

# 1. Introduction

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Economic activity is not a luxury but a necessity. If man does not produce, neither shall he eat. The scientific discipline of economics is the impartial investigation of economic activity. It is concerned with 'the ways and means of turning material objects and circumstances to account' (PSMC, 71). Focused exclusively on 'the methods of dealing with the material means of life', economics takes other dimensions of the human condition into account 'only in their correlation with the scheme of material civilization' (PSMC, 71, 241). Theology proves that God exists. Archaeology maps out Troy. Economics takes as its subject matter the production, consumption, distribution and exchange of goods and services for which people would not be willing to pay were they not in scarce supply.

An economist is an observer whose central focus is making and getting. Alfred Marshall was an economist since he believed that the 'ordinary business of life' was the ordinary life of business: 'Economics . . . examines that part of individual and social action which is most closely connected with the attainment and with the use of the material requisites of wellbeing' (Marshall, 1890 [1949]: 1). Thorstein Veblen was an economist since he concentrated his inquiries on those areas of human interaction that are 'shaped by men's interest in the material means of life' (PSMC, 76).

Lionel Robbins sees economics as a general perspective that embraces the whole of rational and non-rational choice: 'Economics is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses' (Robbins, 1935: 16). Marshall and Veblen narrow the focus. All of human life is about choosing and being chosen. Economics, however, is about making and getting. Making and getting set bounds to the kingdom.

An economist is defined by his raw material. Yet different economists approach that same material from different angles. This book seeks to understand the window and perspective of Thorstein Veblen when, going beyond instrumental rationality, spontaneous hedonism and enlightened self-interest, he made economics the study of human beings acting out evolving patterns that the economy itself had brought into being. Thorstein Veblen was a social economist who set out to trace 'the manner and degree in which the economic interest creatively shapes the general

scheme of life' (PSMC, 177). History is process. Economics makes a difference.

The foundation-myth of how supply and demand came to settle upon the market-clearing price is not enough. Veblen, going beyond the static, the individual and the detached, made it his business to make a scientific study of 'prevalent habits of thought', the 'cumulative sequence of economic institutions' and the broad sweep of 'cultural or institutional development' (PSMC, 71, 77, 173). It is social economics. It is the economics of integrated men and women who have a home, however temporary, in space and time. It is economics with a pulse.

Veblen knows that meaningful interaction 'belongs . . . in the field of the sociologist' (BE, vi). What he recognises is that it belongs just as much in the field of 'economic exigencies' and 'the economic interest' (PSMC, 173). Economic phenomena are observed in a people-based context. Making and getting can only be the study of norms and memories, signification and symbol, invidious comparison and corporate ambition, power politics and personal pride, economic systems and historical adjustment. That is what making and getting are. An economist who wants to understand the real world has no choice but to be far-reaching and holistic. Things and people are not separate and separable. They are the same.

The truth is the whole. Synthesis is needed because reductionism does more harm than good. This book shows that Veblen, determined to understand the real world, refused to stop short at the formal, abstract, technical proofs of the maximising economics. He had to draw upon institutions and their evolution to build up a full and accurate picture of what making and getting really meant.

Chapter 2, 'Institutional economics', shows that customs, conventions, culture, 'use and wont', lagged adaptation, heuristic filters and remembered reflexes are a group possession and a lingua franca. The internalisation of norms and the socialisation of expectations are a question not just of sanctions but of knowledge. They are identity itself. Chapter 3, 'Instincts and endowments', continues the theme of conservatism, continuity and path-dependence. It shows how important the innate essence was to Veblen's account of psychic drives like workmanship, curiosity and parenting. Much of biological capital is mutable. Much of human nature stays forever the same.

Chapter 4, 'Savages and barbarians', argues that Veblen drew upon human history to prove that peaceful tribesmen had been no match for the force and fraud of emulative one-upmanship. Natural selection and economic determinism speak, however, with a single voice. The communal, communitarian, collectivist savages are coming back. Chapter 5, 'Cumulative causation', discusses the economics of survival, adaptation,

evolution and perpetual search. Veblen may have believed that kaleidoscopic change meant social improvement. Alternatively, he may have seen the social organism as purposeless traffic trapped in a random succession.

Chapter 6, 'Consumption', demonstrates that status-seeking predators resort to conspicuous leisure, conspicuous prowess and conspicuous consumption to purchase the respect that a human being ought to enjoy without the need for play-acting and silly show. Want-satisfaction is props and codes, ratchet indicators and ostentatious flaunting. Shopping is a secret language that may be translated as acceptance, anxiety, divisiveness, overtaking and falling behind. Relative deprivation is as bad as absolute poverty. Having cleaned up the slums, the policy-makers should turn their attention to ulcers and overwork in Beverly Hills.

Chapter 7, 'Production', traces the development of industry from handicraft through owner-operation to the machine-intensive corporate vanguard. Hired employees attend to the interests of functionless capitalists. The sterile collect their dividends without the need for a quid pro quo. They squander their windfall on extravagance and display. Chapter 8, 'The profit motive', shows that even in the bureaucratised organisation, salaried executives still rely on restriction of output and manipulation of demand to maximise the profits of absentees in which they themselves have no share. Managerial goals such as prestige and growth interest them as little as do wider social objectives like community service, productive efficiency or the minimisation of unit cost.

Chapter 9, 'Corporation and credit', explains why Veblen believed that financial promoters bent on pecuniary objectives increasingly enjoy a stranglehold over business enterprise. Interlocking boards and opportunistic mergers ensure that banking dominates oligopoly. The competitive exploitation of scale economies gives way to coordinated planning. Instability, however, is endemic. Speculation in paper assets is responsible for bubbles, cycles, crises, inflation, deflation and unemployment. Something-for-nothing is in the air. The central bank cannot do anything about that.

Chapter 10, 'The age of irrelevance', shows that to Veblen property rights confer unmerited legitimacy upon functionless theft, while democracy launders consensus in the service of the moneyed interest. At the same time the flagrant waste of resources and of human potential undermines the liberals' case for decentralised market exchange. Chapter 11, 'Socialism: the intelligentsia and the proletariat', states that socialism is the antidote to competitive emulation and inter-personal comparison. It also explains why neither the advancement-seeking intellectuals nor the blue-collar manual workers are very likely to bring it into being. Chapter 12, 'Socialism: the engineers', argues that the revolutionary overthrow

of corporate capitalism may nonetheless be expected from the technical experts and the skilled specialists. Their professional ethic is increasingly at variance with the narrow profit-seeking of the business class. In the end they will do what their instinct of workmanship dictates. The absentees and the financiers cannot stop them. The engineers alone have the knowledge that makes science and technology come to life.

Chapter 13, 'The reversion to war', says that the Anglo-Saxon democracies practise rational accommodation and mutually beneficial exchange, but that the throwback German Kaiser, living out the rituals of the past, retains a barbarian's obsession with dynastic aggrandisement at the point of a gun. Chapter 14, 'Perpetual peace', shows that hostilities could be avoided by means of modern industry, international interdependence, freedom of trade and a league of nations. It also suggests that Veblen saw danger ahead in the form of lobbying, nationalism, imperialism, an autocratic State and the new threat of Soviet Bolshevism.

Chapter 15, 'Neoclassical economics', assesses Veblen's contention that the allocative efficiency of the mathematical orthodoxy would have to be scrapped if economists were responsibly to model the developmental dynamics of the productive order. Anonymous gravity, invisible hands and equilibrium states only substitute parched taxonomy for the life-process of real-world human beings. Real-world human beings have more urgent claims on their time than to solve differential equations or to square the hypotenuse eternally triangulated under the curve.

Finally, there is Chapter 16. Thorstein Veblen was born in Wisconsin on 30 July 1857. He was educated at Carleton College, Johns Hopkins, Yale and Cornell. He taught at the University of Chicago, Stanford University, the University of Missouri and at the New School for Social Research in New York. His first book was *The Theory of the Leisure Class*. It was published in 1899. His last book was *Absentee Ownership and Business Enterprise in Recent Times*. It was published in 1923. Thorstein Veblen died in California on 3 August 1929.

The basics are clear. The intention, the meaning, the broader picture, the author's true purpose are not. Chapter 16, entitled 'Who was Thorstein Veblen?', fills in the gaps. It answers the question. John R. Commons apologises for having come across as baffling: 'My theories were so personal to myself that perhaps nobody could understand them' (Commons, 1934: 1). Veblen does not bother to apologise. He felt there was no need. Perhaps he was right.