argues (“Wages, Wealth and Politics”, 18/8/06) that this is far from an inevitable market result and that the matter of which political ideology holds sway in Washington matters a lot. As he presents it, 25 years of policy have systematically reduced workers' bargaining power.

Under the New Deal, workers did well, whereas since the 1980s the rich have seen their incomes soar, as the US political scene has been dominated by conservatives wedded to the view that what is good for the rich is good for America. While other factors were also at work, including technological change and globalisation, Krugman contends that it is likely that government policies played a big role in America's growing economic polarisation, both via tax breaks for the rich and via a shift in Labor Department policy from protection of worker rights to tacit support for union-
bashing. Indeed, Krugman ("Class War Politics", 19/6/06) goes so far as to assert that what is really now at issue is class war. Galbraith’s “drumbeat of inequality” can be heard marching through this column.

(h) GDP Growth and Happiness

In "Our Sick Society" (5/5/06) Krugman asks if “being an American [is] bad for your health?” Krugman notes that the United States has achieved a sort of inverse miracle: we spend much more per person on health care than any other nation, yet we have lower life expectancy and higher infant mortality than Canada, Japan and most of Europe. He asks how much of America's poor health is the result of our failure, unique among wealthy nations, to guarantee health insurance to all? How much is the result of racial and class divisions? How much is the result of other aspects of the American way of life? He inclines to the view that there is something about American society that makes Americans sicker than they should be.

Quite apart from lack of health insurance, which is surely a factor in the poor health of lower-income Americans, another possibility is that Americans work too hard and experience too much stress. “Full-time American workers work, on average, about 46 weeks per year; full-time British, French and German workers work only 41 weeks a year. I've pointed out in the past that our workaholic economy is actually more destructive of the 'family values' we claim to honor than the European economies in which regulations and union power have led to shorter working hours. Maybe overwork, together with the stress of living in an economy with a minimal social safety net, damages our health as well as our families...”

In effect, Krugman here replicates Galbraith's argument that growth of the GDP is not the same thing as improvement in the quality of life, or - as it would now be put in the new 'happiness' literature – not the same thing as increased happiness. In Galbraith's words (1967; 1970), output not art has become the index of system fulfilment, and qualitative judgements about lifestyle have been swamped by quantitative measures. In effect, he replicates Galbraith's question in *The Good Society*
as to whether political and economic policy allows the widespread progress which technological improvement should make possible.

(i) Cronyism
Krugman continually lambasts the Bush Administration for cronyism (“A False Balance”, 30/1/06; “The Way It Is”, 30/9/05; “Find the Brownie”, 26/9/05; “Outsourcer in Chief”, 11/12/06). In the context of the Abramoff affair, he says scandals have been brought to light on a scale that dwarfs anything in living memory. He objects that the scandal has been misleadingly reported as a bipartisan matter, on the ground that funds were directed to both the Republican and Democratic Parties, (even though the practical impact of Abramoff's direction was to reduce the flow to Democrats and greatly increase it towards Republicans). Krugman sees nothing bipartisan about this.

Outsourcing of government responsibilities has been a hallmark of the Bush Administration, and is one of the reasons it “has failed on so many fronts” (“Outsourcer in Chief”, *NYT* 11/12/06). Krugman has no doubt that the real motives for turning government functions over to private companies have little to do with efficiency, and much to do with Republican cronyism. The upshot of that cronyism is that it helped America to lose one war in Iraq, and may yet help America to lose another war in Afghanistan, and on the home front helped lose a great US city in the case of the New Orleans hurricane. In a general echo of Galbraith (e.g. 1996), Krugman concludes that the presumption that the private sector can do no wrong and the government can do nothing right prevents us from coming to grips with some of America's biggest problems, including its dysfunctional health system. Galbraith’s view that there is a problematic imbalance between private affluence and public squalor – in consequence of what he calls “the myth of the two sectors” (2004) – is reprised in Krugman’s conclusion that “It's now clear that there's a fundamental error in the antigovernment ideology embraced by today's conservative movement”.
(j) Taxation and the DeLay Principle

Krugman ("The DeLay Principle", *NYT* 9/6/06) dubs as the DeLay principle the claim by the prominent Republican that nothing is more important in a war than cutting taxes. He expresses wonder at this, and more particularly at the practical extension of 'the DeLay principle' to make it mean that nothing is more important in the face of a war than cutting taxes for very wealthy people.

Whereas Congress dropped from a national security package a measure that would have increased scrutiny of containers entering U.S. ports, at a cost of $648 million (despite the fact that almost five years after 9/11, only about 5 percent of containers entering the U.S. are inspected), Congressional leaders nonetheless pressed ahead with measures to eliminate the estate tax on the very rich, at a cost to revenue of hundreds of billions of dollars. Hence Krugman’s incredulity, in the context of a global war on terrorism.

Krugman himself does not appear to think of this column as merely a normative piece, and may be taken to be saying that partial equilibrium analysis is inferior to a holistic socio-economic analysis, inclusive of the sources of economic policy and the reasons for it. He now seems no more willing than Galbraith to elide the role of power from an understanding of the economic system, and adds in explanation that “the political coalition that controls the state, and depends on campaign contributions to maintain that control -- owes a peculiar obligation to men of great wealth.” Accordingly, Krugman now stresses the importance of considering the lobbying process as a source of (distorted) US policy. In effect, he paraphrases Galbraith's “Why Friedman's Witchcraft Won't Work in Britain”, with an equivalent “Why Bush's Tax Cuts - or the DeLay Principle – Will Not Win the War on Terrorism”.

4. A Coalescence of Views?

Apart from continually expressing an unmistakable distaste for the Bush Administration, Krugman's *NYT* columns echo Galbraith's arguments about the extension of corporate power into public policy.
They also raise question about what should be called 'economic science' and what good economics teachers should teach. Krugman lampoons the neoclassical notion that the state should be represented as an independent arbiter (in acceptance of one of Galbraith's major themes in the much derided *New Industrial State*), and likewise draws attention to the need to study the sources of government policy and of consumer tastes. He is explicit that cronyism is an important factor in America's Iraqi debacle, contributing to both cost blowouts and the warping of policy. He explicitly complains about the hijacking of public policy by private interests, just as Galbraith argues in *Economics and the Public Purpose*, and replicates Galbraith in commonly seeing government as something like the executive arm of powerful producer corporations. He complains that a new Medicare bill is a huge subsidy for drug and insurance companies, coupled with a small benefit for retirees, while the energy bill barely even pretends to be anything other than corporate welfare. In contradistinction to providing a put-down of Galbraith's concerns about a military-industrial complex, Krugman (26/12/05) not only echoes Galbraith's sentiment in the context of the Iraq war but also finds reason to add serious concern about a similar medical-industrial complex and energy-industrial complex, and analogous revolving door lobbies elsewhere. In at least some contexts he sees consumer sovereignty as limited, and accepts the need for countervailing power. He bemoans the power of producers, and recognizes a need to combat corporate disinformation. All in all, the picture Krugman now paints is conspicuously Galbraithian, and well removed from his 1990s views that we are now more firmly ruled by the Invisible Hand than ever before, and that large corporations in fact now play a considerably smaller role in the economy than they did when Galbraith wrote his *New Industrial State*.

Could Galbraith have written Krugman’s *NYT* columns any better? Would he have written them any differently? The contention here is that Galbraith could happily have signed his name to many of Krugman's columns. Collectively, those columns amount to something like a new edition of Galbraith’s *Economics and the Public Purpose*, and an endorsement of the claim that orthodox
understanding of economics needs to be reconstituted so that it serves the public interest rather than the corporate interest. In short, Galbraith’s identification of various ‘myths’ in orthodox economics is now explicitly endorsed by Krugman – including those related to acceptance of consumer sovereignty, the State as independent arbiter, the way in which the relevance of power is elided from the system, and the ready identification of the public sector as the problem rather than as part of the solution to significant problems of social economy.

On the methodological front, however, Krugman's position is less explicit and the extent of coalescence is less clear. He is yet to trace out any significant departures he still wishes to affirm from Galbraith's methodological position, and despite the growing list of points of commonality with Galbraith, he makes not even a passing reference to Galbraith in his newly published *Economics* textbook (Krugman & Wells 2006). Nor does he really address the issue of methodology, other than to allow (2006:35) that economics is unavoidably tied up with politics and to allow that in the course of modelling different economists “can legitimately disagree about which simplifications are appropriate”. His understanding of scientific method in economics no longer seems fully orthodox, however, and shows some similarities to criticisms raised by Sen (2000). His obesity column at least tacitly undermines the framework of utilitarianism, and implicitly questions the fact/value dichotomy and the claims of positivistic method.

5. Galbraith, Krugman and Scientific Method

According to Galbraith much "contrived nonsense" is taught in economics. According to the Krugman of the 1990s, however, it was Galbraith himself who taught contrived nonsense. Indeed, in 1996 Krugman wondered if Galbraith himself was still a Galbraithian, given the abandonment by nearly all researchers in the face of logic, evidence, and experience of the strong following which Galbraith's *Affluent Society* and other early books had in the 1950s.
The upshot of this paper is to do likewise and ask if Krugman is still a Krugmanian, and whether he still stamps Galbraith as but a ‘policy entrepreneur’, and still forcefully argues that history simply disconfirms Galbraith's *New Industrial State* and its prognostications? In fact, it makes sense to ask if Krugman is now a Galbraithian.

In passing, it might be noted that other critics of Galbraith show no such signs of metamorphosing into latter day Galbraiths. Like the 1990s Krugman, Boettke (a 2006 Hayek fellow at LSE), for example, also dismisses Galbraith as a literary figure, not a scientific one. Boettke (2006) views Galbraith's economics and politics as derivative from Marx, Veblen and Keynes and as about as wrong-headed as an intellectual can produce. He excoriates Galbraith as providing a bad framework for analysis, a poor tool for a policy of social control, and a distorted view of history. For him, the collapse of European socialism in 1989 terminated Galbraith's influence as a policy economist. That claim can obviously be disputed, however, given the putative revival of Galbraith's influence in Krugman's *NYT* columns or in the perceptions of Parker (2005; 2007) and others (e.g. Jones 2006). Indeed, Boettke himself allows that Parker makes a persuasive case that many of Galbraith's analytical ideas in economics are making a comeback in the name of behavioral economics, which challenges orthodox models of how man really acts and how markets really perform. Boettke’s complaint is that alternative, superior (Hayekian) critiques of the neoclassical rendering of market society are available, but remain essentially ignored by both Galbraith and Parker. In methodology terms the question to ask is by what criterion does Boettke 'know' that these alternative renderings of social reality are in fact 'better'? Does Boettke 'know' - or merely affirm - that policies of government intervention always (or at least normally) misfire? Is Boettke simply pre-destined to reject Galbraith as an enemy of free markets and limited governments because their respective ontological and teleological views, however implicit, do not coincide? Either way, Boettke is not about to become a surreptitious Galbraithian. In the case of Krugman and Galbraith, however, the new found coalescence of ontological and teleological views is evidently stronger.
In this context, it is also worth noting McCloskey’s acceptance (1986:184) that assaults on Friedman or on Galbraith “have a bitterness beyond reason”, and that if one cannot reason about values, and if most of what matters is placed in the value half of the fact/value dichotomy, then it follows “that one will embrace unreason when talking about things that matter.” Specifically commenting on Krugman, McCloskey (1986:157) further notes that in writing about PPP (purchasing power parity) Krugman accepts that there are several ways in which we might try to evaluate PPP as a theory, and he betrays his justified unease by referring to the need to evaluate “in some sense”. McCloskey's point is that there is no 'absolute sense' in which a description is good or bad; the sense must be comparative to a standard, and the standard must be argued. In the present context, the upshot of McCloskey's point is that to the extent that there are implicit ontological and teleological assumptions in both orthodox economics and in Galbraith, Galbraith is indeed left some room to protest that orthodoxy has come to prefer “elegant error to complex reality”. Galbraith revives this point in his comment (2004: p.x) that “economics and larger political systems cultivate their own version of truth - with no necessary relation to reality. What it is convenient to believe is greatly preferred.” In Blaug’s words (1992:109-110; 168) institutionalism "clearly has no unique methodology".

In similar vein, Samuels (1984) argues that Galbraith has made a significant contribution to our understanding of the relation of belief to power. Galbraith (1970) presents economics not just as a body of truth, but also as a system of social belief. Those beliefs are themselves able to govern attitudes, behavior and policy. “Indeed, the ideology of positivism itself comprises a belief or set of beliefs”, or so Samuels tells us (1984:63). In the same Galbraith Symposium, Breit (1984:28) concludes that Friedman and Galbraith provide two conflicting, right versions of actual worlds, and there are still others. Is Krugman's version one of those others, or is it no longer significantly different from Galbraith's? It is at least arguable that there is now such a coalescence of implicit ontological and teleological views that Galbraith and Krugman are pretty much coincidental in
depicting orthodox economics as a flawed system of social belief.

A final observation relates to James Galbraith (2000). Commenting on the Boston AEA annual meeting in January 2000 James Galbraith - Galbraith the younger - attacks the self congratulatory nature of the economics profession, and complains that leading members of the profession have formed themselves into a “kind of politburo for correct economic thinking”. This, he says, has left them predicting disasters where there are none, and denying the possibility of events that then do happen. To James Galbraith “No young economist better exemplifies the club spirit than MIT's Paul Krugman. Krugman has once or twice taken useful policy positions …But he has never seriously dissented from the core orthodoxies of his peers. Krugman is concerned, first and foremost, with his own standing among the club's leaders. And he has come to function as a kind of guard dog for their dogma … while remaining generally quiet, if not always completely silent, about acts of illogic committed inside the profession.” James Galbraith adds a scathing condemnation of Krugman's efforts in his new career as an Op-Ed writer for the *NY Times*, opining that his opening column is filled with “one banality after another, grimly through to the end”. He adds that in typical Krugman style “the economists are pitted against a ruffian fringe” in regard to globalisation and free trade – [just as Krugman elsewhere pitted economists against pretentious ‘policy entrepreneurs’]. As seen by James Galbraith in 2000 then, Krugman is primarily concerned with “the defence of orthodoxy”, and is normative only insofar as he argues that policy entrepreneurs and ratbags ought to be ignored. Would either James Galbraith or Paul Krugman still say the same in 2007?

On the methodology level, Galbraith's position on scientific method (1970; 1973b) is that orthodox economics has pretended to a standard of value neutrality and scientific objectivity when it has in fact been politically purposeful. He has long argued that he has not sought to impose his own values so much as to clarify the extent to which powerful corporations have sought to impose theirs. In effect, his position has been akin to Myrdal's view that a value neutral social science is a logical impossibility. For others, including Krugman, who have embarked on careers as keepers of the
flame of scientific pretensions in economics, it is one thing to agree with Galbraith on the level of
the political economy of corporate power, but it is quite another thing to move to a methodological
position which denies the very possibility of value-neutral scientific analysis. To move to such a
position from one of a vigorous defence of the orthodox understanding of the fact / value dichotomy
and of positivistic scientific method is a difficult leap to make, and one that threatens professional
reputation. One is left to wonder whether Krugman's evident unwillingness to explicitly concede
ground to Galbraith - despite his newfound conformity to Galbraith's political economy position -
has its root in this methodological issue.

6. Conclusions:
The first conclusion is that despite earlier dismissal of Galbraith as but a policy entrepreneur and a
professional irrelevance, Krugman has become a sort of latter day Galbraith. His *NY Times*
columns encapsulate much that Galbraith proclaimed and present an understanding of economics
almost coincidental with what Galbraith presented in the *New Industrial State* and elsewhere.

Secondly, we are left to ask whether Krugman has therefore *regressed* (to policy entrepreneurship)
or whether he has *progressed* (from his 1990s understanding to a more nuanced understanding of
epistemological issues in economics and social science)? The answer to that depends largely on the
extent to which one accepts positivistic method and the fact/value dichotomy or on one's response
to Galbraith's quip (1973:2) that “scientific excellence is defined as whatever is closest in belief and
method to the scholarly tendency of the people who are already there”. While there is certainly no
suggestion in the 1994 Krugman of acceptance of Myrdal's methodological claim that there cannot
be a view except from a viewpoint (thus representing even 'scientific economists' to reflect some
particular set of values, as is tacitly accepted by Galbraith), the Krugman of the *NYT* is more
skeptical about the fact / value dichotomy and the way in which values permeate economic analysis.
Thirdly, in seeking an appreciation of Galbraith, and the question of what constitutes 'good economics', it is helpful to recall Stiglitz's (1994) critique of the formal theorems of welfare economics. It may be that part of the distance between Galbraith and Krugman was always more apparent than real, insofar as both were reacting in some way to the same stimulus. Both tacitly recognized Stiglitz’s point that the first fundamental theorem of welfare economics - which links competition to efficiency – is ill-appreciated if reduced to glib support for laissez-faire policy, since it is underpinned by significant assumptions. Galbraith highlighted the role of these assumptions and the frequent departures from them by use of metaphor in a political economy context, (McCloskey, 1986:75) while Krugman relied on the more orthodox route of formal modelling. Beyond that, there nonetheless remains an extent to which Galbraith, more so than most in economics, calls for a recognition along Sen's (1987; 2000) lines, that Pareto optimality is neither necessary nor sufficient as a criterion for social optimality.

Finally, a willingness to consider power as a manipulative device within the economic system - combined with a willingness not to revere Pareto optimality as a standard of social optimisation - makes Galbraith a threat to economics as science according to some, while to others it makes him a welcome critic of a flawed conception of social science. When one of the most influential economists of recent times – Krugman - putatively undergoes a sort of silent Galbraithian conversion, we are given reason to re-examine the question of what constitutes good economics and scientific method in the social sciences. At the very least, Krugman's transition from contemptuous dismissal of Galbraith to one of implicit re-affirmation of Galbraith provides provocative material for the understanding of economics. If methodological differences do indeed remain, on-going debate promises to be even more provocative.

Galbraith may have died (2006), but it seems that his influence lives on, sometimes in unexpected places.
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