

Books in Review

Intellectual Royalist

MONEY: WHENCE IT CAME, WHERE IT WENT. By JOHN KENNETH GALBRAITH. *Houghton-Mifflin*. 312 pp. \$10.00.

Reviewed by THOMAS SOWELL

FOR ALL his sophisticated wit and parade of scholarly erudition—enlivened by lovingly detailed anecdotes—John Kenneth Galbraith is fundamentally as anti-intellectual as any ungrammatical Archie Bunker. From his earlier books on “countervailing power” and “affluence” to his present *Money*, Galbraith argues by assertion, insinuation, and elegant cheap shots at those who disagree with him. It may be good entertainment, but show business is not economics.

For about 200 of the 312 pages of this book, Galbraith meanders through a selective history of money in the Western world. It is hard to see where the tour is going, but the scenery is nice and the guide calls our attention to various points of interest. Then suddenly there is what Galbraith calls “The Coming of J. M. Keynes,” and the grand design of the book falls into place. Throughout history the story of money has been the story of knaves and fools, but now the Truth has been seen.

What is the Keynesian truth for which all the earlier monetary history of the world was only a pre-amble? According to Galbraith, Keynesian theory and history both demonstrate that controlling the money supply does not control aggregate demand, and therefore cannot restore full employment after a depression. The Keynesian reason is that when the money supply is increased in an effort to spur demand, fearful individuals and institutions may choose to hold the additional money during the depres-

sion. Therefore direct *government* spending is necessary to get the money into circulation and restore full employment. Nowhere does Galbraith reveal that this sophomore Keynesianism has been under attack—and generally re-treating—over the past thirty years. The reader gets no pros and cons. Instead, he is conned by a pro.

Much of the evidence that expansionary monetary policy is ineffective is based on the Great Depression of the 1930's—when the many zigzags of the Federal Reserve System could hardly be dignified as a policy of any sort. But in Galbraith's argument by straw men, the mistakes and pomposities of the Federal Reserve are made to appear as fatal flaws in the theories of those who believe that changing the money supply changes aggregate demand. No one would guess that Milton Friedman (the chief exponent of the “monetarist” view) has been at least equally critical of the Federal Reserve, and has based that criticism on more solid research than Galbraith's. In short, the one thing on which all sides are agreed is that the Federal Reserve has blundered on a staggering scale. It is not an issue in the controversy.

As for the things that are at issue among economists, the jury is still out, and there are modifications on both sides that look suspiciously like plea bargaining. But in the picture that Galbraith presents, there are no real issues. There is only the Keynesian truth and those too blind to acknowledge it. Franklin D. Roosevelt coined the phrase, “economic royalists.” There are also intellectual royalists, who rule by decree and give the peasants no reasons, but only the time-honored “bread and circuses.” Galbraith omits the bread.

Perhaps the most courageous—or brazen—position taken by Galbraith is in defense of government price-fixing. He not only pronounces World War II price-fixing right and good, but even defends the National Recovery Administration of the early New Deal. His de-

fense of NRA may be unique among economists. The NRA theory was that the general price level could be raised by raising individual prices, industry by industry. This ignores the role of the money supply. If prices are forced up on products A, B, and C, then clearly there will be less money left to spend on products X, Y, and Z, which will then have correspondingly lower prices than otherwise, because of a lower demand. So while *individual* prices can be forced up (or down) by price-fixing, the general price level rises and falls as the money supply rises and falls.

Price-fixing during World War II was in the opposite direction—trying to keep prices down while the money supply rose. These controls were “highly effective” according to Galbraith. His evidence? The official price index did not rise much during World War II. That is, the prices officially reported to the government did not rise much during a time when it was a federal crime to raise prices. The black markets and quality deteriorations of the period are mere “legend,” according to Galbraith, though those of us who lived through it may remember it quite differently. Galbraith also glides smoothly over the horrendous *shortages* resulting from price-fixing which often reduced the “official” price to a hypothetical number showing what you *would* pay if you could actually get butter, steak, or housing. Of course, if you were serious about getting those things, you paid a lot more—and neither you nor the seller reported *those* prices to the government.

As in all the Galbraith books of the past quarter of a century, it is not supply and demand that determine prices but something called “power.” This “power” can be as specific as needed for purposes of illustration, and as nebulous as required to escape confrontation with facts to the contrary. For example, Galbraith makes a dichotomy between “the corporate and the competitive sectors” of the economy. In the non-competitive

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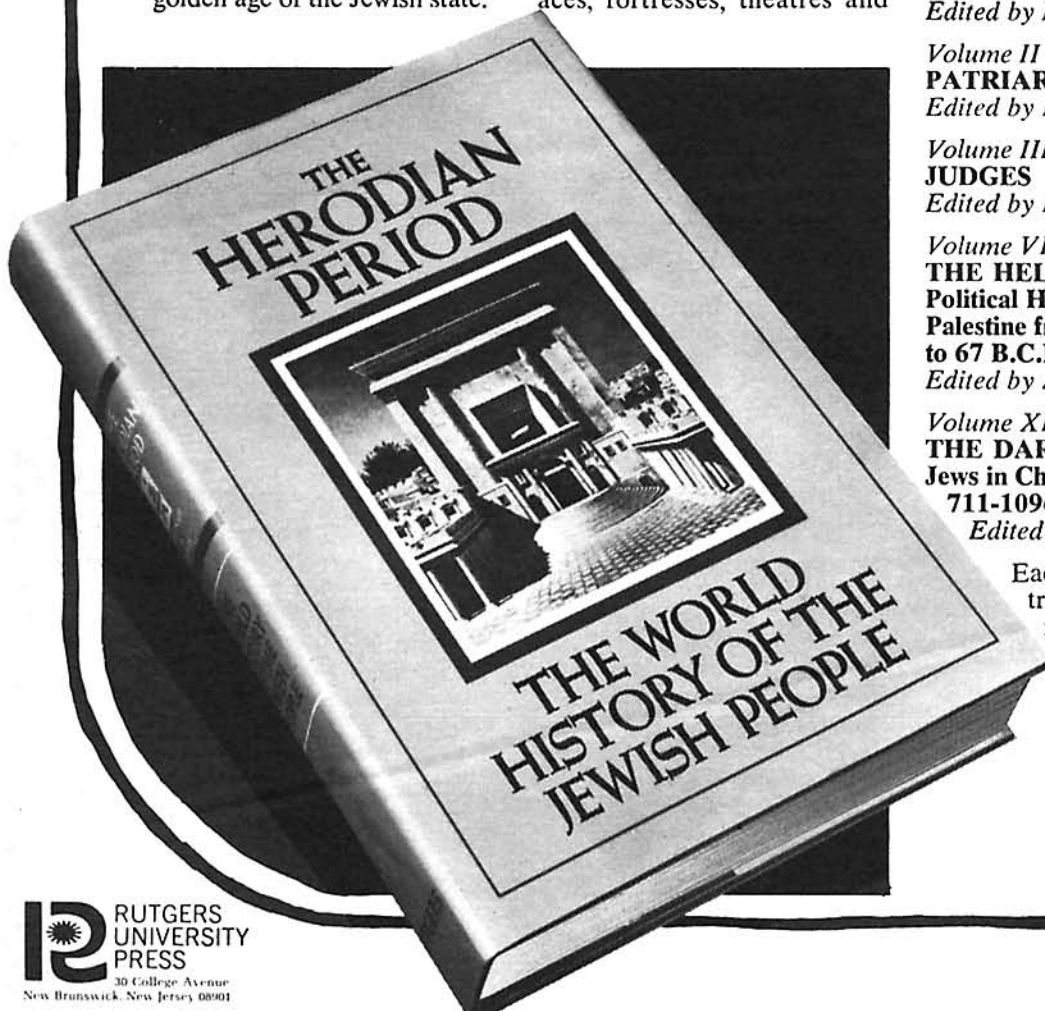
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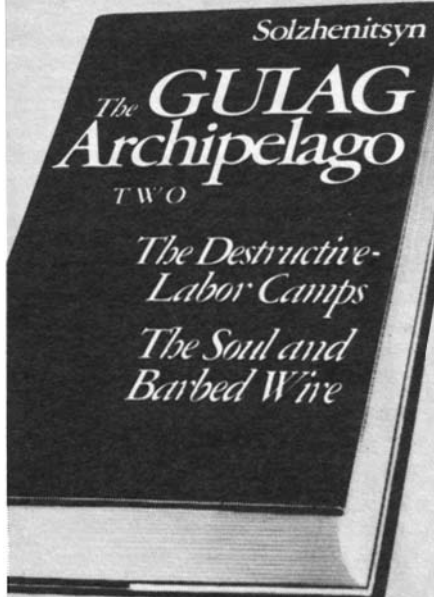
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"corporate" sectors prices are set or "administered" above their competitive levels through "power," in defiance of supply and demand, and this is "pervasive in the American economy." His evidence? It is "not seriously subject to debate." Certainly Galbraith does not seriously debate it—or anything else. But if we stop and think of huge corporations like Sears, Montgomery Ward, and other retail chains, we realize that they are hardly administering prices above the competitive levels, and in fact they are more typically shaving a few cents off here and there as a result of the economies of large-scale operations and the principle that a large volume produces more profits than high mark-ups.

But if we stop and think, Galbraith's whole game will be over. The name of that game is power to the Galbraiths of the world, to direct our lives in the way that he helped direct the price controls of World War II which he now pronounces "highly effective." The only unifying thread running through Galbraith's Keynesianism, market-"power" assertions, and "affluent-society" wastefulness theories is that we would all be better off to abdicate our tastes and preferences—and the market mechanisms through which they are expressed—in favor of the higher values and superior wisdom of the beautiful people, like Galbraith. From this perspective, it is only consistent that he does not bother to present serious evidence that would allow us to judge for ourselves.

Wars of a Poet

JOURNEY TO THE TRENCHES: THE LIFE OF ISAAC ROSENBERG 1890-1918. By JOSEPH COHEN. *Basic Books*, 224 pp. \$12.50.

Reviewed by DAVID STERN

THIS biography of Isaac Rosenberg comes in the midst of a sudden revival of interest in the young English poet who died in

World War I at the age of twenty-seven. To the extent that he is today remembered at all, Rosenberg is best known for a few of his trench poems, like "Break of Day in the Trenches" and "Returning, We Hear the Larks," and as one of that group of young English poets, including Rupert Brooke and Wilfred Owen, who found the occasion for both their poetic careers and their early deaths in the war. Like Owen especially, Rosenberg possessed a genuine, highly idiosyncratic poetic gift, though it was also one which, judging by all but his very last poems, he never lived long enough to perfect or realize fully.

Of the English war poets, Rosenberg has always remained the most obscure and least understood, partly because of the incomplete state in which much of his best work was left at the time of his death, and partly because even his best poems seem almost to have resisted a wider audience: they are highly abstract, often tortuously expressed, and difficult to classify, belonging neither among the suburban garden plots of the Georgian poets, whom Rosenberg surpassed early in his career, nor within any of the several traditions of the English modernists, like Pound and Eliot, whose more metaphysical poetry he opposed with his own brand of titanic romanticism. During his lifetime, Rosenberg had virtually no success in gaining recognition for his poems—the two slim volumes which he published at his own expense vanished without notice—and since his death, despite the efforts of several eminent critics, his reputation has continued to languish. Now, through an inexplicable coincidence—the simultaneous publication of three books and a spate of articles about him—Rosenberg is being re-"discovered."

Joseph Cohen's biography, the first to be written of this poet, provides a convincing, exhaustively researched account of Rosenberg's life, marred only partially by the author's proclivity for uncorroborated psychological speculation and for "biographical" readings of the poems which end up, like most such attempts, by trivializing their subjects more than they illuminate

DAVID STERN, who reviewed *After Babel* by George Steiner in last month's issue, is a teaching fellow at Harvard.

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