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The rise of neoclassical economics was followed almost immediately by the appearance of one of its most important critics. Best known for his theory of the leisure class and conspicuous consumption, Thorstein Veblen (1857-1929) developed a comprehensive theory of human behavior and the nature of economic and social institutions. This selection summarizes Veblen's economic theories, and contrasts them to both neoclassical and Marxian economics. Discussion of the relationship between Veblen and Marx, included in the original, is omitted from this summary.

VEBLEN'S EVOLUTIONARY SOCIAL PHILOSOPHY

Like many late nineteenth century writers, Veblen was strongly influenced by Darwin's theory of evolution. Veblen, like Marx, saw economics in general terms as the history of our evolving material culture and related social institutions. Although Veblen discussed human "instincts" at length, he emphasized that instincts could not be understood as timeless patterns of behavior; rather, they took on concrete form within a particular historical, institutional framework. Indeed, the role of institutions in mediating and shaping instinctual behavior was what differentiated humans from other animals.

Veblen saw a fundamental, antagonistic dichotomy in the basic traits underlying human behavior. One cluster of traits included what he called the "instinct of workmanship," along with the "parental instinct" and the "instinct of idle curiosity." The other group centered on the propensity to exploit, or the "predatory instinct," and encompassed all forms of conflict, subjugation, and gender, racial, and class exploitation. The antithesis between these two sets of traits, manifested in varying institutions, was the core of his social theory.

For Veblen, the conflict between the predatory instincts and the instincts related to workmanship could be seen on many levels. It was reflected in the clash between the economic forces he called "business" and "industry." [The latter term referred to productive activity or the results of industriousness in general, not to manufacturing in particular.] The same conflict appeared in many differences between individuals and classes, particularly in the contrast between the ceremonialism and sportsmanship of the leisure class, and the creative and cooperative behavior of the "common man."

CRITIQUE OF NEOCLASSICAL ECONOMICS

Veblen's fundamental criticism of neoclassical economics ...was that it had an utterly nonhistorical and simplistic view of human nature and social institutions. By attempting to explain everything in terms of rational, egoistical, maximizing behavior, neoclassical economics explained nothing. (303)

In reality, he insisted, production is always a social and cultural phenomenon, based on shared knowledge and skills; the forms of payment, such as wages, rent, and interest, are historically changing phenomena. Capital as an abstraction, distinguished from particular capital goods, is a result of the laws and institutions of capitalism -- and therefore, interest and profits are historically specific to the modern era. Wages and wage labor, likewise, could only exist in a society where production was organized by capitalists who hired workers. Neoclassical economics obscured the conflict between owners and workers first by claiming there was a natural harmony of interests in the marketplace, and second by suggesting that the separation of "factors of production" such as capital and labor was a timeless pattern.

PROPERTY, CLASS SOCIETY, AND THE SUBJUGATION OF WOMEN

Veblen rejected the traditional justification of private property as based on the productive labor of the owner. Any property results from a social process of production, which can only occur in a community capable of transmitting technical knowledge and production skills. Production, in other words, is a cooperative effort that flows out of the instinct of workmanship; private ownership is an individual right that reflects predatory instincts.

Early in human history, Veblen believed, the instinct of workmanship necessarily prevailed; low productivity meant that cooperative, peaceful efforts were necessary for survival. Only as production became more efficient did predatory exploitation become economically possible. Private property had its origins in coercion, and later gained institutional and ideological legitimization. Societies thus became stratified:

Where this tenure by prowess prevails, the population falls into two economic classes: those engaged in industrial employments, and those engaged in such nonindustrial pursuits as war, government, sports, and religious observances.¹

A society dominated by the predatory class inevitably thwarts the instinct of workmanship and removes much of the intrinsic enjoyment of work. The values of such a society recognize mastery over others and avoidance of productive work as the leading virtues. Subjugation of women by men, and separation of men's and women's spheres of activity, were an intrinsic part of this process; marriage in class societies originated in coercion, and always involved some concept of ownership.

THE DOMINANCE OF BUSINESS OVER INDUSTRY

The two basic classes that characterize capitalism embodied Veblen's two basic instincts. Workers, technicians, and any other groups who have to work to earn a living embodied the instinct of workmanship; success for them involved productive creativity. Owners, investors,

managers, and their agents (such as efficiency experts) embodied the predatory instinct; success for them involved exploitative advantage over others.

Profit making, or business, was removed from and opposed to the interests of industry or workmanship. Veblen described business as engaged in "sabotage" of industry, defined as a conscious withdrawal of efficiency: since industry could produce more than it was profitable to sell, business was usually holding back production; workers and factories, idled by business decisions, could easily produce additional goods that people needed. Cutbacks in production, though profitable for absentee owners of businesses, frequently led to economic crises and depressions.

GOVERNMENT AND CLASS STRUGGLE

Government, controlled by owners of business, was in Veblen's view dedicated above all to the preservation of property rights. Political parties differed in their detailed aims, and in the versions of business interests that they represented. The dominance of business was not primarily based on corruption, but rather rested on widespread socialization into a capitalist worldview, and on acceptance of success in business and related pursuits as a leading qualification for holding public office. When property rights were seriously challenged, the state or business interests would respond with armed force.

Imperialist expansion was a dominant feature of capitalism in Veblen's era. He saw it as offering not only increased opportunities for business profits, but also as providing a reason for the promotion of patriotism and militarism. These hierarchical "virtues" were a counterweight to the subversive tendencies toward workmanship, cooperation, and individual autonomy that were inherent in industry:

Habituation to a warlike, predatory scheme of life is the strongest disciplinary factor that can be brought to counteract the vulgarization of modern life wrought by peaceful industry and the machine process, and to rehabilitate the decaying sense of status and differential dignity.²

SOCIAL MORES OF PECUNIARY CULTURE

In any class-divided society, the predatory or exploitative activities of the dominant class are held in high esteem, while the necessary industry of the lower classes is deemed unworthy and vulgar. Success, in a pecuniary culture, must be constantly displayed through conspicuous consumption and the conspicuous use of leisure -- as Veblen argued in detail in his most famous work, *The Theory of the Leisure Class*. Invidious distinctions of wealth and ostentation come to define status, and emulation of those who have more becomes a powerful and ceaseless motivation of individual behavior. People caught on the treadmill of emulative consumption led lives of chronic dissatisfaction; regardless of their incomes, it was always possible to imagine, and want, more. Like patriotism and militarism, emulative consumption is indirectly a form of cultural discipline and social control, preventing the expression of the cooperative values of workmanship that are continually fostered by industry.

Notes

1. Thorstein Veblen, "The Beginnings of Ownership", in *Essays in Our Changing Order* (New York: August M. Kelley, 1964), p.41, cited in Hunt, 309.
2. Veblen, *Theory of Business Enterprise*, p.392, cited in Hunt, 319.