

Book Review:

The Economics of Innocent Fraud – Truth for Our Time, John Kenneth Galbraith, Penguin Books, London, 2004

John Kenneth Galbraith, born in 1908, a Harvard emeritus professor of economics and a trustee for Economists for Peace and Security (USA), had the booklet *The Economics of Innocent Fraud* published in 2004. An interesting document, certainly from the point of view of 'economy and peace'. Towards the end of his argument – after giving his view on the development of human civilisation – Galbraith concludes that war is the one remaining fault in the existence of humanity. He thus stresses that Tinbergen's mandate for the organisation of peace is still wholly valid.

The Economics of Innocent Fraud – Truth for Our Time is dedicated to exposing fraud in the world of economics as observed by Galbraith. Hence he examines the substitution of the term 'capitalism' with 'market system', where 'market system' may have lost its negative connotations, but the reality of the market system remains the same as that of capitalism. Galbraith disapproves of such semantics: this is why his writing is subtitled *Truth for Our Time*. In his typically ironic style Galbraith ridicules the generally accepted moderating action of the Federal Reserve System on the American economy. When the Fed lowers the interest rate during a recession in order to breathe new life into the economy, this action is broadly welcomed. Conversely, an increase in the interest rate would be applied when the economy threatens to overheat, worsening inflation. In spite of generally accepting that this mechanism works well, Galbraith cuts the causative connection between the actions of the Fed and the reactions of the economy. He argues that businesses react much more to the profit making opportunities than to a single increase or decrease of the current interest rate. In his booklet Galbraith also examines the broadly held view that it is possible to make a clear distinction between the private and the public sector. Galbraith argues that there are no clear lines drawn between these sectors and he substantiates this by, for instance, pointing to the influence the weapons industry has on the American defence budget. Problems of war and peace are therefore not the exclusive territory of what is known as the public sector. Private interests in this area simply have to be taken into account. Galbraith's observations here – he refers among other things to the military industrial complex which had been signalled by Dwight D. Eisenhower at the time – closely follow those of Noreena Hertz when she examines the *power shift* from the public to the private sector in her book *The Silent Takeover* (2001). (See the review (in Dutch!) of this book elsewhere on this website.) Both Hertz and Galbraith signal a growing *corporate power*.

Galbraith's argument encourages us, when thinking about world peace, to put aside the 'public-versus-private' framework and when 'organising peace' (Tinbergen) to welcome the input of *all* influential institutions – and these are increasingly found in the private domain.

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