

Old and New Pragmatism

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Dean, Prorector, professorial colleagues, students, friends. It is a rare privilege for me to be here and have a chance to say a few words on this happy occasion. As I listened to the ceremony and watched the titles of the dissertations being displayed and learned a little bit about the traditions of this university, of its specialties in maritime trade and the economics of transportation, I reflected on my chosen topic, pragmatism in economics. And I began to feel quite comfortable that I am among friends and that I have come very much to the right place.

I came here in the company of Professor Grzegorz Kolodko., a friend and statesman, and an apostle of what he calls the New Pragmatism. This is a perspective that we share and one on which I was raised by my own father, also an economist, as you have just heard, whose work was published in Poland 40 and 50 years ago and widely read here. So I thought I would devote my remarks today to this topic.

Pragmatism is a philosophical term which originated in the United States in the 1870s, and it grew from two important roots. One was the scientific materialism that emerged along with the work of Charles Darwin. The other, perhaps more important in the American context, was the victory of industrial power and military professionalism in the American Civil War. It was an age associated intellectually with such names as Charles Saunders Peirce, William James, and later in the 20th century John Dewey. It was an age that favored experiment and experience over ideology, doctrine and faith.

The greatest of the American economists in my view was a man of Norwegian extraction, Thorstein Veblen, who distinguished a fundamental social division between the ceremonial occupations – government, the priesthood, the professorate, sports and war – and the industrial or productive activity guided by engineers and conducted by men and women – and especially by women – who were imbued with an instinct of workmanship and the orderly cause-and-effect mental discipline of the machine and the production line, and I might add in the tradition of this university of the transportation system. This is perhaps roughly the division between those of us on stage and those of you who are coming here to study.

Pragmatism was in its essence a tribute to Veblen's work, to the essential scientific sensibility and to the preeminence of practical knowledge. Now in my profession, particularly in the United States, practical knowledge is not at the core of much of what passes for economics. Economics is rife with such concepts as supply and demand, anciently rooted in the classical Chinese notion of celestial harmony, perfect competition, equilibrium and so forth. These are idealizations, abstractions, in service of a political ideology. The general preference for markets, "free markets", and capitalism over socialism is a strong part of it. And while this has its importance, it is substantially a sectarian and doctrinal dispute.

Pragmatism says instead that one should focus on problems and learn about how to solve them. One should work towards the solutions in the world as it is. In the American experience, the quintessential pragmatist and pragmatic era was that of Franklin Roosevelt and of the 'New Deal,' launched in 1933.

The New Deal is also the starting point of my own father's career. He was born in Canada in 1908 -- which now seems like a long time ago -- but his career began in Washington in 1933. Roosevelt faced an ecological catastrophe, the 'Dust Bowl.' The 'New Deal' planted a billion trees across America to control erosion and restore the soil. The American South had been impoverished, in fact destitute, since the Civil War seven decades before. The 'New Deal' brought electrification and industry to that region. Twenty five percent of American workers were unemployed in 1933; the 'New Deal' brought them jobs and jobs programs. A million kilometers of roads were paved, tunnels, bridges, dams, airfields, more than a thousand of them were built, schools in every rural location in America, courts houses, museums. Social insurance, social security was invented to protect the elderly. The bankrupt banks were closed, those that could be saved were reorganized, the depositors' deposits were insured for the first time. This new system was not capitalism and it was not socialism. It was simply those things that seemed to work to deal with the problems the country faced at the time.

My father came to economics from a farm. He never studied higher mathematics or foreign languages and I think his interest in the classical economists did not emerge until substantially later in his life. He wrote his early work for a local newspaper in Canada on such topics as how to get tuberculosis out of the cows. He wrote as a graduate student on bees, honey bees, apiculture, and on budgets of county governments. And when he finally came to work for the federal government, his first assignments were on things like where to put the ammunition factories for the coming war.

He was in Washington, the weekend of Pearl Harbor. At that moment he was the first to recognize the immediate consequence, which was the need to ban the sale of rubber tires in order to preserve that strategic resource as the Empire of Japan marched towards Malaya. For a year he had control in a supposedly capitalist economy of every price and every wage in America. This made him unpopular. I asked him where he found 17,000 people whom he hired to administer price control. He said "land grant colleges" -- places like this. "I hired all of the economics professors."

In the postwar period he was an essential architect of the return to self-government in Germany and he was actually the first, maybe not most influential, but the first to see the necessity and to propose what became the Marshall Plan. His study of the effects of strategic bombing in that war led him directly decades later into the leadership of the opposition to the American war in Vietnam as an exercise in destructive futility, a matter on which he advised Kennedy. And as ambassador to India, he worked with the Polish leadership, the delegation to the International Control Commission, to attempt to achieve a negotiated settlement and stave off the disaster that was clearly in view. This was a man who had practical knowledge and applied it in practical ways.

When my friend Professor Kolodko came into responsibility in this country 26 years ago, he took a similar approach. The debt accumulated in the previous regime could not be paid. He worked out how to write it down. Where a policy known sometimes as 'shock therapy' had damaged Polish society, he acted, case by case, to repair the damage. Where institutions were needed, he worked to build them. Where enduring pillars of culture needed support, he found ways to provide it. The Polish success which has now endured for three decades as one of the remarkable stories of post socialist Europe owes a great deal in my judgment to the practical and pragmatic frame of mind exhibited by the leaders of Polish society at critical junctures in this period.

I might add, and I don't wish to speak about my own career, that at the same time I was acting as an adviser to the Government of China, another rather prominent example of the pragmatic approach to economic decision making. I consider that my role was primarily to keep them away from certain ideological figures, but the Chinese have some expressions which are worth bearing in mind. They say, "seek truth from facts", and "cross the river by feeling for the stones." This is the expression of a creed, we can call it New Pragmatism.

And so dear students, the tasks ahead will fall to you. You will not find the answers in your text books. You will not find them in formulas; you will not find them in the simple-minded or the relatively simple application of mathematics – although it is the certainly the case that understanding the math and statistics and evidence will help on your way. Look instead to the world around you to frame your best understanding of the massive problems that we face and look for the path forward that can make progress against those problems in a practical and effective way.

In particular, you will face the climate crisis. My generation's unpleasant bequest to your generation will require by far the largest coordinated effort of planning, regulation, investment and social transformation ever attempted by human society and it will require that it be done on the scale of the planet as whole. This is a task which cannot be entrusted to magic. It cannot be expected to be performed for us by incantations to markets or to governments for that matter. Nor to any other institutional formula beyond what you, yourselves are capable of imagining and bringing into action. The climate crisis will require a new pragmatism, to underpin what is sometimes called a Green New Deal. A Green New Deal which should draw some inspiration from the comprehensive innovation and pragmatic spirit of the original New Deal. It's an approach to take up problems one at a time as they come forward and define the best way to address them in the practical spirit of Franklin Roosevelt, of my father John Kenneth Galbraith and of Grzegorz Kolodko.

Let me therefore urge you toward practical knowledge including history, law and politics. These are indispensable to understand how to place your engineering and your technical knowledge, your knowledge of biology and physics and of applied science to work in the modern world.

And let me leave you with words which I am going to paraphrase in just one respect, of our country's greatest pragmatist, a man whose pragmatism existed before the word was actually brought in to common use.

The president of the United States during the Civil War, Abraham Lincoln, understood that there was only one practical way to win that war in its darkest moments in 1862. And that was to emancipate the slaves. He understood this was not something you did simply because it was the right thing to do, although it was, but because it would change the military balance and bring about victory in the war itself. The slaves, once free, would be brought in to the struggle in this way, would do it themselves as indeed they did.

In his message to the United States Congress at the end of 1862 Lincoln closed with the following words, 'The dogmas of the quiet past, are inadequate to the stormy present. The occasion is piled high with difficulty, and we must rise to the occasion. As our case is new, we must think anew and act anew. We must disenthrall ourselves, and then we shall save our planet.' I changed just one word. Lincoln said 'country,' I say 'planet.' Because that's the task which your generation will have to undertake.

I am once again very pleased and honored to be here to welcome you to this university where you will be no doubt assisted in the most capable way to acquire the knowledge, the skills and the courage and determination to make your contribution toward that goal.

Thank you very much indeed.