Introduction

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1. GALBRAITH AND THE ANALYSIS OF ECONOMIC CHANGE

John Kenneth Galbraith is regarded as an eminent economist of change; his analysis and thesis are, for the contributors of this book, a matter of deep reflection on the evolution of capitalism: taking account of the main changes of the economic context since the publication of J.K Galbraith's main thesis, they bring new ideas which are fertile ground for new research.

Before explaining the main new ideas developed in this book, let us go a bit further in the explanation of Galbraith's contribution to economics. As already mentioned, change has an important place in all his works.

First and foremost, J.K. Galbraith considers that economic theories cannot be understood without reference to the context in which they developed. His book *Economics in Perspective: A Critical History* (1987) succeeds in this exciting exercise.

This is the reason why, in all his own developments, the explanation of the economic context has a very important role to play. In *The Great Crash* (1955) for example, the abundance of examples and stories demonstrates how financial panics affect real activity. They also show that economics, like history is made at least in part by individuals and, most important, they constitute an approach characterized by the generalization from example, which goes back to the first classical economists.

For Galbraith, economics suffers from 'the conventional wisdoms' which prevent economists and politicians from having a clear view of economic problems and their needed remedies. Conventional wisdom derives from the neglect – voluntary or not – of economic change. The concept of conventional wisdom was developed in the *Affluent Society* (1958), a book in which we find a logical and fact-based demolition of the orthodox theory of consumer choice and a demonstration of the *dependence effect*: the dependence of consumption on production and not the other way round. We also find an analysis of what happens when public action is ignored or

dominated by the interests of big corporations: ‘private opulence and public squalor’.

The *New Industrial State* (1967) begins with the presentation of the major changes that make the economic system ‘new’ (Chapter 1 is titled: ‘Change and the industrial system’). His theory of the economic organization, highlighting the significance of the specific bureaucratic processes that generate corporate decision-making and the interplay of company and state, is built on this very accurate observation of American capitalism (*American Capitalism* is also the title of his book (1952) which analysed the existing countervailing powers to the corporation strength).

‘Capitalism, then, is by nature a form or method of economic change and not only never is but never can be stationary’ (Schumpeter 1942, pp. 81–2). Galbraith, and Schumpeter, understood that very well. As Schumpeter also taught us, innovation, taken in the broad sense of the word, is the driving force of capitalist dynamism, the driving force of economic, social and political change. In a corporation, innovating means developing and diffusing a new combination of production factors. In the sphere of economic ideas, innovating means developing and diffusing a new or a different way of studying economic phenomena, as well as developing and diffusing new ideas or theories.

By those two aspects, as shown by the above examples, the work of J.K. Galbraith proves to be ‘innovative’. Moreover, and perhaps more important, J.K. Galbraith’s work may be able to inspire the community of economists with a new spirit of innovation. This is what the authors of this book, ensuing from the first forum on innovation ‘The Spirit of Innovation. J.K. Galbraith International Symposium’, also demonstrate.¹ The first part of the book is devoted to the analysis of the main features of today’s capitalism, and especially the conflict between shareholders and managers. The second part focuses on the consequences of globalization in the decision-making process of big corporations and represents an important step in the development of a theory of the corrupt corporation. Finally, in the third part, the discussion deals with the impacts of the domination by the interests of influential groups over major social and political decisions: those relating to technological development in the civil and military sector and those relating to all the collective activities and services. Thus, the latter part and this book clearly ask the question of the meaning and the power of democracy in today’s society.

2. CHANGING CAPITALISM: SHAREHOLDERS VERSUS MANAGERS

In the first part of this book, the authors focus on the evolution of capitalism in

recent years. They particularly raise the following issue: Who is in charge in large corporations – which are today perhaps more than ever at the heart of the economic system? The rise of finance in recent years, along with the importance of knowledge, give managerial capitalism a new face, as described by Galbraith. However, is a new social system emerging from these sweeping changes?

In Chapter 1, Luiz Carlos Bresser-Pereira argues that Galbraith's 1967 prediction that knowledge was replacing capital as the strategic factor of production proved true. According to the author, the strategic role that technical, organizational and communicational knowledge play today, coupled with the rise of organizations as basic units of production, gave rise to a new social class – the professional middle class – characterized by the collective ownership of organizations. Yet, the emergence of the professional class did not imply the rise of a new social system, nor involve the concentration of political power in the hands of the new class. The economy remained controlled by the market and oriented toward profits, and thus capitalist. Instead of classical capitalism, what we have is professional capitalism, a system in which capitalists and professionals share income and power while fighting for them. Yet, as democracy also became the dominant political regime in the twentieth century, both classes surrendered power to citizens and the politicians that represent them. In the long run, in their struggle with capitalists for power, the outcome for the professionals will depend on their ability – that they sometimes already prove to have – to ally with common people.

The great evolutions of contemporary capitalism are, according to Pascal Petit, largely endogenous to the technostructure itself. The period of 'Fordist' growth which characterizes the expansion of industrial capitalism has been classified as managerial capitalism, because of the role played by middle management and executives in the management and expansion of production processes and the diffusion of consumption standards. At first glance, this description is in considerable contrast with the image of the contemporary growth regime controlled on the one hand by shareholder value and on the other hand by the consumption behaviours of populations receiving unearned income. According to Pascal Petit, this evolution towards patrimonial capitalism is perhaps only a transitional face of reality, which is finally still close to managerial capitalism. Considering the organizational and institutional perspective, in Chapter 2, Pascal Petit underscores the structural development that changed the technostructure, and notably the importance taken by managers in charge of financial issues, the growing role of knowledge and innovation in the internal and external division of labour, the widening and the heterogeneity of management populations and the expansion of the financial sector. According to Pascal Petit, these evolutions are

obviously endogenous to the technostructure itself and justify the persistence of managerial capitalism. However, the latter is seriously weakened by the fraudulent behaviour of the category of managers that dominates it.

So how can we contemplate the future of capitalism? In Chapter 3, Sophie Boutillier compares John Kenneth Galbraith's point of view on the evolution of capitalism with those of Marx and Schumpeter. Karl Marx considers that the history of human societies is punctuated by contradictory movements between the social relations of production and the productive forces. Capitalism, like the feudalism that preceded it, must disappear due to its contradictions: the downward trend of the rate of profit, and the increase in the organic composition of capital. In this analysis, the development of limited companies plays an important part. On the one hand, it provides capitalism with new financial resources, and on the other hand, it contributes to its negation by questioning the individual nature of capitalist property. Capitalism cannot survive for Schumpeter either. Marx was right!, he acknowledged. The entrepreneur, the driving force of capitalism in heroic times, disappears when the big firm emerges, managed by a double-headed team, the managers and the shareholders. For Schumpeter as a matter of fact, the occurrence of collective private property destroys initiative and the will to enrich oneself, the cornerstone of capitalism. The spirit of enterprise vanishes, and the firm is no longer a place of economic opportunities, nor a place of professional and personal fulfilment, all that being replaced by a bureaucratic organization, the next step being the birth of a socialist society. However, as shown by J.K. Galbraith, socialism has not replaced capitalism. The latter has become socialized. The entrepreneur is replaced by the technostructure at the head of big firms. The economic power is no longer in the hands of the entrepreneur, but the existence of capitalism is not questioned. Capitalism and socialism have many common points and both are existing. Nowadays, in such a context, a new capitalism is emerging in which the entrepreneur has not disappeared, but he is no longer a hero. Thus, he has become a socialized entrepreneur, i.e. an entrepreneur who is just a player in an economy made up of the planning decisions made by big firms which, even if networked, are powerful bureaucracies nevertheless.

In Chapter 4, Marlyse Pouchol explains how J.K. Galbraith conceives the nature of this power wielded by large economic structures in contemporary societies. According to her, J.K. Galbraith undertakes an 'emancipation of [the] beliefs' conveyed by 'neo-classical economics'. This opposition to the 'official economic science' is one of the means to resist the ever-tightening grip of large companies. As a matter of fact, in his major works, J.K. Galbraith highlights the domination of large companies over America. If he first puts forward the positive aspect of this domination, he then stresses its harmful effects: the firm imposes its values on the whole society, on individuals and

on the state as well. Despite superficial similarities, Galbraith's analysis of the power wielded by large companies is different from the analysis conveyed by the Marxist approach to the economy. According to the author, Marx's analysis of the origin of those large firms as well as the source and nature of their power does not correspond to the characteristics of the large public limited companies of the second half of the twentieth century. For Galbraith, the remedy is that the state has to 'break free' from the grip of those firms which impose their values on the whole of society. This requires relying on the understanding and critical mind of as many people as possible. Such a solution may seem derisory, for any attempted resistance to both the financial and constraining powers of those large firms verges on utopian. This chapter is, however, an attempt to support Galbraith's position by introducing a rapprochement with the thinking of an American philosopher of German extraction: Hannah Arendt. She is, above all, famous for her analysis of totalitarianism. It is particularly *the inability to think*, described by H. Arendt, resulting in the installation of a habit of conforming to set rules acknowledged by many and confirmed by society, which very probably explains the extent of the control of industrial and financial groups over human goals that Galbraith so denounces.

Finally, in Chapter 5, Guy Caire asks: Is capitalism still Galbraithian? Are J.K. Galbraith's main arguments – developed in *American Capitalism: the Concept of Countervailing Power* (1952), *The Affluent Society* (1958), *the New industrial State* (1967) and *Economics and the Public Purpose* (1973) – still intact, despite the new technological wave, the emergence of a knowledge economy and the growing globalization of the economy? Concerning the structural elements of the system, Galbraithian capitalism is a managerial capitalism based on key concepts: organization, planning, technostructure and, of course, the role of managers. According to many observers, a shareholder capitalism is emerging, under the impetus of two forces: new information and communication technologies, and financial globalization. It is based on the neo-liberal doctrine which gives shareholders supremacy over managers and on a large consensus focused on the value maximization objective. Concerning the model of operation, Galbraith's capitalism is based on the interaction of the planning system with the market system, thus leading, according to the author, to a segmented labour market which generates reformist political propositions. Shareholder capitalism rests on a free market economy and generates a new capitalism which integrates the following three ingredients: stabilization, liberalization and privatization, which change the priorities of macro-economic regulation and labour-management relations. Regarding the system of values, G. Caire uses the language of social protection, and notably the contrasting words of welfare and workfare to show that the notion of power – and notably the notion of countervailing power which characterizes

managerial capitalism and is a mechanism aimed at facilitating the emergence of a welfare state – is opposed to the idea according to which inequality is the driving force of history. Thus, according to the author, the new technologies that appeared since the mid-1970s have changed our daily lives and our collective existence, often in the sense of growing risks. However, concerning the places of power, the big corporation is still at the core of the economic system and of our producer/consumer lives. Within the firm, and despite the shareholders' revolution, the managers have kept their position.

The second part of the book follows the discussion of this last chapter, focusing on the impacts of globalization on the running of big corporations. In the global economy, technostuctures are divided and located in different parts of the world. This is seen as a way to increase their efficiency (their technological strength). However, isn't it a way to explain their internal weakness? This issue introduces a major element to the book, which is the question of the corruption of the technostucture from within, also revealing the larger contradictions of today's managerial capitalism.

3. GLOBALIZED TECHNOSTRUCTURES: TOWARD A THEORY OF THE CORRUPT CORPORATION

As a coherent Keynesian, J.K. Galbraith questions the market functioning and regulation conditions as described – and championed – in the 'conventional wisdom'. This questioning is the basis of Galbraith's analysis in his most famous works. In Chapter 6, Bernadette Madeuf examines the relationships between market and firm in J.K. Galbraith's works, not only as an alternative co-ordination mechanism of economic activities (the main issue raised by Coase as far back as 1937) but also in terms of power (market power, consumer sovereignty vs. the power of big firms and the persuasive power of advertising). The author studies J.K. Galbraith's main concepts and shows how the changing relationship between market and firm, based on the necessary control of technical evolution is eventually leading to an analysis built on assumptions conflicting with mainstream economic assumptions. This chapter also includes a comparison exercise between this construction and the institutionalist and evolutionist approaches. Focusing on the determining factors of the boundaries between firms and market and on the coordination mechanism inside the firm, the author shows how Galbraith's analysis can be related to some developments of the institutionalist and evolutionist approaches, which nevertheless are basically focused on transaction and exchange conditions and on the interactions between agents, and not on the production and the organization logics. This chapter, mainly focused on the theoretical aspects of the analysis of the firm by Galbraith, introduces the

discussion on the changes involved by the globalization process. This implies evolving organizational structures in firms faced with new competitive pressure and a faster and faster technological race (Chapter 7) as well as an evolving decision-making process which today reveal the weaknesses of the technostructure (Chapters 8 and 9).

Does the use of information and communication technology make the innovation activities of large globalized companies more coherent and operational? This question and this chapter (7) are an extension of J.K. Galbraith's analysis, notably characterized by the importance of change and technology. In particular, how does information and communication technology (ICT) modify the operation of the technostructure – an association of men of specific skills? According to Denis Carré, Gilliane Lefebvre, Bernadette Madeuf and Christian Milelli, the impact of information and communication technology is generally viewed in terms of compensation between spatial proximity and organizational proximity. The authors put forward a third dimension of proximity: cognitive proximity. Information and communication technology reshapes the internal practices and the working of research, thus having an effect on the parameters which characterize cognitive proximity. As a consequence, the location and management of corporate R&D vary according to the sectors and the characteristics of research activities. Through large surveys and case studies, the authors show that if the potential of information and communication technology seems not enough to mitigate the need for spatial proximity which is largely seen as a requisite for all R&D activity, they nevertheless play an important part in the efficiency of the innovation strategy, through its impact on quality, costs and length of research activity processes, in particular in 'extended research centres'. Because R&D networks are a central part of the technostructure, these results also apply to the global technostructure as a whole. Even if ICTs may facilitate the organizational as well as cognitive proximity which enhances the functioning of a dispersed global technostructure, they cannot totally replace the spatial proximity necessary to some tasks requiring the exchange and processing of less or non-formalized information.

As already mentioned J.K. Galbraith spent most of his intellectual life analysing the big firm. His studies relate both to the structure of power throughout the organization, and its impact on prices, consumer behaviour, and the determination of public policies. The following issues are covered by Blandine Laperche in Chapter 8: in the context of globalization, how strong are the countervailing powers to the big organization? What changes are caused by the intervention of new (institutional) investors in the power structure of the firm? What are the consequences on the objectives of the planning system and those of the members of the technostructure? The author first presents the characteristics of the large corporation which, according to

Galbraith, is the keystone of contemporary capitalism. To him, the creation of oligopolistic or monopolistic situations results from an organic process inherent in the functioning of capitalism. The large size is justified by the requirements of modern technology and planning. As the power is in the hands of a group of specialists – the technostructure – their objectives are not as limited and iniquitous as the maximization of profits. Thus the big firm is both justified and rehabilitated all the more as the concentration process that produces the big firm also produces its countervailing powers. Then, the power of the main compensating powers – as identified by J.K. Galbraith – is analysed. According to the author, countervailing powers have been weakened by the changes experienced by modern capitalism, notably by globalization. On the internal plan, the efficiency praised by Galbraith and driven by a complex system of motivation also suffers from the globalized organization of firms which undermines internal cohesion. Finally, the author presents the argument that globalization has contributed to complexify the functioning and structure of industrial technostructures which have relations of competition and cooperation with each other and also with financial technostructures, within which profit making and higher revenue play a major part.

In the same vein, Chapter 9, written by Michael Dietrich and Abhijit Sharma presents an analysis of corrupt corporations that builds on theoretical principles developed by Galbraith. In particular his views on the importance of a ‘technostructure’ are reinvented using recent discussions in economic theory. The authors proceed to provide a typology of corrupt practices in the corporate sector. They distinguish non-corrupt corporations, non-corrupt companies with corrupt individuals, and corrupt corporations. Non-corrupt corporations are those emphasized in many of Galbraith’s writings. Such companies can be described in terms of high degrees of organizational effectiveness. Then the authors proceed to the detailed assessment of non-corrupt companies with corrupt individuals and of corrupt corporations, highlighting the role of organizational effectiveness, coherence and objectives combined with the creation and prevalence of incentives (including perverse incentives). Such an analysis enables the authors to present a simple taxonomy of corporate effectiveness based on an examination of a firm’s organizational objectives in relation to its organizational coherence. Use is made of Galbraith’s idea of a technostructure and the forms of motivation that exist within an organization. It is argued that the technostructure in corrupt companies is deformed and hence the forms of motivation are similarly deformed. Following Galbraith, in a well functioning technostructure, ‘identification’ and organizational ‘power seeking’ become more significant than financial motivation and authority. The basic argument is that in a corrupt company financial motivation becomes paramount. Finally, case studies of corrupt companies are presented. They illustrate the importance of deformed

technostructures with inadequate motivations based on ‘identification’ and ‘power seeking’, and highlight behaviour in agreement with the typology of corrupt behaviour within firms which is developed in this chapter. This analysis helps the understanding of the logic of corrupt behaviour within firms and the impact of phenomena such as the tacit approval of illegal activities in some cases, along with an analysis of individual and corporate motivation and the spin-offs of corrupt behaviour.

According to Galbraith, there is a link between an individual’s goals, those of an organization and those of the social body taken as a whole: it is the ‘consistency principle’. The internal weakness of the big corporation and the development of corruption show that today’s common objective is the increase of the bottom line profit. Such an objective shows the growing contradiction of today’s ‘totalitarian capitalism’, according to George Lioudakis in Chapter 10. This chapter begins with an analysis of the trend toward a transnationalization of capitalism and a changing role of the state. Within this evolving international context, attention is paid to the role of new technologies (information and communication technologies, biotechnology, new materials) and on the rising tendency in favour of the protection (through patents) of intellectual property rights arising from scientific/technological innovations, particularly in the fields of information technology and biotechnology. The author examines the economic, social and ethical dilemma raised by this expansive protection. According to him, this tendency results in an intensifying contradiction between the increasing socialization of production and the attempt to strengthen the private appropriation of capital, which is partly visible in the expanding privatization, not only of natural resources and means of production, but also of science and technology. According to the author, this contradiction more specifically generates two conflicting social and political perspectives which relate, either to a reorganization and further development of capitalism, associated with stronger private control and appropriation of science and technology, or an alternative transformation of society with an open access development of science and technology and with education and scientific/technological knowledge considered as a common (public) good and the heritage of humanity.

The discussion about these conflicting perspectives is carried on in the third part of the book. Without pessimism, but deliberately fighting against the over-optimistic conventional wisdom that prevails in today’s ‘market system’, this benign term which tends to replace the word and the reality of ‘capitalism’ as explained by Galbraith in *The Economics of Innocent Fraud* (2004), the authors raise important issues: what is the strength of the state, of big enterprises and of the countervailing powers of the people in the various but related fields of technology regulation in the civil or the military sectors, and more globally in the future of the common services to society?

4. CHARTING THE FUTURE: INNOVATION, STATE POWER AND THE MARKET SYSTEM

In Chapter 11, Jerry Courvisanos recalls that in *The New Industrial State* (NIS), Galbraith provides the starting point for the political economy of technological innovation. It is based on a critical evaluation of the decision-making processes of economic agents within institutions and how they react to the different levels of political power in society. This political economy approach to technological innovation is the overriding theme of this chapter. According to Jerry Courvisanos, the agency of the technostructure in *The New Industrial State* has enabled different perspectives to emerge, on the economic and political power of technological innovation. A clear political economy approach is set out as the basis for evaluating various perspectives on technological innovation. Pro-market perspectives are first identified as the mainstream positions on innovation and the agency of entrepreneurship. These are critically evaluated and juxtaposed to the heterodox institutional, strategic and public policy perspectives that have influences from Galbraith's NIS. A Galbraithian heterodox synthesis of these perspectives is sketched out as a research and policy framework on technological innovation. It should provide a strong generic framework for understanding and appreciating the capitalist forces that underlie technological innovation and its commercialization process.

In this perspective, in Chapter 12, Andrée Kartchevsky and Muriel Maillefert study how the organization – the technostructure in the heart of big corporations – exercises its power on the content, the direction and therefore on change in industrial capitalism. This leads, according to them, to the subordination of markets and the fields of public action to the requirements of influential groups. This context gives scientists specific roles and responsibilities. The authors discuss Galbraith's argument according to which professors and intellectuals form a safety valve allowing that the needs of the system yield priority to the matters of the mind and to intelligence. With Galbraith, they study the sense of innovation and technical change in the capitalism of big enterprises, in order to highlight the importance of knowledge not only in the achievement of the production process but also for the democratic organization of the whole social system. But given the power of the technostructure, the blurred distinction between private and public sector, and the fact that knowledge is not a perfect public good, isn't this second objective of favouring the democratic organization of the whole social system endangered?

This question is also raised in Chapter 13. Victor Pelaez uses J.K. Galbraith's institutionalist approach to discuss the process of technology regulation. The institutionalist approach put forward by Galbraith and other

institutionalist authors has contributed to revealing the exercise of power proceeding within a productive system in which the economic, political and social variables are combined to make the expansion of large corporations viable. The institutionalist approach to the practices of power and clashes of interests contributes to an understanding of the process of technology regulation in which the privileged knowledge of specialists becomes the object of governance from those players directly linked to innovation (companies). Studying then the evolutionary approach that prevails in the contemporary analysis of innovation, he explains that the national innovation system approach aims at studying the causes of economic efficiency in industrialized countries with an emphasis on the phenomena associated with the process of technological innovation. In this standard, the role allocated to institutions corresponds to the incentives or barriers imposed on interaction between organizations whose aim is to generate and diffuse technology. By giving preference to a theoretical analysis based on the satisfactory allocation of resources under limited conditions of rationality, the evolutionist focus of the national innovation system no longer discusses technical progress as resulting from the clashes of interests between the various players involved. After analysing the attempt to regulate biotechnologies in the European Union and Brazil, and in opposition to a technocratic governance model in which society does not take part in the regulating process, the author proposes a new model of governance, a sub-system of innovation, aimed at regulating technologies, that would involve the lay public, mainly through the action of organized society, allowing for the inclusion of the citizen in the process of deciding which technological paths will be adopted and the evaluation of technological risks.

However, can we imagine that technical progress could result from other social activities than defence? And aren't the interests of the defence sector shared by industrial and financial enterprises?

More than three decades ago Galbraith argued that in areas like defence procurement the distinction between public and private spheres was at best blurred. In Chapter 14, the authors, Jordi Molas-Gallart and Puay Tang, show that this idea is still very pertinent. As a matter of fact, more recently, close co-operation between defence firms and procurement agencies has either been portrayed as an example of dangerous collusion or efficient, partnership-based, programme management. These views share a common trait: they argue or assume that a confluence of interests exists between the industrial and customer organizations involved in defence procurement. This chapter examines such a proposition with reference to the management of intellectual property at the interface between government agencies and large defence suppliers, covering the case study of British research establishments. The authors first analyse the difficulties caused by the privatization of DERA (the

main UK defence research establishment) in relation to the ownership of data that it had collected from private firms while operating as a government agency. Far from resulting in a collaborative framework in which the differences between public and private agents are blurred, the result has been heightened conflict and mistrust between private defence firms and government procurement agencies. Indeed, the boundary is blurred (a newly privatized research facility discharging public functions), but on either side of it the distinction between private and public players appears sharper than ever. To conclude, and in the same vein as Galbraith's recent writings, the authors assess that the tasks that until recently had been assigned to public agencies are now being taken over by private organizations.

In Chapter 15, Luc Mampaey and Claude Serfati address the contribution of John Kenneth Galbraith's analysis to the institutional shaping and economic role of the US military industrial system (MIS, traditionally labelled as the 'Complex' since Eisenhower's 1961 farewell speech). How much the technostructure theory travelled throughout the 1990s when 'rentiers were back' is assessed by looking at the sweeping transformations of the 'Complex' that took place in the last decade. Galbraithian institutionalism is a precious contribution to the understanding of the growing role of managers in relation to technological development, the close relation between public and private sector, the powerful tendency of the 'Complex' to self-enlargement. Other institutionalists (Mills, Melman) at the same time, shed a different light on the Complex. The ascendancy of finance capital institutions (foremost pension, mutual, and hedge funds) in major corporations, including in defence prime contractors, in the 1990s, is a major challenge to Galbraith's analysis. As he recently claimed that the role of stockholders had become ceremonial in the context of the supremacy of corporate bureaucracy, the thrust of the chapter is that far from a rentier's euthanasia by top management, a new alliance between the former and latter took shape in the 1990s.

Today's accumulation framework shows the change from the welfare state which was sustaining demand during the 30 years of constant growth after the Second World War to a providential state for capital holders. Far from the ideas developed by Galbraith, notably in the *Affluent Society*, in which he highlighted the role of states to maintain a 'social balance', the activities of states, not only in the military sectors but more largely in all the public services, seem to be dominated by the interest of the big private corporations. According to Blandine Laperche and Dimitri Uzunidis, the supply policies (financing of 'sunk costs', creation of a general climate favourable to the valorization of individual fortunes) are closely akin to the aims of the liberal theories (contestable markets) which take up the parts of the Keynesian theory enabling them to circumvent the deadlocks of their own theories (endogenous growth). A new form of state control appears which, under the cover of

liberalism, unifies the interests of the state and those of fortunate and politically influential groups of people in one movement (same destiny!). In this chapter, the authors show that the ‘marketization’ of the public sector is part of a dual process which brings the failure of the social state in close contact with the crisis of the enterprise system based on the short-sighted growth of production. But as these theories reject or underestimate the contradictory social and political relations existing in the economy and which are inherent in competition, they cannot clearly understand the current evolutions of the public sector: the marketization and financierization of the public sector lead to the reconstruction of monopolistic and oligopolistic situations and to the domination of large enterprises over privatized and liberalized services. As a result, free competition questions market sustainability, and uncertainty jeopardizes long-term growth.

NOTE

1. The first forum ‘The Spirit of Innovation: John Kenneth Galbraith International Symposium’ organized by the research unit on Industry and Innovation (University of Littoral Côte d’Opale, France), with the IGS Group (Paris) which took place in Paris, 22–25 September 2004, has proved conclusive as to this point. The 68 participants, coming from the five continents, studied the actuality of John Kenneth Galbraith’s writings on the themes of the large corporation, the role of states in economic dynamism, the origins of innovation and growth, the link between money, finance and the real economy, the place of wars in today’s capitalism. They also focused on the particularity of John Kenneth Galbraith’s approach of economics.

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