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**THE CRISIS OF THE “AFFLUENT SOCIETIES” AND THE NEED
OF AN EQUITABLE AND SUSTAINABLE ALTERNATIVE:
INSIGHTS FROM J.K.GALBRAITH’S BOOK AND FROM
OTHER HETERODOX THEORIES OF
“QUALITATIVE” DEVELOPMENT+**

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Introduction

As is known, the World is experiencing an unprecedented economic crisis, for which no easy solutions seem close at hand.

The most prominent aspect of the crisis is its systemic character. The dramatic aspects of these imbalances are the disparities of income between persons and economic areas, high unemployment, economic and social insecurity, environmental decay.

This situation poses a major challenge to economic theory and policy action.

In fact, it is by now evident the failure of the so-called “austerity policies” in overcoming economic crisis. But it is also true that expansionary policies based only on demand *stimulus* are important but not sufficient measures for thoroughly addressing these imbalances.

In our work, we focus attention in the first part on the contributions of John Kenneth Galbraith’s famous book *The Affluent Society*. This book, published for the first time in 1958 and then in 1998 with an author's update, proposes an innovative interpretation of the main aspects and contradictions that have characterized the development of the industrial societies in the post World War II period: in particular, **(i)** the imperative of production and consumption, with the excessive use of credit and pervasive advertising; **(ii)** the presence of a powerful technostructure; **(iii)** the systematic downplaying of public expenditure and of public goods; **(iv)** the growing economic and social insecurity; **(v)** the environmental decay; **(vi)** the limited possibility of "conventional policies" to influence these phenomena.

As can be observed, these aspects are also extremely relevant today, and can help explain the underlying reasons for the current economic and social crisis.

Then, we explore the potential of a number of contributions from a number of heterodox theories which have addressed, in different but complementary ways, the contradictions of the “affluent societies” and the need of an equitable and sustainable development.

The central aspect of this transformation will rely less and less on a quantitative and unsustainable growth based on “the classic economic motive” and more and more on the comprehensive unfolding of the personalities of all the persons involved, based on the “qualitative” transformation of the system.

In order to realize a better understanding of these phenomena, we deem it important to overcome the fragmentation so often present in social sciences.

True, within heterodox economics the different approaches (for instance, Institutional, Marxist, Keynesian) remain different — and this is advisable in our opinion — but this does not mean that these theoretical perspectives cannot interact for understanding economic and social phenomena.

As observed by the famous sociologist Karl Mannheim, a landscape can be seen only from a determined perspective and without perspective there is no landscape. Hence, observing a landscape (or phenomenon) from different angles (or disciplines) can help to acquire a much clearer insight into the features of the various perspectives.

Therefore, such comparison does not imply that each discipline would lose its distinctive features. Quite the contrary, such more comprehensive approach, by broadening the horizon of the observer, can contribute to a better appraisal also of the specific characteristics of his/her main fields of specialization.

Needless to say, it is neither possible nor advisable to consider all the disciplines with the same weight.

In this and other instances, a choice needs to be made. What seems important in this respect is to make explicit the choices adopted by acknowledging, in a pluralistic perspective, the existence and relevance of other disciplines.

As can be easily seen, such broadened perspective calls for an interdisciplinary approach. In this spirit, we have considered how a number of psychoanalytic contributions can fruitfully interact with the examined theories in the analysis of the crisis of the “affluent societies”, also in its social and psychological dimensions. We conclude the work by discussing the implications for policy action .

1. THE MAIN ISSUES OF J.K.GALBRAITH'S "THE AFFLUENT SOCIETY"

1.1 The "Affluent Society": The Ideas and the Theories

In the analysis of the main aspects and problems of the developed economies, Galbraith addresses the following questions: how is it perceived in the current opinion the "affluent society", and how is it interpreted in economic theory?

A first notable element is that the growth of productive capacity that has made possible mass consumption has not been accompanied by a parallel development of the theories through which interpreting these phenomena.

Such theories, in fact, have remained largely anchored to an earlier time of "scarcity" and low productivity, where poverty, deprivation and uncertainty were the rule for the majority of the population. Although considerable "material" progress has been made, the legacy of social and cultural periods of scarcity is still overwhelming.

In this regard, he highlights some common traits of what he calls the "central tradition in economics" and that includes the Classical, Marxist, Neoclassical and Keynesian Schools. This definition — to which of course one need not agree — includes not only the classic tradition of mainstream but also important sectors of heterodox economics.

Let us now look in more detail what are the main aspects of the "conventional wisdom" characterising the "affluent society."

1.2 The Economics of the Classics and the "Iron Law" of Wages

Starting from these premises, Galbraith points out that classical economics was built mainly on the assumption of structural scarcity, according to which the economic system must work according to precise "economic laws". In this context, since also the workforce was considered like a commodity, its remuneration must necessarily obey to the so-called "iron law of wages", which implies that they were bound to gravitate around the subsistence level. Consequently, any attempt to increase the wages above this level was considered useless in the long run.

In the classical conception then, and particularly in Ricardo and Malthus, little or nothing can be done to improve the conditions of the working class. In their views, the economic system was operating according to inexorable "laws", and any attempt to go against these laws would cause more harm than good.

These assumptions were also adopted by Marx in his critique of the capitalist system. Like the Classics, even in Marx's analysis there is no room for reform. For this reason, the sole remedy is to suddenly establish, through a revolutionary process, a communist system.

1.3 The "Marginalist Revolution": An "Uncertain Reassurance"

In this sense the Classics, while providing important contributions, were unable to grasp, owing to their too simple assumptions, a number of relevant phenomena of economic and social evolution. We can mention, in particular, the following aspects: **(i)** the iron law does not seem to be much realistic, since, especially in the most dynamic industries, wages tend to increase over the mere subsistence level, however defined, **(ii)** a growing importance of government intervention in the economy and, on the other hand, the emergence of large industrial groups that differ significantly from the simple model of perfect competition.

Furthermore, the theoretical system of the Classics, with its emphasis on the division of society into classes, on the theory of labor value and on the concept of surplus produced a clear incentive, albeit indirectly, to class struggle.

For all these reasons, there was the need to build a theory more "modern", more "scientific", able to convey a message of rationality and social harmony. This task, as is known, was carried out by the so-called neoclassical or marginalist revolution.

In this theory the social classes are relegated to the background, as there are only rational economic agents that maximize their utility or profit.

This theory implies a concept of social harmony and therefore leads itself much better than the Classics to a conception of "legitimacy and efficiency" of the existing society. Of course, there is always the hypothesis of scarcity of resources, but this does not prevent wages to increase, if the marginal productivity is above the level of subsistence. These aspects, together with the assumption of consumer sovereignty, seemed to provide all the benefits of a mass consumption society. And so they help explain, together with the formal elegance of the models, the extraordinary success of this theory. For a long time, in fact, there has been an almost generalized consensus for it, not only in the conservative appraisal but also in various sectors of the progressive field. It persists, in a more attenuated and problematic way, even in the current period. As is known, it has always been difficult to explain the underlying reasons for such consensus. And this especially in the light of the significant limitations of this theory, widely analyzed in the literature,

concerning the simplification and reductionism of the multifarious aspects of economic and social phenomena .

In this sense, as noted by Galbraith in the fourth chapter, "The Uncertain Reassurance", neoclassical economics, under the appearance of optimism, has not solved the problems of poverty and deprivation inherited from the classics. Neoclassic theory, in fact, both in its "logical conclusions" and in its underlying philosophy, reflects the cultural heritage mentioned previously.

1.4 The Separation between Theory and Reality

In his analysis, Galbraith underlines a growing separation between the neoclassical theory and the reality of modern economic systems.

This theory, in fact, assumes a "perfect" competitive process, which is considered as a kind of self-sustaining process not requiring therefore — if not at a very minimum extent — external interventions, and, in particular, public intervention. In a competitive process of this type, it is necessary for conventional wisdom that, in real situations, the struggle is harsh and that there are real winners and, above all, real losers.

The competitive processes of reality — although they can be very hard for losers — are, however, very far from the "perfection" of markets assumed by neoclassical theory. And, furthermore, such "perfection" becomes more and more distant from the parallel increase in complexity of the current economic and social systems. For these reasons, in most economic systems tends to occur a remarkable concentration of incomes and economic power.

In that connection, there are recurrent economic crises that do not seem easily solvable with the classical measures of cutting wages and public spending. Finally, people do not face in a light-hearted way the uncertainties of competition with a realistic chance of ending up on the street.

What generally happens is that people, even when they support the virtues of "perfect competition", tend to apply this precept to others while seeking for themselves some form of protection.

All these elements cast the reality considerably away from the pure competitive model, and there is no spontaneous tendency to bring the system back to the supposed benefits of that model. Nor are there, in the opinion of Galbraith, alternative theoretical paradigms able to interpret the complexity of these phenomena.

In this context of ideas, how can be interpreted the phenomenon of the "affluent society"? Undoubtedly, the "affluent society" constitutes, in theory and in practice, an attempt to overcome the rigors and uncertainties of the competitive system emerging from mainstream economic theory. But how far will it accomplish this task? To answer this question, let us consider the main aspects of the "affluent society".

1.5 The Imperative of Production

One aspect that unites, in academic debate and in common perception, the economic systems emerged from the industrial revolution, from the oldest to the most modern, is the so-called "imperative of production". In his words,

"On the importance of production as a test of performance, there is no difference between Republicans and Democrats, right and left, white and minimally prosperous blacks. It is common ground for the Chairman of Americans for Democratic Action, the President of the United States Chamber of Commerce and the President of the National Association of Manufacturers.", (Galbraith, 1958: 99-100).

Of course, it is often also called attention to the qualitative aspects of life, but these aspects tend, in general, to take a residual and separated character from production. The profound thought that tends to pervade our society is "First come the needs of production, then the rest."

The primacy given to production does not imply, however, that attention is actually paid to the policies to increase it. In fact, it is assumed that "the market mechanism" will ensure the increase of production, no matter how "perfect" markets are in real situations.

Another typical feature of the conventional wisdom is that the "real production" is identified almost exclusively with the private sector. The action of public sector is considered, at best, a necessary evil, and, at worst, a cost and an obstacle to the "free operation of market forces." In this appraisal, "public services rarely lose their connotation of burden. Although they may be defended, their volume is almost certainly never a source of pride.", (ibid: 110).

This view leads to a chronic shortage of a number of public goods that would be needed for a balanced development of economic activities.

1.6 The Apparent Autonomy of Consumers' Preferences

While, as we have just seen, in the "affluent society" great importance is attributed to the production, little attention is given to what is produced: that the product is more or less educative, more or less harmful to the environment, is considered something that comes "after". What matters, "in the meantime", is only to produce, because, in the general appraisal, the income of citizens should depend only on production.

As regards consumption, in the "conventional wisdom" it is assumed the hypothesis of "consumer sovereignty": the goods produced and sold in the market would reflect the preferences of consumers, and therefore any intervention in that sphere is considered more harmful than beneficial.

In this perspective, it is held that, with the increase of real income, the "utility" of the goods does not decrease. While in fact, for a basket of goods and income at a given time, it is assumed that the marginal utility diminishes along the same indifference curve, this does not happen with different baskets of goods, higher incomes and different times. In this appraisal,

"the concept of satiation has very little standing in economics. It is held to be neither scientific nor useful to speculate on the comparative cravings of the stomach and the mind...that, as of a given time, an individual will derive lesser satisfaction from the marginal increments of a given stock of goods, and accordingly cannot be induced to pay as much for them, is conceded. But this tells us nothing of the satisfactions from such additional goods, and more particularly from different goods, when they are acquired at a later time.", (ibid: 117, 121).

In fact, the basic idea of this theory is that the needs of the consumer originate autonomously in the person. It is assumed a world of completely independent and rational individuals who maximize their utility functions.

1.7 The Dependency Effect and the Role of Technostructure

This description of the consumer in terms of a subject completely free from external influences is, however, very far from the mode of operation of our societies based on "consumption at all costs."

In the affluent society, notes Galbraith, the needs of the products are largely created by big business, through massive advertising campaigns.

The complex of large enterprises, which Galbraith denotes "the technostructure", thus acquires a dominant role in the creation and satisfaction of consumer needs.

One of the indicators of this phenomenon consists of the costs of promoting the product, which often tend to be equal or superior to the costs of production.

In this sense, "as society becomes increasingly affluent, wants are increasingly created by the process in which they are satisfied.", (Ibid: 129).

The creation of ever new consumer needs, by stimulating the feelings of emulation associated with new products, takes on a largely symbolic role. We often buy a new product not so much for its technical and functional characteristics, but for the "social message" associated with it.

Hence, the main characteristics of the affluent society can be summarized as follows: **(i)** the centrality of production as an indicator of economic and social progress, accompanied by a lack of attention on what is produced and on the social and environmental effects; **(ii)** the predominant role of producers and "technostructure" in the constant creation of new needs; **(iii)** the role of production to ensure a satisfactory level, or at least acceptable, of employment.

The third factor, of course, helps to explain the centrality attributed to the production, which, in the current economic systems, becomes almost the only way to secure an income for citizens.

As can be observed, the affluent society has, along with some positive aspects, a number of problematic elements that raise serious doubts about its sustainability in the medium-long term.

1.8 The Growing Indebtness of Consumers

The aim of the producers to promote their products is limited by the spending capacity of consumers. This happens especially in the case of durables goods, where it is not always easy to have cash in relevant amounts. In the production chain, consumer credit plays a central role and has become an integral part of business strategies. In a passage of great interest, he notes,

“It would be surprising indeed if a society that is prepared to spend thousands of millions to persuade people of their wants were to fail to take the further step of financing these wants, and were it not then to go on to persuade people of the ease and desirability of incurring debt to make these wants effective. This has happened. The process of persuading people to incur debt, and the arrangements for them to do so, are as much a part of modern production as the making of goods and the nurturing of the wants.”, (ibid: 145-146).

In this context, consumer credit has grown exponentially in the post World War II period and can constitute an important explanation of the economic crisis of today. In fact, after the benefits of consumption (assuming they be relevant) come the pains of payments, especially for lower income families. In this regard,

“One wonders, inevitably, about the tensions associated with debt creation on such a massive scale. The legacy of wants, which are themselves inspired, are the bills which descends like the winter snow on those who are buying on the instalment plan. By millions of hearths throughout the land, it is known that when these harbingers arrive, the repossession man cannot be far behind. Can the bill collector or the bankruptcy lawyer be the central figure in the good society?”, (ibid: 146-147).

The remarkable aspect of this process is its steady increase over the last decades. Evidently, credit creation is so necessary to the development of the system that nothing seems to diminish its role, even during periods of tight credit policies. But how is it possible to induce consumers to borrow even when real interest rates are high? In the first place, the payment periods may be prolonged. Moreover, an increase in the real interest rate, even remarkable, is perceived by the consumer with greater difficulty, because the total amount to pay increases, in percentage terms, to a lesser extent than the increase in the interest rate. We can see this phenomenon with an example: for a price of an item purchased on a loan, say, of €1,200 with an interest rate of 6% on an annual basis, the annual amount charged will be equal to 1272, with monthly payments of 106 euro. If the interest rate doubles to 12%, the total amount to be paid will be €1,344 with monthly payments of 112 euro.

The percentage increase of this amount (1344) of the total last year (1272) will be "only" of 5.7%, compared with an increase of the interest rate of 100%.

These phenomena can help explain the difficulty of reducing the excess of credit creation .

1.9 The Imbalance between Public and Private Goods

The aspects considered above — the focus on the quantitative aspects of production and the growing indebtedness of consumers — have been accompanied by a parallel lack of attention (and of adequate resources) for the provision of essential public goods. This situation is aggravated by the fact that a substantial proportion of public resources is destined to military spending.

The result is the lack of an adequate "social balance" between public and private goods. As we have seen, in the "conventional wisdom" production takes place mainly in the private sector. In this view, the public sector tends to be relegated to the background, and regarded as a place of inefficiencies and privileges. If public services are efficient, this is considered just as "something due" and therefore will not obtain the admiration that accompanies, for example, the launch of a new product.

This imbalance causes a situation of social and environmental degradation, and exacerbates the tensions of the "affluent society." In a famous passage, he notes,

“The schools are old and overcrowded. The police force is inadequate. The parks and playgrounds are insufficient....The family which takes its mauve and cerise, air-conditioned car, power steered and power braked automobile out for a tour passes through cities that are badly paved, made hideous by litter, blighted buildings, billboards and post for wires that should long since have been put underground. They pass on into a countryside that has been rendered largely invisible by commercial art. They picnic on exquisitely packaged food from a portable icebox by a polluted stream and go on to spend the night which is a menace to public health and morals. Just before dozing off on an air mattress, beneath a nylon tent, amid the stench of decaying refuse, they may reflect vaguely on the curious unevenness of their blessings. Is this, indeed, the American genius?”, (ibid: 187-188).

In this sense, the insufficiency of important public goods tends to produce even a reduction of the potential benefits of private property.

Considering, for example, the sector of private housing, it is more than obvious that it can develop only in the presence of adequate public services.

The negative effects of the lack of public goods are evident not only in the "material" aspects of the lack of infrastructure, but also, and perhaps even more, in the lack of public investment in the fields of education, science and culture.

These effects are particularly negative for the young, who are increasingly exposed to cultural models of little educational value.

Thus, "Schools do not compete with television and the movies. The dubious heroes of the latter, not Ms. Jones, become the idols of the young....Comic books, alcohol, narcotics and switchblade knives are, as noted, part of the increased flow of goods...An austere community is free from temptation. It can be austere in its public services. Not so a rich one.", (ibid: 191).

1.10 The Limited Role of Monetary and Fiscal Policies

In this situation, Galbraith underscores the limited role of monetary and fiscal policies in abating macroeconomic imbalances, in particular, inflation and unemployment.

For instance, in a situation of rising inflation, monetary policy of the classic type would prescribe credit restrictions, to be implemented mainly through an increase of the real interest rate. A policy of this kind would generate a considerable drop in the effective demand, which could trigger a depressive phase of the economy. Another major limitation of these policies is that they act in an extremely unequal way on the various sectors of the economy.

In fact, an increase in the real interest rate affects primarily small firms, by making their activities more onerous owing to the phenomenon of "credit rationing".

Conversely, large companies can withstand much better an increase in the real interest rate. First, it is likely that they have a much greater bargaining power with the banks.

Furthermore, they can also issue bonds to finance their activities and thereby avoid the phenomenon of credit rationing. And, last but not least, they can more easily transfer price increases to consumers.

For all these reasons, it is unlikely that a "normal" restrictive monetary policy is able to significantly reduce large firms' investment decisions. The likely result of these policies will be, as witnessed by the events of the last decades, the concentration of economic and financial power of large groups, accompanied by an increasing economic difficulties for the weaker firms and productive sectors.

The restrictive monetary policies are disadvantageous also for the provision of public goods, because these policies are likely to increase the debt burden for public institutions. As for the expansionary monetary policies, there is little to be added to the conclusions already reached by Keynes: a decrease of the real interest rate, although in principle desirable, is not a sufficient factor to stimulate investment.

A similar reasoning can be done in part for fiscal policies. These policies, unlike monetary policies, affect more directly on the components of effective demand (and in particular the available income) and are therefore more easily assessable in their immediate effects.

This picture becomes more complicated if we consider the overall effects on the system. For example, reducing taxes often leads to a reduction of resources for essential public services. The reduction of these costs does not, however, represent a guarantee of a parallel reduction of the possible inefficiencies in public spending.

In this regard, Galbraith acutely notes that, "It is far easier to cut the function than the waste, and this is what occurs....[and moreover]....in time of inflation the situation of the public services is certain to be even more tenuous because of the inevitable tendency for public budgets to lag behind the general increase in prices.", (ibid: 178-179).

There is also to be considered that any change in the tax regime unfolds, in a much more direct and visible way than for monetary policies, a redistributive effects.

This condition implies that — in contrast to what happens for monetary policies, whose redistributive effects tend to go largely unnoticed — any proposed change in taxation is likely to trigger an extensive debate between liberals and conservatives on the desirability of such change. As a result, fiscal policies tend to play a limited role because there tends to be attained a compromise that will not change significantly the existing equilibrium.

Macroeconomic policies, therefore, have little opportunity to really solve the problems of the affluent society. To do this, it is necessary to enquiry into the economic and social roots of these contradictions.

1.11 The Increasing Economic and Social Uncertainty

As appears clearly from the above discussion, the perspectives of the "affluent society" are not very positive. Such society is based on the primacy of production and, for this reason, employment and income of workers increasingly tend to depend on the production of goods that are often of little use, if not harmful, to physical health, mental education, and to

the environment. The prominence of private production is accompanied by a structural shortage in the supply of public goods essential for economic and social life. These circumstances entail increasing insecurity of economic and social life, which is paralleled by urban and environmental degradation.

The basic limitation of private production is that the wealth it produces rests on a concept of "scarcity" typical of the previous economic systems. For this reason, focusing attention only on the production as such tends to give rise to a society based less and less on the real needs of the person.

For instance, in "conventional wisdom" voluntary unemployment is regarded as the worst of sins, a fraud for the community. But, says Galbraith,

"If the goods have ceased to be urgent, where is the fraud? Are we desperately dependent on the diligence of the worker who applies maroon enamel to the functionless metal of a motorcar? The idle man may still be an enemy of himself. But it is hard to say that the loss of his effort is damaging society.", (ibid: 215).

In our affluent society, the imperative of "efficiency" tends to prevail on emotional ties and quality of life, on the security and satisfaction of jobs, and, more generally, on the soundness of human relationships. This is expressed in the following passages,

"[In the conventional wisdom]....A good deal of practical heartlessness was what served the social good....If a locality is declining, then one should encourage people to live. Mobility means efficiency. It is true that the ties of family, friends, pastor and priest, countryside and mere inertia may make this a Draconian and even cruel prescription....No tears should be wasted on the farmers who go bankrupt. This is the path toward more efficient farm production....Until relatively recent times, a large amount of industrial and occupational disease could be justified on the grounds that considerations of cost did not permit of its elimination.", (ibid: 212, 213, 215).

1.12 The importance of Releasing the Dependence of Income on Production

In order to solve these problems, it becomes central to reduce the paramount role of production.

In order to realize this objective, Galbraith observes, there is no other way that to loosen the dependence of the income on production. This can be achieved, firstly, by increasing the duration and the amount of unemployment benefits and other forms of support for people who can not profitably carry out work activities. And, secondly, by increasing spending on essential public goods, in order to achieve a better "social balance" between public and private property, and thus reduce or eliminate the phenomena of social and environmental decay.

But how these measures can be financed? In this regard, an increase in taxation, both direct and indirect, it is the only way to achieve a better economic and social system. There is, however, as noted above, a general resistance to tax increases, both in progressives and conservatives fields. In fact, any change in the tax regime will trigger the debate on equality, with the likely result the reciprocal vetoes render arduous to attain significant changes.

Furthermore, the conventional wisdom is prone to reduce tax in any case, even if this involves a reduction of essential public services. In this sense, a tax cut for the poor, although it may seem more equitable, threatens to undermine the central goal of the elimination of the causes of poverty and degradation. In this sense, Galbraith complains, "The modern liberal rallies to protect the poor from the taxes which in the next generation, as the result of a higher investment in their children , would help eliminate poverty.", (Ibid: 230).

To eradicate poverty, in fact, there is a need not only of a higher income, but also a thorough understanding of the social causes that determine such plague. These causes, such as, for example, insufficient resources for primary and secondary education, can be eliminated mainly through higher public investment. In this sense, "Poverty is partly self-perpetuating because the poorest communities are the poorest in the services which would eliminate it.", (Ibid: 240).

2. THE LINKS WITH OTHER HETERODOX ORIENTED THEORIES

Introduction

As emerges from the above discussion, the analysis of Galbraith proposes a brand new interpretation of the affluent society that, in underscoring the negative aspects, outlines some innovative avenue of progress.

In this regard, there arise the central problems of **(i)** specifying in more detail the main features of a better society, and **(ii)** identifying the most suitable policies for achieving these goals.

In this regard, the text is not intended to deal specifically with policy issues. The solutions to the problems of the affluent society, he notes, can only be based on a growing awareness of these problems, and this is the main objective of his contribution. On that account, he does not show excessive optimism on the possibility of realizing in short time this potential. Thus, the book closes with a rather negative note,

“To furnish a barren room is one thing. To continue to crowd in furniture until the foundation buckles is quite another. To have failed to solve the problem of producing goods would have been to continue man in his oldest and most grievous misfortune. But to fail to see that we have solved it, and to fail to proceed thence to the next tasks, would be fully as tragic.”, (ibid: 260).

At this stage, it arises an important question: is there a way out to Galbraith’s pessimism and, if so, what can be done to promote a sustainable and equitable social change?

We think the answer is positive and that a better collaboration between social sciences constitutes a crucial factor for attaining these objectives.

On that account, if a limitation can be found to the excellent standing of *The Affluent Society*, it consists — as too often it happens in social sciences — in the lack of a systematic comparison with other theories that have addressed from partly different but related perspectives, the same set of problems.

In fact, many contributions from sociology, psychology and psychoanalysis have treated various aspects of the phenomena of unease and alienation in our societies. We will in the concluding chapter deal with some psychoanalytic contributions.

Within economics, there are a number of significant contributions from many important authors belonging in particular to the heterodox tradition in economics, such as, among others, Thorstein Veblen, John Rogers Commons, John Maynard Keynes.

These authors have developed, within partly different but related theoretical perspectives, concepts which can greatly help to attain a better understanding of **(i)** the manifold aspects of the “affluent society”; **(ii)** the structural transformations of the system and in particular the movement towards a “qualitative” and sustainable development; **(iii)** the most adequate policies for moving towards a more sustainable and equitable society.

2.1 Thorstein Veblen’s Evolutionary Perspective

The Evolution of Business Enterprise

As is known, Veblen has set up a far reaching evolutionary theory in economics, whose main aspects are instincts (or propensities), habits, institutions, technology.

One central aspect of Veblen’s analysis is the dichotomy between production oriented to the profit and production oriented to the satisfaction of the needs of society. To this corresponds the distinction between engineers and business men, on individual level, and between ceremonial and instrumental institutions, at collective level.

In this picture, the institution of business enterprise embodies both engineers and business men. Also for this reason, such theory — as expounded in particular in *The Theory of Business Enterprise*, plays a central role in Veblen’s analysis.

We have dealt more extensively with this theory in another work, now it can be interesting to underline the parallels between various aspects of such theory and the problems of the “affluent societies”.

In Veblen’s opinion, the evolution of technological progress (cf.also below) applied to the industry (labeled by him as *the machine technology*) will tend, in the absence of counter forces, to sweep away the system of business enterprise. The reason for this is that the system of business enterprise is considered to rest — although not completely — on more primitive, predatory and acquisitive habits of thoughts.

Therefore, in his words, “Broadly, the machine technology acts to disintegrate the institutional heritage, of all degrees of antiquity and authenticity...It thereby cuts away that ground of law and order on which business enterprise is founded.”, (Veblen, 1904: 374).

For these reasons, the system of business enterprise is considered by Veblen as intrinsically unstable. This happens because the two tendencies underlying it — technological progress and ceremonial-acquisitive tendencies — are not only incompatible between themselves, but also with the system of business enterprise.

In fact, technological progress tends to push the system towards a society based on the serviceability whereas the ceremonial-acquisitive tendencies towards archaic and predatory pre-industrial societies. These concepts are expressed in the following passage,

“Modern business principles and the modern scheme of civil rights and constitutional government rest on natural-rights ground. But the system of natural rights is a halfway house....The quests of profits leads to a predatory national policy....If national (that is to say dynastic) ambitions and warlike aims, achievements, spectacles, and discipline be given a large place in community’s life, together with the concomitant coercive police surveillance, then there is a fair hope that the disintegrating trend of the machine discipline may be corrected. The regime of status, fealty, and arbitrary command would guide the institutional growth back into the archaic conventional ways and give the cultural structure something of that secure dignity and stability it had before the times, not only of socialistic vapors, but of natural rights as well.”, (op.cit., 394, 398-399).

In this analysis it remains an open question which of two tendencies will prevail in the long run, and the book closes in the following way,

“Which of the two antagonistic factors may prove the stronger in the long run is something of a blind guess; but the calculable future seems to belong to one or the other. It seems possible to say this much, that the full dominion of business enterprise is necessarily a transitory dominion. It stands to lose in the end whether the one or the other of the two divergent cultural tendencies [technical progress and ceremonial-acquisitive tendencies] wins, because it is incompatible with the ascendancy of either.”, (op.cit, 400).

This conclusion, which can undoubtedly be considered as one of the most brilliant of Veblen’s intuitions, tends to be too dichotomic (cf. also below).

In fact, such conclusion is based on the idea that technological progress, in its supposed rationalizing role, cannot modify from within the basic principles of business enterprise, as identified in the natural rights and the notion of perfect competition associated with them.

Hence, in Veblen's vision, technological progress cannot modify the essence of natural rights but only to supplant them through a construction of society based on the serviceability.

However, this account does not consider that economic reality, even at the inception of the industrial revolution, has always been much more complex than conveyed by too sharp simplifications. In particular, **(a)** the markets are not abstract mechanisms but institutions created and maintained by a complex set¹ of legal and institutional framework. Furthermore, markets have tended to become more and more complex, and to depart more and more from the simple models of perfect competition and perfect monopoly. **(b)** The objectives of firms have become more and more articulated, also as a result of the growing complexity of the firms and of the various stakeholders involved. **(c)** Also for these reasons, public intervention have played an increased strategic role for economic development, including that of ensuring an adequate level of effective demand.

Instincts and Habits

Both types of institutions are conceived as an outgrowth of habits of thought and action. By way of progressive habituation to the more rational habits of thought and life induced by technological progress (cf. also later), the conspicuous consumption and the objective of profit will be replaced by more equitable and sober social systems. The new society will be based more and more on workmanship² and parental bent³ instincts, which are considered by Veblen the most important human instincts. They are likely to prevail in a situation where other instincts that can act at cross-purposes with them — for instance, predatory instincts which may be expressed through a framework of ceremonial and "acquisitive" institutions based on invidious distinctions — have little social grounds to express themselves. In this regard, Veblen seems to suppose that the first stage of human life was of this kind but, since then, a number of disturbing factors⁴ have triggered a progressive

¹ These aspects have developed in particular by J.R.Commons (cf. also below). In this regard we think that Commons' and Veblen's analysis, notwithstanding their differences, can be jointly employed in the analysis of a host of economic and social phenomena.

² In Veblen's analysis also the instinct of "idle curiosity" plays an important role in social evolution, especially through its effects upon scientific and technological progress. In this sense, such an instinct can be considered as the more "unconditioned" and intellectual aspect of the instinct of workmanship.

³ In Veblen's analysis the instinct of parental bent is conceived as a general sense of solicitude extending itself beyond the family sphere.

⁴ Veblen's discussion on this point is not very clear: he seems to impute these disturbing factors to the changes related to the expansion of societies. However, as we will see later on, this hypothesis runs into some difficulties.

deviation, which was reinforced by a process of cumulative habituation. This idea is expressed in the following famous passage,

"Human culture in all ages presents too many imbecile usages and principles of conduct to let anyone overlook the fact that disserviceable institutions easily arise and continue to hold their place in spite of the disapproval of native common sense. The selective control exercised over custom and usage by these instincts of serviceability is neither too close nor too insistent....It appears, then, that so long as the parental solicitude and the sense of workmanship do not lead men to take thought and correct the otherwise unguarded drift of things, the growth of institutions — usage, customs, canons of conduct, principles of right and propriety, the course of cumulative habituation as it goes forward under the driving force of the several instincts native to man,— will commonly run at cross purposes with serviceability and the sense of workmanship.", (Veblen, 1914: 49, 49-50).

The Role of Technology

In this evolutionary process, technological progress — by its supposed role of inducing more rational habits of thought and life — is deemed to play an important role in social change.

The extent to which workmanship and efficiency prevail on other tendencies at cross-purposes with them depends largely on the characteristics and intensity of technological progress. In fact, by inducing individuals to adapt themselves to new methods of production, technological progress brings out, through a process of habituation to new habits of thought and life, the workmanship instinct.

For this reason, technological progress is considered paramount in order for people to eliminate habits of thought based on more primitive stages of life — mainly based on ceremonial and "acquisitive" institutions — and to develop a scientific and matter-of-fact mentality, which represents the essence of instrumental behaviour.

However, as more extensively analyzed in another work, in Veblen's reconstruction of human development the role of technology is far from clear. In fact if, in Veblen's analysis, technological progress associated with the evolution of capitalism⁵ is deemed to be the

⁵ As is well known, Veblen considers the role of capitalism in fostering technological progress far from straightforward, since the contradiction between the "pecuniary gain" and "material serviceability" objectives of economic action entails a similar, and even more complex, contradiction at firms' level as whether to speed up or retard the pace of technological progress. For a more detailed analysis refer to Veblen [in particular,(1904), (1919: 279-323), and (1921)].

main cause of deviation from a pacific stage of life, why just now should such progress begin to exert the opposite effect? For instance, considering our present-day stage of internet technology, it does seem that — after about a century of massive technological progress since Veblen's time — the problems addressed by Veblen are still remarkably in the foreground. In particular, considering all the problems of our time, — among others, uneven development, environmental decay, economic and cultural (sometimes even armed) conflicts — there emerges the impression that technological progress has not entailed a parallel shift of human action from the pecuniary (more egoistic) to serviceability (more altruistic) objective. This may have happened because, as observed before, workmanship and parental bent instincts are more complex than usually assumed and, furthermore, present an evolutionary character; they are, at least in part, endogenously determined.

One explanation for these problems may be that the rationalizing role Veblen attributes to technology seems to derive from his implicit assimilation — obviously, only for this purpose — of "instrumental rationality" to "substantive rationality": thus, by simplifying a bit, more rational ways of producing (e.g., how to produce) are supposed to entail more "rational" or adequate ways of life (e.g., what to produce). One reason for this belief could be found in the role Veblen attributed to the instinct of workmanship and to its link, outlined before, with the instinct of parental bent. In this sense — as far as we understand Veblen's reasoning — technological progress, by fostering the instinct of workmanship, would reinforce the instinct of parental bent as well. This is, as we will see later, a very acute intuition. However, in order to get such mutual reinforcement, we do need something more than mere technological progress. As a matter of fact, as shown by many studies, the point is that instrumental and substantive rationality are related but different concepts, and so an increase in the former cannot be simply considered as a proxy for the increase in the latter. In particular, one reason why reality is so complex may depend on the circumstance that the instinct of workmanship is a more far-reaching concept than explicitly supposed by Veblen. In fact, if we conceive such an instinct — as seems to be implied in Veblen's analysis, also for his reference to the propensity of the "idle curiosity" — not only as a set of technical capabilities but also as a general propensity to intellectual and cognitive constructive activities; and, furthermore, following Veblen, posit a significant relation with parental bent instinct, it becomes evident that technological progress constitutes only an aspect of the manifold expressions of the instinct of workmanship. In this regard, our

impression is that advances made in this direction are not due to an abstract "rationalizing" role of technology *per se* but to the kind of links that technological progress establishes with social and economic objectives and the related process of social valuing. This implies that technological progress is far from "neutral" as regards the attainment of these objectives and, therefore, does not follow a deterministic pattern out of its "immanent rationality", but is partly moulded by the characteristics of any given context, being, as it is, deeply embedded therein. In this regard, an increased capacity for analysing social problems — a capacity which can also benefit from progress in psychological and social sciences — could well be regarded as a genuine expression of the instinct of workmanship which can play a relevant role in social evolution.

In fact, one of main source of these difficulties in Veblen's analysis may be found in the lack of any clear reference to psychological theories for developing his main arguments.

Indeed, in Veblen's analysis many important psychological concepts are implicit, and in this respect Veblen had great psychological intuitions. Examples can be found: **(i)** in his analysis of habits of thought and life, which he tended to regard as the result of the internalization (mostly at an unconscious level) of shared norms and values; **(ii)** in his concept of instinct, in which he grasps the importance of considering both emotions and intellect as the entities making up human personality; **(iii)** in his study of human development, by pointing out the importance of symbols and fantasies.

As we will see later on, these concepts — which he considers in their interrelatedness in order to enquire into the forces lying behind the development of societies — present a striking parallel with many psychological and psychoanalytic concepts: for instance, the role of internalization of norms and models of behaviour in child development, the complexity of instincts, the role of Freud's notion of "compulsion to repeat" and the importance of symbols and fantasies in individual and collective action.

2.2 John Rogers Commons' Theory of Collective Action

Transactions, Institutions and the Emergence of Concerted Capitalism

One of Commons's most important insights (in particular, 1924 and 1934) is that collective action constitutes a necessary element for an adequate performance of individual action. In fact, in many ways collective action — in its manifold web of norms, institutions and transactions — has a bearing on individual behaviour and, furthermore, can generate effects which do not lie in the intentions of the individuals promoting it. Of course, also the reverse holds true, because individual action influences in many ways collective action. The mutual influences are reinforced by the circumstance that individual action — and this constitutes one of Commons' most significant insights — tends increasingly to unfold within institutions rather than being the expression of a series of self-contained acts. The dialectic and dynamic relations intervening between individual and collective action are effectively expressed in this passage:

“Thus, the ultimate unit of activity, which correlates law, economics and ethics, must contain in itself the three principles of *conflict*, *dependence*, and *order*. This unit is a Transaction. A transaction, with its participants, is the smallest unit of institutional economics.”, (Commons, 1934: 58, 69).

Transactions are classified into three categories — Bargaining, Managerial and Rationing — according to the relationship established between the parties involved.

The first concerns the relation between individuals with equal rights — which does not necessarily correspond to equal economic power — for instance, between buyer and seller; the second regards the relations between people organized within an institution, for instance between a manager and his or her collaborators; and the third refers to the relations between the person and a kind of collective action where there is less direct involvement. This happens, in particular, with the policy action of Government and Parliament, but also with the collective action of the most important economic and social associations of society (for instance, political parties, unions, consumers associations).

Transactions, then, constitute the fabric of collective action. In this regard, it is interesting to observe the complex, conflicting and evolutionary role that institutions assume in Commons' analysis, as expressed in the following passage,

“Thus conflict, dependence, and order become the field of institutional economics, builded upon the principles of scarcity, efficiency, futurity, working rules, and strategic factors; but correlated under the modern notions of collective action controlling, liberating, and expanding individual action.”, (Commons, 1934: 73, 92).

One notable contribution of Commons was the identification (cf. also the next section) of three stages in the development of capitalism: **(i)** the period of scarcity, in which there was “the minimum of individual liberty and the maximum of communistic, feudalistic or governmental control through physical coercion”; **(ii)** the period of abundance, characterised by “a maximum of individual liberty, the minimum of coercive control through government, and individual bargaining takes the place of rationing”; **(iii)** the third period is that of “stabilization” — which Commons considers a kind of happy medium between the drawbacks of unregulated capitalism and of centralized communism — whose main features are “a diminution of individual liberty, enforced in part by governmental sanctions, but mainly by economic sanctions through concerted action, whether secret, semi-open, open, or arbitrational, of associations, corporations, unions, and other collective movements of manufacturers, merchants, labourers, farmers, and bankers.”

A central concept introduced by Commons for the interpretation of this evolution is that of “reasonable value”. It is employed in order to draw attention to the conflicting, imperfect and evolutionary nature of the process of social value. These concepts are effectively set forth in the following passages,

“Each economic transaction is a process of joint valuation by participants, wherein each is moved by diversity of interests, by dependence upon the others, and by the working rules which, for the time being, require conformity of transactions to collective action. Hence, reasonable values are reasonable transactions, reasonable practices, and social utility, equivalent to public purpose....Reasonable Value is the evolutionary collective determination of what is reasonable in view of all changing political, moral, and economic circumstances and the personalities that arise therefrom to the Suprem bench.”, Commons (1934: 681, 683-684).

Reasonable value is by definition an imperfect process whose characteristics can be

interpreted as the synthesis of the conflicting and evolutionary components of collective action. In these situations, it is important that every component of society finds adequate expression through the forms of collective action. As we will see later on, the imperfection of social valuing is also caused by its partly unconscious and conflicting character, often embodied in well engrained habits of thought and life. In fact, social value process goes at the heart of the nature of political economy, which is considered not an activity stemming from the application of abstract laws but as a collective and evolutionary decision-making process involving many institutions. In this sense, political economy has a close relation with law and ethics. In fact,

"If the subject-matter of political economy is not individuals and nature's forces, but is human beings getting their living out of each other by mutual transfers of property rights, then it is to law and ethics that we look for the critical turning points of this human activity.", (Commons, 1934: 57).

In this perspective, market and competition are not abstract mechanisms which find their origin in as much abstract notion of natural rights, but are continually defined over time by the legal and institutional system. In this context, particular importance assumes the role of the Courts of Justices which, through their decisions, define the reasonable value of transactions in the specific instances.

Negotiational Psychology, Will-in-Action and the Process of Choice

In his analysis of institutions Commons explicitly adopted an interdisciplinary approach. Within this ambit, he set forth the concept of "negotiational psychology" in order to attain a better understanding of the role of collective action in individual behaviour and, relatedly, the role of individual behaviour in collective action.

Indeed, negotiational psychology involves the idea of conflict between different feelings and values, which find their manifold expression in the dynamics of individual and collective action. Within this process, the importance attributed to social psychology appears in the following passages,

"If it be considered that, after all, it is the individual who is important, then the individual with whom we are dealing is the Institutionalized Mind. Individuals begin as babies....They

meet each other, not as physiological bodies moved by glands, nor as "globules of desire" moved by pain and pleasure, similar to the forces of biological and animal nature, but as prepared more or less by habit, induced by the pressure of custom, to engage in those highly artificial transactions created by the collective human will....Every choice, on analysis, turns out to be a three-dimensional act, which — as may be observed in the issues brought out in disputes — is at one and the same time, a performance, an avoidance, and a forbearance....The psychology of transactions is the social psychology of negotiations and the transfers of ownership....Thus each endeavors to change the dimensions of the economic values to be transferred....This negotiational psychology takes three forms according to the three kinds of transactions: the psychology of persuasion, coercion, or duress in bargaining transactions; the psychology of command and obedience in managerial transactions; and the psychology of pleading and argument in rationing transactions.

The fact that this is a behavioristic social psychology requires distinction to be made from the individualistic behavior psychology of those who reject ideas altogether as merely subjective and unmeasurable, basing their psychology on the glands, muscles, nerves, and blood currents, etc. Negotiational psychology is strictly a psychology of ideas, meanings, and customary units of measurement.", (Commons, 1934: 73-74, 88, 91, 106).

One consequence of this view, relevant also for our subsequent discussion, is that the difference between individual and social psychology tends to be blurred, in the sense that the one is considered the complement — a kind of *alterego* — of the other. In fact, the interesting aspect of Commons's concept of transactions and institutions is the joint consideration of the individual and collective element as two necessary aspects of collective action. This entails a shift of the analysis from a person-to-nature to person-to-person relations⁶, with the related importance of an interdisciplinary approach for their understanding; this appears from the following passages,

⁶ It can be interesting to note that these concepts allow Commons to pinpoint the similarities and differences between institutional economics and Darwin's theory which, as is known, has had many influences on social sciences; in this regard, Commons observes that, "....Natural selection, which is natural survival of the "fit," produces wolves, snakes, poisons, destructive microbes; but artificial selection converts wolves into dogs, nature's poisons into medicines, eliminates the wicked microbes, and multiplies the good microbes....And these transactions, since the principle of scarcity runs through them, have curious analogies to the factors which Darwin discovered in organisms. Custom, the repetition of transactions, is analogous to heredity; the duplication and multiplication of transactions arise from pressure of population; their variability is evident, and out of the variabilities come changes in customs and survival. But here the survival is the "artificial selection" of good customs and punishment of bad customs, and it is this artificiality, which is merely the human will in action, that converts mechanisms into machines, living organisms into institutionalized minds, and unorganized custom or habit into orderly transactions and going concerns.", (Commons, 1934: 636, 638).

"....Transactions have become the meeting place of economics, physics, psychology, ethics, jurisprudence and politics. A single transaction is a unit of observation which involves explicitly all of them....Like the modern physicist or chemist, its ultimate unit is not an atom but an electron, always in motion—not an individual but two or more individuals in action. It never catches them except in motion. Their motion is a transaction", (Commons, 1924: 4, 5, 7, 8).

2.3 John Maynard Keynes' Long Term Perspective

As is known, Keynes, owing to his innovative macroeconomic analysis of effective demand and his proposals for recovering from economic depression, is often considered as the theorist of short period. This opinion tends to be reinforced by his famous expression "in the long run we will be all dead".

However, from the reading, in particular, of the "Essays in Persuasion" we discover that the long term perspectives of economy and society play a paramount role in his analysis.

For Keynes, focusing the analysis also on short-term problems constitutes only a part of more profound awareness of the structural transformations of society. Although it is very difficult to forecast the details of these changes, it is possible to identify a number of significant tendencies. One of them, as noted before, relates to the growing importance of institutions and organizations for the working of the "mixed-economies" of today. The full unfolding of these tendencies can open new avenues of progress, in which the "economic motive" associated with the more detestable traits of capitalism — selfishness, greediness, avarice — can gradually become unimportant and be replaced by social and cooperative relations. The focus of these changes⁷ will be on a substantial reduction⁷ of the working-

⁷ An important parallel with this analysis can be found in the most "heterodox" of classical economists, John Stuart Mill. In his appraisal of the long term economic evolution, he remarks that the structural tendency towards the stationary state not only does not imply a static way of living but, on the contrary, constitutes the necessary condition for the full expression of the more advanced aspects of personality. The central element for attaining such a state is the control of population. In his words,

"There is room in the world, no doubt, and even in the old countries, for a great increase of population, supposing the arts of life to go on improving, and capital to increase. But even if innocuous, I confess I see very little reason for desiring it....I sincerely hope, for the sake of posterity, that they ..[the future generations]..will be content to be stationary, long before necessity compels them to it.

It is scarcely necessary to remark that a stationary condition of population and capital implies no stationary state of human improvement. There would be as much scope as ever for all kinds of mental culture, and moral and social progress; as much room for improving the Art of Living and much more likelihood of its being improved, when mind ceased to be engrossed by the art of getting on. Even the industrial arts might be as earnestly and as successfully cultivated, with this sole difference, that instead of serving no purpose but the increase of wealth, industrial improvements would produce their legitimate effect, that of abridging labour. Hitherto it is questionable if all the

hours, made possible by the increase of productivity and by less emphasis on over-consumption. The main obstacle to the realization of this potential lies not in technical but in psychological difficulty. He notes, with great psychological insight, that the latter obstacle relates to the difficulty of people to employ leisure time for a better realization of their personalities. In his words,

“And here [in the final parts of the *Essays*] emerges more clearly what is in truth his [of the Author] central thesis throughout,—the profound conviction that the Economic Problem, as one may call it for short, the problem of want and poverty and the economic struggle between classes and nations, is nothing but a frightful muddle, a transitory and *unnecessary* muddle. For the Western World already has the resources and the technique, if we could create the organisation to use them, capable of reducing the Economic Problem, which now absorbs our moral and material energies, to a position of secondary importance.... The course of affairs will simply be that there will be ever larger and larger classes and groups from whom problems of economic necessity have been practically removed....[in this sense, economics]....should be a matter for specialists, like dentistry. If economists could manage to get themselves though of as humble, competent people, on a level with dentists, that would be splendid!”, [Keynes, *Essays in Persuasion*, Norton, London e New York, [1963 (1931), pp.vii, 372, 373].

mechanical inventions yet made have lightened the day's toil of any human being. They have enabled a greater population to live the same life of drudgery and imprisonment, and an increased number of manufacturers and others to make fortunes. They have increased the comforts of the middle classes. But they have not yet begun to effect those great changes in human destiny, which is in their nature and in their future to accomplish. Only when, in addition to just institutions, the increase of mankind shall be under the deliberate guidance of judicious foresight, can the conquests made from the powers of nature by the intellect and energy of scientific discoverers, become the common property of the species, and the means of improving and elevating the universal lot.”, (John Stuart Mill, *Principles of Political Economy*, [1994, (1848): 129-130].

3. TOWARDS AN INTERDISCIPLINARY APPROACH: SOME INSIGHTS FROM PSYCHOANALYSIS

Introduction: A “Methodological” Note

As emerges from the previous discussion, although these contributions are different in several respects, they present also significant aspects of complementarity. For this reason, these theories can help consider the problems of the affluent societies from different perspectives and this can help obtain a more comprehensive understanding of their problems and evolutionary patterns.

In accordance with our “integrative” and pluralist approach, we will now underscore the role of an interdisciplinary perspective in broadening, in the analysis of the affluent societies, both the theoretical understanding and the effectiveness of policy action.

We are aware that this aspect can perplex some readers, who could say: following your perspective, every theory is allowed to enter the picture with the same rights, no matter about its intrinsic validity. Then, the result could be a general confusion.

This objection is really true but, at the same time, it is true that, for instance, in the analysis of the affluent societies, many theoretical interpretations are possible, and there is no point in denying them. Of course, in such comparisons, each observer will have a different opinion as regards the relevance of the theories in explaining these phenomena. And accordingly, will stress in the analysis the theories more relevant in his\her opinion.

For this reason, it is neither possible nor advisable to consider all the disciplines (or contributions within a specific field) with the same weight.

In this and other instances, a choice needs to be made. What seems important in this respect is to make explicit the choices adopted by acknowledging, in a pluralistic perspective, the existence and relevance of other approaches and disciplines.

3.1 The Difficulty of Social Change: A Psychoanalytic Interpretation

The complex and encompassing character of policy action — which requires an effective coordination between the related institutions and policies — while prospecting new avenues of progress, can help explain, at the same time, the difficulty of its accomplishment. In fact, owing to this complexity, policy measures taken in an uncoordinated and piecemeal way are unlikely to be successful.

In this light, we consider how a number of psychoanalytic contributions can help explain, in collaboration with the theories addressed before, some aspects of these phenomena.

A Pair of Examples

We can illustrate these aspects through a pair of examples which are significantly related to our perspective: the first concerns the debate over the reduction of public spending.

As a result of the structural tendency⁸ towards increase in public spending, it is gained ground the opinion, even across various sectors of the progressive domain, that the only remedy to the present crisis consists in a reduction of public spending and public budget deficit. Needless to say, these targets⁹ are quite different, but in the conventional wisdom, and also in the unconscious perception, they tend to be equalized. The basic and widespread appraisal is that public spending is anyway “too high” and so must be abated at any cost.

Another related example is the provision of a citizen’s income for the persons who are involuntarily unemployed. A measure of this kind can constitute a pivotal factor in the transition towards a society based less and less on the economic motive and more and more on the full realization of persons. True, such provision, taken in isolation, risks of creating a new form of “forced idleness”, which can engender phenomena of lack of motivation and alienation.

For this reason, the citizens’ income needs to be integrated with other policy measures in order to promote participation of the persons involved in the program in social and educational activities.

However, as in the case of public spending, the main difficulty in the introduction of such measure will rest in the presence of *superego* (cf. below). In this instance, it is all too easy to interpret any movement towards a society of “free time” as a sign of laziness and indifference.

⁸ We have treated these aspect in Hermann (2012a and 2012b). We highlight that the massive increase of the ratio between public spending and GDP in the most important Countries — from 20-25% of the 1950’s to the 45-50% of today — has little to do with the supposed failure of Keynesian policies but finds a significant explanation in the role of public spending (and credit creation) as the main drivers of aggregate profit of private sector. Of course, other relevant and intertwined factors enter the picture: in particular, the role of public spending in providing essential public goods and the role of interest groups in orienting public spending to their benefit. In this sense, one central challenge of the future is to orient public spending more and more — through a widespread process of social valuing (cf. also in the text) — to the real exigencies of the community.

⁹ As a matter of fact, public budget deficit can be reduced not only by cutting expenses but also by increasing taxation.

The role of *superego*

In these situations, in fact, in which the only faith in economic progress rests on a kind of a wild and unregulated competition, the market tends to be psychologically perceived as an inflexible and punitive *superego*. In that vision, the only possible thing we should do is to comply with the “needs of the market”, without any further enquiry on the adequacy of the system to respond to the profound needs of economy and society.

A psychoanalytical interpretation can cast new light on the unconscious reasons underlying these attitudes¹⁰: they can refer to the child’s desire of possessing its mother’s affection and nourishment and to the feeling of guilt¹¹ that often arise in relation to such a desire. As well expounded by the contributions of Sigmund Freud, Melanie Klein and many others, the child, in its early relation with the mother, is likely to experience complex feelings¹² — which can include anger, ambivalence and frustration — related to its utter desire of being nourished and protected.

¹⁰ In this regard, the attitude towards public spending tends often to assume the typical trait of a neurotic disturbance (S.Freud, 1924 and 1933), namely, a compromise between the “desire” and the “defence”.

For instance, some persons can express their greediness and related aggressiveness by showing an exploitative attitude towards public spending; others persons, instead, can express their greediness and aggressiveness by denying their need of the mother and identifying themselves with omnipotent and aggressive parental figures. Needless to say, also the latter category of persons can often be ready to get advantage of public spending, if the occasion presents itself, but they try to strongly deny it.

Both patterns of behaviour tend to be profoundly destructive: in the first case, people show indirectly their aggressiveness by being “lazy” and trying to live on public spending. The inner sense of guilt expresses itself by keeping the person in a passive and dependent condition, which of course hinders the true expressions of their personalities. In the second case, people tend to be overactive, but often in destructive way: for instance, by making career and money in an unscrupulous way and letting little room in their life for affective and social relations. In this case, the feeling of guilt expresses itself by leaving persons always discontent, no matter what they have achieved, and preventing them from having a rewarding social and affective life. The contradictions engendered in our society between family and social objectives was stressed in particular, within Cultural Psychoanalysis, by Karen Horney (1937, 1939).

¹¹ Of course, such feeling can also be related to the characteristics of our “affluent societies” — which induce people to consume more and more in order to keep the productive process going — when compared with the realities of the poorest Countries. In this instance, however, is quite appropriate to enquire about the adequacy of our provisioning process in ensuring a real possibility of development for everyone. What we are referring to here is the neurotic feeling of guilt (cf. also the previous footnote).

¹² In this regard, it can be interesting to note that the aggressive attitude towards public spending as a symbol for a maternal figure can help explain why we tend all too often to appraise the problem of scarcity as it involved a real lack of goods. This feeling is conveyed through the following expressions, “by now, there is no money left”, “we cannot afford these expenses”, “we need to tighten up our belt”, and what not. As well expounded by Melanie Klein, the child, as a result of an early feeling of abandonment, can react very angrily and so develop a neurotic and aggressive reaction of excessive greediness — and corresponding feeling of guilt — which can express itself by the fantasy of destroying or exhausting the mother’s breasts.

It can easily be noted how such early experiences can impinge on adult life, for instance, on their ambivalent attitude towards public spending.

In this sense, Commons, Keynes, J.K.Galbraith and other heterodox economists have pointed out that, owing to the massive increase in labour productivity, the real problem in our societies relates not to the real scarcity but to the “artificial scarcity” (in particular, Commons, 1934), the latter being created by the legal and institutional frameworks of our economies—and also, we can add, by their intertwining with psychological conflicts and orientations. Of course, one significant element of reality in the discourse on scarcity refers to the wild exploitation of natural resources.

For all these reasons, the attempts to go along the old pathways of the “conventional wisdom” are unlikely to really improve the situation. Our impression, instead, is that these measures are likely to worsen a vicious circle of economic and social crises, most often accompanied by an increase — as we have seen before, mostly neurotic-driven — of xenophobia, intolerance, prejudice, localism and disruptive rivalry¹³ in the international relations.

However, it is not straightforward, from a psychological perspective, to follow the avenue of a sustainable and equitable society. In fact, all the psychological attitudes related to the presence of *superego* are not easy to get rid of as they are ingrained in well established habits of thought and action and in the social valuing associated with them.

As these habits of thought represent the ideals and the moral code coming down from the past, they acquire also a social and institutional dimension. Thus, the *superego* acquires at the same time an individual and collective dimension, and this is another aspect that can explain the usefulness a collaboration between heterodox economics and psychoanalysis. In this regard, a more systematic interaction between heterodox economics and psychoanalysis can help reach out a deeper insight into the main factors underlying the emergence of the recent economic and financial crisis, and into the multiple links between the various spheres of policy action. We can mention, in particular:

However, in the typical negative attitude towards public spending this element is rarely considered: what is “scarce”, in conventional wisdom, are not natural resources, but the supposed “easy and lazy life” made possible by public spending.

¹³ It can be interesting to note that these aspects have been highlighted also by Veblen in his historical reconstruction of the emergence of modern nation-states. In this sense, there is a promising area of convergence between institutionalism, psychology and psychoanalysis. In this regard, it is important to note that the instance of *superego* discussed before, certainly, stems also from a normal human tendency to establish sound interpersonal relations, and, accordingly, to behave with affection and solicitude towards each other and continually improve the “bright aspects” of personality. However, whereas in non-neurotic situations the “code of conduct” emerging from such tendencies asserts itself as a genuine behaviour, in neurotic situations leading to the formation of *superego* things run in a completely different way: here, the tendency of improving personality tends to be, under an appearance of goodness and morality, subordinated to the expression of neurotic contents at cross-purposes with such tendency.

As a matter of fact, on account of the sense of guilt arising from the child's aggressiveness towards its caretakers, a good portion of such aggressiveness is directed towards the child's *ego* in the role of a controlling and punitive instance. From this origin stems the severity, rigidity and inflexibility of the *superego*. These characteristics of *superego*, however, as being based on the expression of neurotic conflicts, are able neither to create a better environment for the person nor to solve his or problems.

Rather, quite often the severity of *superego* leads — through the so-called paranoid and narcissistic transformation of personality, extensively studied in psychoanalysis — single individuals, groups or societies to do nasty and persecutory actions towards other individuals, groups or societies into which their aggressiveness has been projected, and so to sabotage, in the meaning reviewed before, the possibility of establishing sound interpersonal relations.

These psychological processes can help to explain — and history is full of such instances — the neurotic roots of racism, xenophobia and other phenomena of exclusion and marginalization. These phenomena tend to be reinforced by economic and social crises.

(I) What are the profound meanings of the various aspects of economic action — in particular, work, consumption, saving, investment — considered in their psychological, social and cultural dimensions? Is, for instance, the quest for money and for a given consumption pattern a direct and sole targets, or else they cover other motivations of the person? For example, the (partly unconscious) need for affection and consideration, which the person tries to pursue through a perceived socially accepted behaviour? In other words, is the quest for money a primary or secondary goal to the person?

(II) What are the psychological, social and cultural factors (including the role of mass media) leading the person to a given consumption (or work, investment and saving) pattern? In particular, what is the role of any given context in orienting, fostering or frustrating the various propensities, values, conflicts and needs of the person?

(III) The economic and psychological significance of economic and social crisis. The most suitable macroeconomic policies and their interaction with structural policies; and how these policies are perceived, appraised and influenced by citizens.

CONCLUSIONS: WHAT POLICIES FOR ECONOMIC AND SOCIAL CRISIS?

As a way of a conclusion, what are the implications of our interdisciplinary exercise for policy action? Among others, we can highlight the importance of the following aspects:

(A) Understanding as much as possible the characteristics of the structural transformations of our economic and social systems. These issues converge towards the basic fundamental theme: why has it occurred over time a steady deterioration of relevant aspects of the quality of life—for instance, difficulty to find and retain a motivating job, environmental decay, lack of participation and highly uneven distribution of incomes and power?

(B) What are the options for moving towards a sustainable and equitable society? In addressing these issues, it seems necessary to realize a better coordination between macroeconomic policies and structural policies (in particular, industrial, research and innovation, social, environmental). This involves realizing a better coordination between the institutions, classes, groups and individuals involved in policy action.

(C) For this reason, it becomes paramount promoting, through an improved process of participation, a widespread process of social valuing. In fact, as noted before, the imperfection of the social valuing is also related to its partly unconscious and conflicting character, often embodied in well engrained habits of thought and life.

The pertinence of this approach for policy action can be shown by a simple example: if we wish to further personal initiative at economic and social level, a narrow conception of the *homo oeconomicus* will suggest policy measures centred only on pecuniary incentives.

Conversely, a proper acknowledgement of the significance for the person of establishing sound interpersonal relations will help devise more effective and far reaching policies, as they would be more tailored to the real needs and orientations of the person.

In this regard, one aspect that emerges from our pluralistic approach is that policy coordination does not acquire only a “technical character” but implies a profound “cultural revolution” involving the historical, political, institutional, social, economic and psychological dimensions of any given context.

Thus, by promoting the experiences and capabilities of the subjects involved, it can be created the basis for the definition of a roadmap of policy action specifically targeted at the solution of the most urgent economic and social problems.

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