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Bringing Keynes Up to Date

"On Post Keynesian Economics" by John Kenneth Galbraith, in *Journal of Post Keynesian Economics* (Fall 1978), M.E. Sharpe, Inc., 901 North Broadway, White Plains, N.Y. 10603.

The new "post Keynesian" economics assumes that modern Western society is in a process of continuous, organic, and beneficent change. The most significant recent change has been the radical decline in the influence of supply and demand as a regulatory force over wages and prices—something that came about through the maturing of industrial society and through demands by people for greater security and control over their personal income.

The citizenry's effort to escape the harsh, arbitrary authority of the marketplace, writes Galbraith, a retired Harvard professor of economics, involves recourse to organizations (including large corporations and unions), state action (e.g., farm price supports, minimum wages, government regulation), and personal qualification (e.g., capitalizing on demand for highly educated, specialized human talent).

Classical economic theory holds that the market economy will tend toward a state of full employment and that savings will always be invested. British economist John Maynard Keynes (1883–1946), who strongly influenced New Deal economists, challenged this assumption, arguing in his *The General Theory of Employment, Interest and Money* (1935) that vigorous government intervention was required to end economic stagnation and high unemployment.

British economist John Maynard Keynes (1883–1946) touched off a revolution in economic theory.

From Essays on John Maynard Keynes. *© 1975 by Cambridge University Press.*

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The Keynesian revolution of 40 years ago, says Galbraith, "accepted the need to manage aggregate demand" through governmental monetary and fiscal policy. But this sort of broad, macroeconomic policy depends on the effectiveness of traditional market forces. In recent inflationary times, when the market loses its authority, government restraints on demand reduce output and employment but do not halt the upward movement of prices and incomes. The result is "the combination of inflation and unemployment which is the most characteristic and unpleasant feature of the modern industrial scene."

Adherents of neoclassical, or "conservative," economic theory have three choices, Galbraith concludes. They can deny that anything has happened to the market. They can accept that the market factor has diminished in importance but seek to revive it by urging such things as less government regulation, the abandonment of farm subsidies, or the lowering of the minimum wage. Or, they can accept the decline of the market and concentrate on how to make economic performance serve as many interests as possible. That, says Galbraith, is "what post Keynesian economics is about."

New Hazards for Executives

"'Who, Me?': Jail As An Occupational Hazard" by S. Prakash Sethi, in *The Wharton Magazine* (Summer 1978), P.O. Box 581, Martinsville Center, Martinsville, N.J. 08836.

Corporate executives in the United States and Western Europe face a new hazard: going to jail for violations of law or negligence committed by employees far down the chain of command. The new areas of liability, says Sethi, director of the Center for Research in Business and Social Policy at the University of Texas, Dallas, often involve health, safety, and environmental violations about which the top-level executive has no personal knowledge.

Some examples: The president of a supermarket chain was convicted in 1973 of violating federal law and fined $250 after inspectors found evidence of rat infestation at a Baltimore warehouse; and the manager of an H. J. Heinz Co. plant in California received a six-month suspended sentence and probation after being cited by state food and drug authorities for unsanitary working conditions. The new presumption, says Sethi, is that a vigilant executive will make certain that subordinates stay within the law.

Rather than mandate severe prison sentences, Sethi recommends a broad spectrum of punishments for corporate misdeeds, ranging from fines and imprisonment for antitrust and securities fraud to a range of lesser penalties for inadvertent negligence. Lesser penalties might include requiring both the corporation and the responsible executive to make a public apology, barring a convicted executive from holding a management position in any publicly held company, and imposing special reporting requirements on corporations whose operations have been found in criminal violation of certain laws.