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## **J.F. Galbraith, economist of peace,**

Fontanel, J., Coulomb, F.,

in « John Kenneth Galbraith and the Future of Economics »,

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**Résumé :** Illustration of the power of technostructures, partially autonomous, the military-industrial complex aims to escape democratic control at least partially, in the name of the secrecy necessary for national defense. As a result, it exerts a negative influence on the whole of American society, leading in particular to global economic waste to the detriment of citizens. The excesses of militarism lead to the arms race. Galbraith advocates disarmament and a reduction in military aid to developing countries in favor of other types of aid. Galbraith's analysis of peace remained consistent in all its expressions. If he recognizes the interest of a dominant power in using military force to deter enemies, to provide a social cement that the values of individualism do still not supply, and to maintain the 'society of contentment', he has also condemned the non-optimal character at the world level of military expenditures and the incapacity of modern societies to give up barbaric forms of conflict, wars or the domestic oppression of citizens by armies, which may be both instruments of power and the power itself.

Illustration de la puissance des technostructures, partiellement autonome, le complexe militaro-industriel se propose d'échapper au moins partiellement, au nom du secret nécessaire à la défense nationale, au contrôle démocratique. De ce fait, il exerce une influence négative sur l'ensemble de la société américaine, conduisant notamment à un gaspillage économique global au détriment des citoyens. Les excès du militarisme, conduisent çà la course aux armements. Galbraith plaide pour le désarmement et pour une réduction de l'aide militaire aux pays en développement au profit d'autres types d'aide. L'analyse de la paix par Galbraith est restée homogène dans toutes ses expressions. S'il reconnaît l'intérêt d'une puissance dominante à utiliser la force militaire pour dissuader ses ennemis, pour fournir un ciment social que les valeurs de l'individualisme ne fournissent pas encore et pour maintenir la « société du contentement », il a également condamné l'attitude non optimale caractère au niveau mondial des dépenses militaires et l'incapacité des sociétés modernes à renoncer aux formes barbares de conflits, de guerres ou d'oppression intérieure des citoyens par les armées, qui peuvent être à la fois des instruments de pouvoir et le pouvoir lui-même.

Technostructures, dépenses militaires, armement, désarmement, complexe militaro-industriel, démocratie

Technostructures, military spending, armament, disarmament, military-industrial complex, democracy

John Kenneth Galbraith is among the most famous economists, not only known by specialists, but also by all those who wonder about the interactions between social evolution and economic factors. He has rejected the narrow hypotheses, axioms and postulates of the dominant economic science, criticizing the too-simplifying analyses based on a supposed ideal world generating economic development and peace. Robert Eisner, former President of the American Economic Association, asked why John Kenneth Galbraith had not obtained the Nobel prize yet, answered with a smile: 'Because he is too intelligent'. He then added: 'Maybe also because he is a free, really free spirit (told by Jacques Fontanel).

Fukayama announced the end of history at the beginning of the 1990s, but today war remains a significant presence. It has taken the shape of colonialist/civilizing operations in Iraq, civil and ethnic conflicts in former Yugoslavia, in Rwanda and in Sudan, and of terrorist wars in developed countries. During the last two decades, a number of economists have wondered about the narrow connections between war and economy. They have notably been influenced by the pioneer analyses of J.K. Galbraith, who is a founder member of the association ECAAR (Economists Allied for Arms Reduction), which is being further developed by his son, James K. Galbraith, with a new name, EPS (Economics, Peace and Security). The association promotes peace and the struggle against poverty. It has several Nobel Laureates among its members - such as Kenneth Arrow, Douglas North, Lawrence Klein and Franco Modigliani - and other famous members include economists such as Michael Intriligator and Jeffrey Sachs.

The subject of military power has an important place in Galbraith's work. The military sector is particularly illustrative of the power of technostructures, which are partially autonomous, evading democratic control. Showing the irrationality of the arms race (and after 1991 of the maintaining of high military expenditures in industrial nations), Galbraith (1993b) pleads for disarmament and for a reduction in military aid to developing countries in favour of other kinds of aid. His analysis is characterized by some pessimism as to the capacity of Western systems, and particularly of America, for reform.

## **The denunciation of an excessive militarism**

Galbraith's analysis of the technostructure within the capitalist economic system, pursued over more than thirty years, has always integrated the question of the military sector. He has repeatedly denounced the autonomization of military power and has analysed the specific economic role of defence spending. In his analysis, the excesses of militarism notably ensue from a bureaucratic shift of the economic system.

### **Militarism, technostructure and policy of contentment**

In *The New Industrial State* (Galbraith, 1967), Galbraith explains that the large corporation depends on state support to develop the research necessary

for technological innovation. Its will to control the market favours the development of a 'technostructure', consisting of administrators and wage-earning technicians, to the detriment of the entrepreneurs' power. The technostructure seeks the continuation of economic growth as well as the satisfaction of shareholders, in order to ensure its perpetuity. Numerous problems follow from its increasing dominance, including the progressive autonomization of military power. Galbraith develops this idea in following works, in particular in *Economics and the Public Purpose* (Galbraith, 1974). He explains in this book that it is the power of the technostructure (more than that of the bourgeoisie) which is reflected in the structures of the modern state. He denounces the influence of the 'military establishment' – the armed forces, military bureaucracy and private suppliers, in particular arms firms - in the determination of the level of military expenditure and of foreign policy. Two types of bureaucracies are concerned: one private (the technostructures of arms industries) and the other public (in the US, the Pentagon). They pursue common objectives of growth and technical innovation in a 'bureaucratic symbiosis'. Within the military sector, the citizen has no initiative, the power is in the hands of manufacturers and armed forces (Galbraith, 1974, p. 181).

In *The Culture of Contentment* (Galbraith, 1993a), Galbraith devotes two chapters to the issue of the 'collusion with the military power' of the 'content community'.? He denounces the propensity of American capitalism to self-destruction because of the general commitment to laissez-faire and to market freedom. The privileged act to promote their comfort and immediate interests, and without long-term objectives. Consequently, they consider state intervention to be a burden and they generally defend tax reduction; regardless of any potential negative impact on industrial productivity because of an increase in the budget deficit or of short-term interest rates. Moreover, within the large corporation, the power given to shareholders leads to dogmatic emphasis on profit maximization and to the neglect of the production side. American society suffers from a 'bureaucratic syndrome', in particular within large organizations, which results from the search for contentment, with the will to fight against resistances, to avoid individual mental effort and to favour a harmonious social climate.

Galbraith traces the origin of the 'culture of contentment' back to the American victory in World War II. The superpower status of the United States then required that the country undertook large military expenditures. The consequent excessive militarism, according to Galbraith, is the partial cause of the problems affecting contemporary American society. In contrast, Germany and Japan's post-war development focused - with a typical ambition of the defeated, developing a culture of 'economic war' - on economic power rather than military power. The latter is not necessary to become an important country in the hierarchy of nations. It is, on the contrary, the countries which first pursued the 'economic war' issue that are now among the first in international competition. So at the beginning of the 1990s, Galbraith claimed the superiority of German and Japanese capitalism, ° which gave priority to production rather than consumption. Barring important domestic upheavals, the American economy risked slow decline into grave recession.

This analysis can be placed in a broader stream of economics in the 1980s (see, among others Thuröw, 1992, or Väyrynen, 1992), which demonstrated the superiority of Rhenish capitalism over Anglo-Saxon capitalism. All these

works built on ideas previously developed by Veblen, although he did not present militarism as an essential characteristic of Anglo-Saxon capitalism. In *Imperial Germany and the Industrial Revolution* (Veblen, 1964; first published in 1915), Veblen pointed out the tendency of 'modern' capitalist societies of the Anglo-Saxon type to become more and more peaceful, because 'commercial interests' overcome 'dynastic interests'. On the other hand, dynastic societies (as in Japan and Germany) remain characterized by specific mental habits inherited from the feudal period, during which military conflicts and mercantilist policies were essential for these systems' survival. In the long run, the dynastic model should normally disappear and be replaced by that of modern societies. However, Galbraith's analysis is not determinist.

Galbraith's analysis is then inserted in the institutionalist current, where it distinguishes itself by its insistence on the importance of the military sector in capitalist economic development, especially in the United States.

### **The use of the foreign threat by the military establishment**

According to Galbraith, the position of the military establishment in the culture of contentment was consolidated during the Cold War by its image as a bulwark against communism, which was presented as a direct threat to this culture (Galbraith, 1993a). Underlining the excessive and unfounded character (sometimes approaching 'paranoia', as in the time of McCarthyism) of the fear of the USSR in the United States and in other Western industrial nations, Galbraith explains that its manipulation by the members of the military establishment allowed the maintenance of a high level of military expenditures. Such a situation served the interests of many members of the 'content community', such as directors and workers in the arms industry, defence lobbies, scholars and engineers (Galbraith, 1993a, p. 125). From 1973, in *Economics and the Public Purpose* (Galbraith, 1974, p. 192), Galbraith

warned against the idea developed by the military and the Pentagon's analysts of insufficient military preparation; an idea with the sole aim of serving their own interests to the detriment of national economic development, and one which Galbraith further developed elsewhere, notably in *The Culture of Contentment* (Galbraith, 1993a, p. 124). Here, he describes the impossibility of any American politician standing up for a position apparently 'soft on communism', considered at this time equivalent to being 'soft on defence', and how this has favoured the development of defence expenditures. The military establishment was therefore able to increase its power during the Cold War and it has become autonomous, escaping democratic control.

During the Cold War, Galbraith also often denounced the role of ideology in American foreign policy. The numerous American military expeditions, whose declared objective was to contain Soviet expansionism, were mainly intended to increase the power of the military establishment. Thus, during the Vietnam war, Galbraith criticized the transformation of a civil war into a conflict with a strong ideological content, whose outcome was presented as decisive for the future social structure of all humanity (Reisman, 2001, p. 62). The many military operations outside the United States during the 1980s (Lebanon, Libya, Grenada, Afghanistan or Angola) were first and foremost used to justify the importance and the power of the military establishment. Also, the increase of military expenditure in the 1980s, during the Reagan

administration, answered no rational motive, such as the emergence of new military threats, but rather responded to the fears of the 'content electorate' (Reisman, 2001, p. 125), which served the interests of the military establishment (Galbraith, 1993a, p. 137). This renewed arms race has led to the collapse of the Soviet Union, but its objective at that time was to satisfy the needs of the military sector rather than to achieve this unexpected victory.

Thus, according to Galbraith, foreign policy is an instrument in the service of bureaucracy, in particular of careers within ministries. The abolition of obligatory military service in 1973 in the United States was a spectacular result of the increasing reluctance of the middle class, marked by the culture of contentment, to accept human losses in fighting, as had been the case during the Vietnam war (Galbraith, 1993a, p. 127). However, it has not hindered the interests of the military establishment, which now recruits from more underprivileged classes.

### **The autonomy of military power and the lack of democratic control**

Galbraith has criticized the autonomous power of the arms industry lobby and the fact that military power is not subject to any democratic control. While traditional economic theory teaches that firms serve the consumer (largely ignoring monopoly situations with huge profits or bureaucratic inefficiency within organizations), Galbraith considers that it is in fact the consumer who serves firms. Through marketing and advertising, consumer needs are shaped so as to serve the objectives and financial interests of the industrialists (Galbraith, 1993a, p. 132). The study of the firm has to take into account the fact that the organization's members may privilege stability and bureaucratic comfort and not the objective of profit maximization. In the military sector, the internal power of the establishment is particularly important (Galbraith, 1993a, p. 133). Indeed, this sector avoids the constraint of multiple consumers' choice and of effective demand, because it is the military establishment itself which decides on what to maintain and to produce in the field of military forces, installations and production. Military industries are both the decision-makers and the producers. This idea has notably been developed in *Economics and the Public Purpose* and in *The Culture of Contentment*.

In the latter, Galbraith explains the close relations between the military sector and the political establishment, in particular between members of parliaments and the arms firms. These firms play an important role in the financing of election campaigns; in certain regions they also have a key role in employment. The constant search for technological innovation, justified during the Cold War by the claimed necessity to remain ahead in the arms race with the Soviet Union, has led to a culture of ceaseless renewal in the arms industries. According to Galbraith, innovation in military equipment is a stratagem by which the military-industrial technostructures create the demand which meets their production, notably during the Vietnam war (Galbraith, 1995, p.212).

The fact that the end of the Cold War has not led to a significant disarmament is testimony to the autonomy of military power. Arms exports and the development of military technologies continue to be widely financed (Galbraith, 1993a, p. 139).

### **The stabilizing effect of military expenditures in the capitalist system**

Galbraith's theory on the role of military expenditures in the capitalist mode of production is profoundly original, even if it has its source in Keynesian and Marxist theories.

Keynes himself had shown that military expenditure could serve as an instrument of economic reflation, like any public spending (Coulomb, 2004, p. 166); this idea was subsequently criticized by Robinson (1973) on the grounds that the relative utility of different public spending should be considered. Following Keynes, Galbraith recognized that the defence budget of the Reagan administration had been a factor in economic growth and had offset the recessive effects of tax reduction (Galbraith, 1995). His originality with regard to the Keynesian analysis is to show that defence expenditures are very specific, exercising an inertia effect in capitalist economies: less flexible downwards than other public expenditures in times of budget cuts, they are also less flexible upwards in times of growth and of overheating, when they increase more slowly than other public or private spending. On the other hand, in a recession, because of the inertia effects inherent in the defence sector (programmes covering several years, inflexible and substantial personnel expenditures), military expenditures exercise a stabilizing effect. They are thus presented as an important element for the stability of capitalist economic systems, and particularly of the American economy. This analysis has been confirmed by the results of several econometric analyses (Fontanel, 1995, p. 58).

Galbraith's theory may also be compared to the Marxist theory of military expenditures, notably explored by Baran and Sweezy in the 1960s. According to these American economists, in a famous analysis of 'monopoly capital' (Baran and Sweezy, 1966), defence spending serves to absorb the economic surplus fostered by capitalism; the arms race is then consistent with the logic of capitalism which aims, through unproductive expenditures, at maintaining a constant ratio between production and solvent demand. The surplus can be absorbed through consumption or through civilian public expenditures, but military expenditures are more effective in this role. Indeed, they do not redistribute incomes to those whose productivity is weak, but they do stimulate collective values. Disarmament is not compatible with capitalism, which favours international tensions leading to armed conflicts or increased military expenditures.

Galbraith offers an alternative to the Marxist theory of military expenditures, by emphasizing the role of institutions and the autonomy of the military bureaucracy (public and private), which answers its members' own interests. The 'superstructures' are autonomous with regard to the class war.

### **The economic and political implications of disarmament**

A founder member of the ECAAR, Galbraith has warned in numerous works against the economic and political risks of excessive militarization at the world level. Judge of his time, he has underlined the central role of war and of its threat in the American system, but also the wastefulness of military expenditures, which limit economic development in the poorest zones, while favouring the emergence of bloody conflicts.

### **The impossible peace?**

Galbraith (1989, p. 49) has traced the central place of the military sector in the United States back to the origins of the American state, founded by merchants who applied a mercantilist policy to foreign markets (according to rules defined by Hamilton), in spite of their support for Jefferson's liberal philosophy. The military sector's development has allowed them to maintain their economic and political power at the domestic level. This system, based on war and on power, has proved its efficiency since then.

This thought may be linked to a study (Anonymous, 1984; first published 1967) on the utility of wars and the possibility of a demilitarization of American society. It was a secret, anonymous report that was supposed to have been drafted by a special study group. J.K. Galbraith was for a time considered to be the director of the whole report. But it is now known that he had only written a review of the report under the pseudonym, 'Herschel McLandress', published in the Washington Post and the Chicago Tribune. In 1972 Leonard C. Lewin revealed in the New York Times that he had written the entire report. The ostensible project was to determine the implications of a lasting international peace for American society, which was organized around preparation for imminent war. The hypothesis is made that the world is not ready to face the economic, political, sociological, cultural or ecological consequences of large-scale disarmament. What then are the real functions of war (or of its preparation) in modern societies (Anonymous, 1984)? Is the end of war compatible with social stability?

According to the report, the economic effects of disarmament are difficult to evaluate and there are no viable tests of such a scenario; they do not take into account the non-military functions of war in modern societies. The fundamental misunderstanding lies in the idea that war is the continuation of diplomacy, that it is subordinated to the social system which it is supposed to defend. However, the economy's transition towards peace is not as simple as the establishment of new procedures and organizations. War has several non-military functions (Anonymous, 1984, p. 104): economic (it slows down economic progress and stabilizes stocks in surplus), political (international relations serve to divert public attention from domestic social problems, so reducing the tendency to social disintegration), sociological (war and military institutions serve to channel antisocial elements, they prevent movements of social contestation), cultural and scientific (the military sector imposes ideals and gives science the power to solve all problems) and so on.

What institutions (or types of expenditures) could be substituted for the military sector? According to the report, the present system cannot disappear without causing irreparable damage unless substitutes for war are found. These should meet four main criteria. They should:

- Lead to resources waste
- Be exerted through the normal system of supply and demand (Anonymous, 1984, p. 151)
- Represent an instrument of regulation of cyclic recessions
- Convince citizens of their legitimacy, so that objections remain slight.

Social programmes (health, education, housing or transport) are only imperfect substitutes for war, as is space research, as they do not propose substitute enemies. The proposal of a conversion of war production to civilian



public works demonstrates a misunderstanding of the current economic system.

The report's methodology and arguments are linked with both Keynesian and Marxist theories. Between economics, politics and sociology, it presents military expenditures as a pillar of the capitalist system. It also shares arguments with the 'neo-mercantilist' current.

The thesis developed in this report may be applied, at least partially, to the current military overspending of the United States, at a time when foreign threats are not very evident. We can even consider that the American government creates the conditions of conflict by increasing military expenditures in an international climate more inclined to market economic development.

### **The wastefulness of military expenditures**

During the Cold War, Galbraith repeatedly stressed the wastefulness which represented the arms race between the USSR and the United States. In a speech in The Hague in 1992, he underlined once again the exponential growth of military expenditures since the end of the Cold War, in particular the fact that between 1960 and 1990, military expenditures had quintupled in constant dollars, while the GNP had less than doubled. Galbraith often regretted that the question of resources' allocation for military objectives remained too little studied by economists, particularly in the United States. The argument for the superior requirements of defence was used to justify a high level of military expenditures during the Cold War, to the detriment of the struggle against poverty. The allocation between military and civil needs shows a failure of the democratic process in the United States (Galbraith, 1995, p. 113).

The collapse of the USSR in 1991 generated great hopes for world disarmament, while some foresaw a transition towards a multipolar interdependent world. The idea that security should from now on be ensured with a minimum of weapons, on the basis of the balance of threat, no longer seemed subversive. The complete elimination of nuclear forces appeared as an essential objective of humanity. In 1999, Galbraith asserted that the existence of nuclear weapons reduced the risk of open warfare, and that the United States was particularly vulnerable, because of the high concentration of economic and financial activities in certain zones, as in New York (Galbraith, 1999). The disarmament process initiated by the major powers partially met economic considerations, the American economy being weakened by competition from the European Economic Community and Southeast Asia - its strategic allies but also trade rivals - and the countries of the former USSR being confronted with an unprecedented political, economic and social crisis. From the start, Galbraith criticized the political orientation of the reforms in these countries, which according to him were not based on a serious reflection on the development of demand or on real liberties (Galbraith, 1993, p. 28). And yet the risk is that democracy is identified with scarcity and economic difficulties; besides, it does not represent a solution by itself. Galbraith repeated this idea several years later (Galbraith, 1999). According to him, democracy is not the necessary and sufficient condition for economic development, which will occur only if the political teams are competent, honest and concerned about the general interest.

In 1993, Galbraith remained sceptical about the possibility of rapid world disarmament (Galbraith, 1993a, p. 25). But six years later, he seemed more optimistic about the possibility of limiting war, thanks to economic globalization. The situation appeared very different from that prevailing in Europe on the eve of World War I, when heavy industries were the military allies of governments and favoured nationalism (Galbraith, 1999). This reflection was prior to the attacks of 11 September 2001 and to the conflicts in Afghanistan and Iraq. It developed the arguments of French physiocrats and of British classical economists for the pacification of international relations through the development of trade interdependences (Galbraith, 1995, p. 125).

Thus, Galbraith has always defended the idea of worldwide disarmament. While he underlined in his writings of the 1960s and 1970s that the military sector had contradictory economic effects, by representing both a waste and stabilizing factor, he did not consider the possibility of the positive effects of military technologies on the civil sector. Today the United States is ahead of the rest of the world in research and development and in technological potential. It is the only superpower, combining military power without rival, very advanced technological development, diplomatic and cultural force, control of international organizations and a will to domination and proselytism. If the US still appears as defender of an impartial economic free trade, its economic policy is more than ever characterized by geo-economic considerations. The level of American military expenditures shows the importance given to support of the 'society of contentment' in a world still stricken by the ancestral plagues of misery, lack of freedom and violence.

### **Military power against economic development**

J.K. Galbraith has consistently criticized the wastefulness represented by military expenditures in developing countries. The capitalist system facilitates the emergence of an independent military power in industrial nations, but its costs in human terms are only limited compared with that of the military power in poorest countries. According to Galbraith, this diverts the correct use of scarce resources and prevents the implementation of efficient government (Galbraith, 1993a, p. 27). It inevitably leads to deprivation and economic curbs. The resource requirements of the military sector represent 'the greatest scandal and the greatest tragedy of our time' (Galbraith, 1993a, p. 25). If some countries partially escape this fate, elsewhere in Asia, in Africa, in Latin America, the military power has excessive influence on the government, when it is not itself the government. Besides, the question of the arms trade has remained widely ignored by economists, as if this issue, though essential, did not exist. Arms purchases by developing countries lead to a transfer of resources towards developed exporting countries and away from the satisfaction of essential needs and they favour murderous conflicts.

Galbraith has also criticized the military aid to developing countries, which has always widely exceeded the civil aid in health or education (Galbraith, 1995, p. 269); the role of free education in the process of economic development has not been enough emphasized (Galbraith, 1993a, p. 27) although there is a direct link between the education level of a population and its welfare. Galbraith has moreover observed that the strategies of indirect

conflicts embarked upon by industrial nations during the Cold War aimed to minimize human losses in these countries, while generating millions of civil and military victims in developing countries, as in Vietnam or in Afghanistan (Galbraith, 1993a, pp. 26-7). By destroying the potential for economic development, conflicts also generate humanitarian disasters that result in millions more deaths. Concerning contemporary conflicts, Galbraith declared himself. In 1994 in favour of the duty to interfere in case of domestic massacres, as in Somalia or in the Balkans, under the auspices of the United Nations (Galbraith, 1995, p. 270). He has on the other hand called into question the efficiency of economic weapons, in particular the international economic sanctions, which only generate a transfer of resources within the target economy and a greater sacrifice by the civil population, without achieving their political or military objectives (Galbraith, 1995, p. 155).

### Conclusion

J.K. Galbraith has often regretted that economic analysis was limited to the study of production and demand in very rich economies, where fundamental needs were already satisfied, without considering the recurrent problems in less wealthy nations of misery, poverty and inequalities, resulting in violence. In 1953, Eisenhower underlined the wastefulness represented by military expenditure. From the same perspective, J.K. Galbraith has indefatigably exhorted economists to study the real problems of their time, and it has led him to develop a heterodox theory on military issues. To Galbraith, war or its threat allows control of the conflicting tendencies of inegalitarian societies. Moreover, military power, in developing countries but also in developed countries, is in opposition to democracy and economic development. Its autonomous character results from the increasing power of the technostucture within industrial nations, in particular in the United States. Finally, even though military expenditures may exercise a short-term positive influence on economic growth in developed countries, in the long run, they represent an economic waste, only benefiting a few.

Galbraith's analysis of peace has remained homogeneous in all its expressions. If he recognizes the interest of a dominant power in using military force to deter enemies, to provide a social cement that the values of individualism do still not supply, and to maintain the 'society of contentment', he has also condemned the non-optimal character at the world level of military expenditures and the incapacity of modern societies to give up barbaric forms of conflict, wars or the domestic oppression of citizens by armies, which may be both instruments of power and the power itself.

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