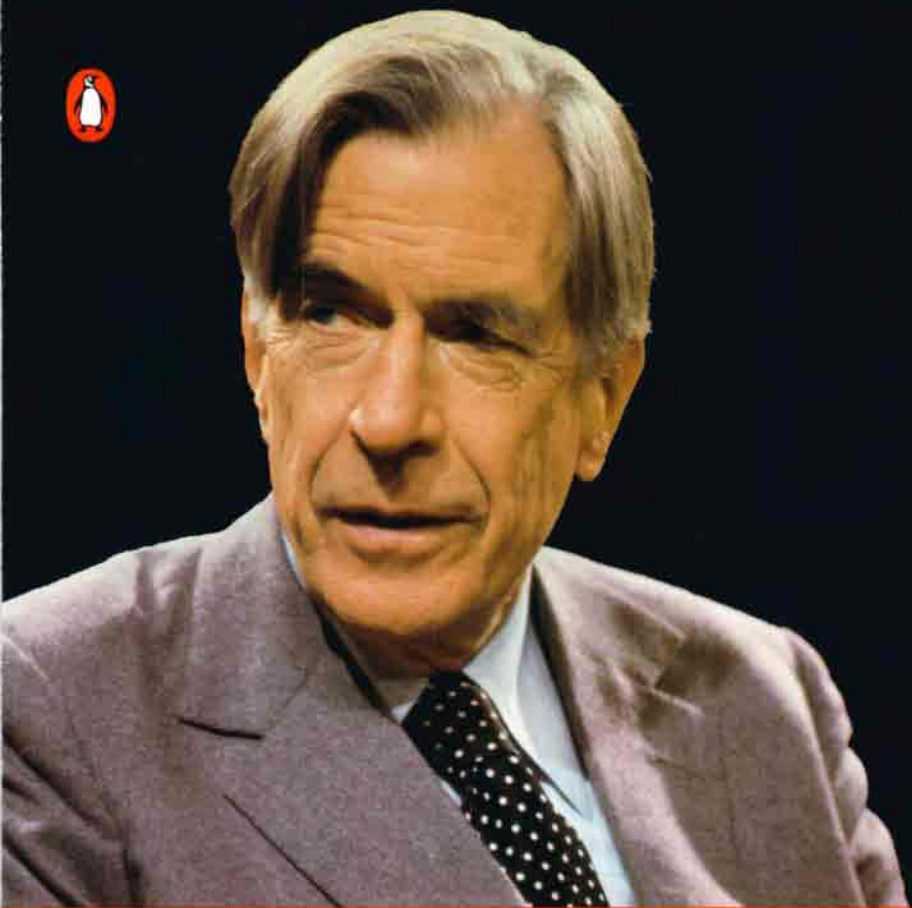


JOHN KENNETH GALBRAITH

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John Kenneth Galbraith is the Paul M. Warburg Professor of Economics Emeritus at Harvard University and was the U.S. ambassador to India during the Kennedy administration. His works *The Great Crash 1929*, *The Affluent Society*, *The New Industrial State*, and *Economics and the Public Purpose* are landmarks of political and economic analysis.



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F O R E W O R D

TO THE 1993 EDITION

It is now three years since I did the main work on this small book. As I told in the Foreword to the earlier edition, it concerns matters that have interested me for a third of a century and more. I first dealt with them in *The Great Crash, 1929*, published a little after the twenty-fifth anniversary of the 1929 debacle. That book has been continuously available ever since. Whenever it was about to pass out of print, some new speculative episode or disaster would bring it back to public attention. Over a lifetime I have been, in a modest way, a steady beneficiary of the speculative aberration in its association with more than occasional insanity. Only a stalwart character keeps me from welcoming these events

as proof of personal prescience and as a source of small financial reward.

In the first Foreword to this volume, I told of my hope that business executives, the inhabitants of the financial world and the citizens of speculative mood, tendency or temptation might be reminded of the way that not only fools but quite a lot of other people are recurrently separated from their money in the moment of speculative euphoria. I am less certain than when I then wrote of the social and personal value of such a warning. Recurrent speculative insanity and the associated financial deprivation and larger devastation are, I am persuaded, inherent in the system. Perhaps it is better that this be recognized and accepted.

In the years since I wrote this short disquisition, the main players in the most recent speculative episode, that of the extravagant eighties, have met their all but inevitable fate, and the larger economic consequences have been made strongly and sadly evident. The list of those who have descended abruptly from

the heights is long, and only a few need be mentioned. Mr. Michael Milken, perhaps the most spectacular figure of the last boom and certainly the best paid, is a recent resident in a minimum-security gaol, which, if not wholly uncomfortable, could not have seemed personally rewarding. One supposes that he met each new day without enthusiasm. Mr. Donald Trump is said not to be broke; he was, however, described in recent news accounts as having a negative net worth. These distinctions are no doubt important in the world of finance. The Reichman brothers, with Robert Campeau the Canadian gift to financial excess, are indubitably broke with depressive effect on the banks that were captured by their euphoric mood. Perhaps it is to their credit that, like Donald Trump, they erected monuments that will long commemorate their adventure. In London, tourists going down the Thames to the Tower will extend their journey to encompass the Canary Wharf development, perhaps the most awesome recent example of speculative dementia.

To a marked extent, the speculative orgy of the eighties was in real estate, including that financed through the S & L's by the guaranteeing American taxpayer. Salomon Brothers