Honorary Degree Lecture
The End of Hegemony and the Ends of Economics
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Vice Rector, Dean, Chair, my dear friend Yanis. Let me begin by expressing my thanks for the great honor that you and your colleagues – my colleagues now, I'm proud to say – have bestowed on me this evening. But I wish also to express a deeper emotion, a feeling of profound respect, a moral debt, to the people of this country, for the endurance and courage and determination that I have observed in so many of them over many years.

Though I cannot claim to know Greece well enough, my ties to this country go back a long way. My first visit, as a child, was in 1961. In 1967 it was my father who intervened with Lyndon Johnson to save Andreas Papandreou from execution – an act of solidarity between academic economists that I think has no near parallel, at least not in North America. In 2010, I came to provide moral support – what I had to say did not rise to the level of advice – to George Papandreou. And at that time, I struck a friendship with our colleague Yanis Varoufakis, a friendship, intellectual and political alliance that deepened with the ongoing crisis, and led to the five intense and star-crossed months of his tenure in the Finance Ministry in 2015.

Those months resonate, 11 years later, in memory and controversy. Greece had suffered a catastrophic collapse, the whip's end of the world crisis. The government of that hour was elected to try to extract a better deal from Greece's creditors and from those who dictated policy terms – the European Commission, the European Central Bank, the International Monetary Fund, the Finance Ministry of Germany. It spoke for those who had suffered most: the pensioners, the unemployed, the dispossessed, the cleaning ladies. It stood for the proposition that elections, while not always decisive, should nevertheless have meaning, and that the European Community should be a partnership and not a strict hierarchy of the strong and the weak. But the power dynamics of Europe and the larger world were insuperable. Herr Schaüble would make no concessions because he intended to impose the same conditions on Rome and Paris. The United States, for reasons of its own that were not particularly creditable, chose not to help. In the final analysis it was not about Greece. For my part, I was, and am, proud to have been here to support my friend, who did his duty as a true son of Greece.

The ideas behind the terms meted out by Schaüble, Lagarde, Draghi, Juncker, Dijsselboem and other functionaries of that moment were not their own. Nor were they specific to Greece. They were rooted in the general and universal doctrines of mainstream, Marshallian, neoclassical, general equilibrium economics, a set of ideas that had matured in the Cold War to underscore the superiority of decentralized capitalism and that had crystallized in an extreme form thereafter in well-known end-of-history policy doctrines, in the Washington Consensus as it was applied to what was called the Third World and is now known as the Global South. But they had originated much earlier, in the England of David Ricardo and Thomas Robert Malthus, a worldview of free trade behind the Royal Navy and of diminishing returns assuring that nothing should be done to succor the poor or save the Irish.

At that time, the Ricardo-Malthus worldview was well-received in parts of the rising United States, in the part that specialized in export crops like tobacco and cotton. A labor market similar in key respects – not all, since it was a capital asset rather than a rental market, but price adjusting and based on productivity – existed in New Orleans and other towns across the American South. But north of the

Ohio River a different economics took hold. It was rooted in increasing returns and falling costs in *both* agriculture and industry, a key point since yields improved with the settlement of better lands and the application of new techniques. It grew with sales to a large, internal, protected market. It fostered rapid technological change based on new infrastructure – initially canals, later railroads – and on industrial espionage, as Americans took from the British whatever ideas they could. It featured rising wages and rapid population growth fueled by both fertility and immigration. This model was named "the American System" by Henry Clay.

The American System was well-understood by on-the-scene observers, including Friedrich List, Henry Carey, Erasmus Peshine Smith, Henry George, Thorstein Veblen, John R. Commons, Clarence Ayres of my University of Texas, my father – and Andreas Papandreou. In the UK it resonated with Allyn Young, Piero Sraffa, with my teacher Nicholas Kaldor. Its macroeconomic dimensions were given by Keynes, its technological dimensions by Schumpeter, and its financial dimensions by Hyman Minsky. It underpinned the reconstruction of North America in Franklin Roosevelt's New Deal. But all of this has been written out of the canon, erased so far as possible from memory, to preserve the illusion of a single correct idea, of a grand unified equilibrium theory. The American North with its vastly superior economic system won the American Civil War despite losing almost all the early battles, but the South, aided by the intellectual upper crust on both sides of the Atlantic, won the ideological war. Thus the English System survived the British Empire.

This is not surprising. I regret to say this, but the arc of authority in higher education is long and it bends toward money. Conformity has always fostered academic success, and in recent years a rigorous system of rankings, the hierarchy of journals and departments, has arisen to support Galbraith's Law (and here I specify, this is my law, not one of my father's), that "a thought in economics has not been thought until the right person has thought it." Dissidents, misfits and malcontents are weeded out early and if they escape into tenure, they can be isolated or else herded onto reservations and starved out, a process now vividly underway in New York at the New School for Social Research.

Thorstein Veblen was an ultimate academic misfit, who understood how universities are run and for whom, who had been purged from several, and who, quite apart from his hilarious insights into the class structure, had sharp observations into the technical-industrial world. Three bear mention here:

- First, and somewhat contrary to Marx, Veblen saw how the industrial system imparts to the working person both a scientific mentality, an appreciation of cause-and-effect that he called "the discipline of the machine," and, through the power of sabotage, leverage over economic outcomes. (That leverage, of course, gives rise to new forms of attempted control, an ongoing struggle to limit the power of the saboteur.)
- Second, the function of the business enterprise in capitalism is not to organize production as such, but to control it, to prevent a tidal wave of useful things, rising living standards, and inevitably, low profits and loss of control over the working population. (Austerity and precarity also serve the purposes of maintaining control.)
- Third, that actual production is run by engineers, and in principle, a "soviet of engineers" could run the whole show, dispensing with the structures of restriction and control. The result, to coin a phrase, might be an "affluent society."

Let me suggest ot you that while the English System still dominates our textbooks, the American System is alive, and that while no society corresponds exactly to a soviet of engineers, the concept is not entirely a fantasm in parts of the real world.

The main case is China, where I had the opportunity to serve as a technical adviser to the State Planning Commission for four years, now thirty years ago. What is China? Mainstream observeres have dropped the 1990s illusion that China is becoming a liberal free-market system on its way toward multiparty democracy. So they are torn between accusing China of profiting from violation of "the rules" – thereby conceding that the rules are not in China's interest – or even more implausibly claiming that communism has succeeded in China where it failed everywhere else. It is amusing to observe the politics of some who take this position. A more coherent reality emerges if one takes China as a large-scale instance of the American System, its internal market fueled by urbanization rather than population growth or immigration. China's high-volume, low-cost, low-profit-rate model would I think have been instantly recognized by Veblen. And it is just as antagonistic to the the profit goals of Wall Street as the rising US was in the 19th century to the English.

Russia is a second case. Unlike China, Russia was fully captured by the neoliberal mainstream, and it remained in the thrall of those ideas through the catastrophic 1990s and into the 2000s; indeed they persist there today. But Russia was mugged by sanctions. These imposed policy choices that a Russia ruled by oligarchs would never have made on its own. Capital controls. Import substitution. An autonomous payments system. Renationalizations or para-nationalizations. Relocalizations as foreign firms left, turning over their plant, equipment, management and so forth to Russian enterprises at deeply discounted prices. The pressure of military necessity on technical change. These were gifts of the sanctions regime. They came about not because sanctions were evaded, but because they were effective. The effect on Russian academic economics is not yet clear, but the object lesson is available for anyone to see.

Iran, finally, enters the list this year, in two distinct respects. The first relates to energy. Disruption of oil and other key resources from the Persian Gulf delivers a lesson in entropy economics – in the foundational role of low-entropy resources in the economic viability of everything else, and the rapid decline in profitability of high-fixed-cost activities when resource costs rise. The second relates to technology: how a new technical paradigm, missiles and drones in this case, can drive an older, established one – aircraft carriers dating to the 1940s and land bases dating to the containment doctrine of the Cold War – out of business. This is an old story for technologists; there are many such examples in history but they don't show up in a production function.

Taken together, these three cases represent an emerging real world multipolarity, China is today the world's largest economy in purchasing power parity terms, one third larger than the United States. Russia is fourth, behind only India, a country with ten times the population. Iran, though much smaller economically, has demonstrated superior military technology and a firm hold over the key energy artery of the world. And the countries that have most aggressively practiced privatization, deregulation, debt-brake fiscal policy, monetary inflation control and who pretend to believe in a smoothly differentiable neoclassical technical substitution frontier == that is to say of one energy source for another – and here I'm looking at Germany, just ten years ago the industrial and financial colossus of Europe – well, the decline speaks for itself. Germany is evidently now trying to save its industry by converting it to the state procurement of armaments, a model previous attempted by the Soviet Union. A better formula for self impoverishment is hard to imagine.

For an American, or indeed anyone of my generation, multipolarity and a balance of power is nothing new. It was the normal condition of the world before 1989, and in the 1950s and 1960s multipolarity was compounded by ideological diversity – there were varieties of capitalism, of socialism, and there was communism. But for Americans and Europeans who came of age in the 1980s and 1990s – practically the whole ruling elite and the dominant academics – the re-emergence of a multipolar world, even with only modest ideological differences, is a psychological shock. It exposes that so-called capitalist democracy is not an end-state to history, that the world dominated by America is perhaps not eternal, and – most of all – that an entire strata of elite education, especially in economics, that fostered such convictions was problematic, even hollow.

It further suggests that the promises of development economics, the promises that economic development and convergence would be welcomed, even encourages, were not serious to begin with. I'm not saying that the architects of that sub-discipline were insincere – some were, others not – but that our larger societies were and are not prepared to accept that actual economic development on a large scale and outside certain frontline states, might actually occur. The American System, having been forgotten by elite American education, comes as a rude comeuppance when it appears somewhere else. Among other things, it competes rather well with a system increasingly driven by doubling down on the Ricardo-Malthus view of labor, updated by Marx, through the use of digital dictatorship to reduce the formerly affluent worker to a peon. Such a system has been aptly described in recent work as techno-feudalism.

I do not of course claim that any of the three cases I describe are utopian. I am not asking you to like or approve of them. My claim is simply that, relative to mainstream prediction, they are far more successful than they should be – and we need an economics that can help us see why.

What then should real-world multipolarity imply for economics? In a book entitled *Entropy Economics*, published in 2025 by Chicago to the discomfort of Milton Friedman's ghost, Jing Chen and I present a radical simplification of the mathematics of value and production, of the foundations of economic theory. Following Nicholas Kaldor we dispense with equilibrium; following Nicolas Georgescu-Roegen we present an analysis rooted in the second law of thermodynamics, that aligns economics with physics, biology and other social sciences. We redefine the essential roles of government and regulation, and demonstrate both the need for inequalities and the need to control them. But perhaps the greatest advantage of our work is that the theory itself is low-entropy. It is simple, intuitive, easily taught in a few hours. To adopt it would free up departmental resources for more important, rewarding, high-value pursuits.

What should those be? Here's a radical-conservative thought. Why not restore the great scholarly fields of economic history, business history, history of economic thought, comparative systems, economic policy – all of them once vibrant and respected, greatly downgraded if not eliminated over the past fifty years, but ripe for rediscovery and restoration? That is something that we, or our successors, could do. It would be very much in the tradition of this university to take this path.

Of course I do not predict that this will happen. It is even possible that the present mainstream will recover control in Russia and move from academic enclaves to the corridors of power in China – bringing both countries to grief over time. It is possible that academic economics in the West will drift on into intellectual isolation, political marginalization (already evident) and further embarrassing encounters with the challenges and crises – financial, energetic, technological, military – of the real world. But as an economist, with a lot of sunk cost in the discipline over fifty years in the trenches – I'd like to hope for better as should we all. For otherwise, no doubt sooner or later, a large language model will come along and take over, following the rules and patterns of natural selection that we should have built into our thinking long ago, and make us redundant. If we would like to avoid that fate, and if I may suggest a slogan, to “Make Economics Interesting Again,” the suggestions I make today would be a good place to start. Thank you very much.

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Remarks delivered at the University of Athens, June 8, 2026, on occasion of the award of a PhD *honoris causa.* James K. Galbraith holds the Lloyd M. Bentsen, jr. Chair in Government/Business Relations at the Lyndon B. Johnson School of Public Affairs, and a Professorship in Government, at The University of Texas at Austin. His most recent book, with Jing Chen, is *Entropy Economics: The Living Basis of Value and Production* (Chicago, 2025), and his next, forthcoming in September 2026 from Chicago, is *The Power to Destroy: How Bad Economics Drove American Decline.*