

Nevertheless, communist and socialist parties are strong in Western Europe and numerous revolutions in developing nations appear Marxist in ideological inspiration. Whatever the accuracy of its prophecies, Marxism continues to attract admirers because it offers them coherent doctrine, a gallery of heroes and villains, a code of morality, and, best of all, a hope for the future. Marxism, the greatest of the intellectual fighting faiths, seems more and more relevant to the struggles over the world's resources which have already broken out and the internal conflicts between capital and labor in rich societies which are certain to be exacerbated by declining growth rates.

Marxism may not be the best explanation of these large events. But its critics would be in a stronger position if they could offer any explanation of the disorders of capitalist economies even approximately as plausible.

All told—if it were possible—it will be evident that the aggregate of human talent currently consumed in the fabrication of vendible imponderables in the nth dimension, will foot up to a truly massive total, even after making a reasonable allowance, of, say, some thirty-three and one-third percent, for average mental deficiency in the personnel which devotes itself to this manner of livelihood.

—THORSTEIN VEBLEN

A Western European phenomenon, Marxism is a late-comer to the United States. Only recently has it attracted sizable numbers of recruits among economists and other social scientists. The closest native approximation to the Marxist strain of radical criticism of capitalism is the institutionalism of Thorstein Veblen. As an explanation of

American business, industry, and society, Veblen's speculations were altered and promoted in the work of John Commons at the University of Wisconsin. At a remove, Ralph Nader, John Kenneth Galbraith, John Blair, Allan Gruchy,* and Warren Samuel act and write in the general tradition of institutionalist thought.

As the assortment of names implies, institutional economics has been more a thing of attitude than of dogma. Institutionalists like Marxists differ among themselves, but unlike Marxists, they have no authoritative source powerful enough to resolve disputes, for institutionalist doctrine always has been subtle enough to elude the writers of primers. Veblen's first major work, his 1899 *Theory of the Leisure Class*, seemed to be a nasty attack upon the manners and morals of the rich. In the Gilded Age, the hostility of most reviewers was a foregone conclusion. Veblen's style was involved, the economic points concealed, the tone acerbic, and the conclusions ambiguous.

By good fortune the tract became a cultural sensation when William Dean Howells, the Edmund Wilson of his day, reviewed it glowingly as a masterpiece of social satire. Certainly it resembled none of the traditional economic treatises. Although Veblen's second major volume, *The Theory of Business Enterprise*, bore more of the superficial characteristics of economics, it too was strange fare, jammed with anthropological, evolutionary, historical, and sociological references, studded by footnotes which if seri-

* The Association for Evolutionary Economics (AFEE) is a subgroup of economists attached to institutional economics. It sponsors the *Journal of Economic Issues* and annually presents to a suitable candidate the Veblen-Commons award. The 1975 winner was Gunnar Myrdal.

ous were subversive and if frivolous undignified, and addressed to no identifiable audience. Was Veblen to be believed when he solemnly averred that "the nation remains a predatory organism, in practical effect an association of persons moved by a community interest in getting something for nothing by force and fraud?" Did he make up his account of the French king who allowed himself to burn to death in front of an open fireplace because the servant charged with shifting the royal person was absent and the king's sense of status did not allow him to move himself? Was he teasing his colleagues with stuffy scholarship like this: "Such seems to be the evidence, for instance, for Cybele, Astarte (Aphrodite, Ishtar), Mylitta, Isis, Demeter (Ceres), Artemis, and for such doubtfully late characters as Hera (Juno),—see Harrison, *Prolegomena to the Study of Greek Religion*, Frazer, *Adonis, Attis, Osiris and The Golden Bough*. Quan-on may be a doubtful case, as possibly also Amaterazu." No economist alive, aside from Veblen if he were an economist and really cared, gave a damn about Quan-on, or preferred Harrison and Frazer on Greek mythology and modern superstition to the latest issue of the *American Economic Review*.

His learned foolery apart, Veblen was a man possessed by a single idea, a key distinction around which all of his books and essays were organized. This master notion was the persistent contrast in capitalism between business enterprise and the machine process. By the latter he meant the technology of factory production and the coordination of men and technology by engineering logic. Still more vital to a grasp of the machine process was comprehension of the habits of thought which working with machines encouraged and reinforced. Veblen admired the machine

process because its reasoned procedures, standard measurements, and matter-of-fact animus offered outlet for the instinct of workmanship with which each of us is blessed at birth. Veblen identified the machine process at work “wherever manual dexterity, the rule of thumb, and fortuitous conjunctures of the seasons have been supplanted by a reasoned procedure on the basis of a systematic knowledge of the forces employed,” for “there the mechanical industry is to be found, even in the absence of intricate mechanical contrivances.”²⁶ The objectives of the machine process were friendly to human survival, for its serviceable products gratified biological needs to eat, keep warm, work at constructive tasks, and satisfy the instinct of idle curiosity.

Brought up on a farm, though none too eager to do his share of the chores, Veblen all his life generalized from the usual collection of activities successful farmers routinely engaged in. Capitalist prosperity was the gift of the sheer efficiency of the machine process guided by the benign criteria of workmanship and idle curiosity. Unobstructed, these instincts guaranteed the abundant life to everybody.

Unfortunately capitalism, or rather business enterprise, constructed higher and higher barriers to the fulfillment of these life-enhancing and species-conserving instincts. As an institution, business enterprise directed itself at objectives directly contrary to those of the engineers, technicians, and ordinary operatives who served the machine process. Only one goal interested businessmen, pecuniary gain. Serviceability was secondary, although, other things equal, businessmen preferred the serviceable to the useless. Other things were seldom equal.

Businessmen were not bloodthirsty fiends. However, because of their obsession with vendibility as the prerequisite

of profit, they were necessarily utterly indifferent to the safety, durability, or aesthetic appearance of their commodities. Can it be sold at a profit? That was the proper question. Its answer frequently required business enterprisers to prefer the meretricious and flashy to the sober and durable. Merely fashionable clothes soon displeased their wearers and stimulated delightfully profitable replacement. For such profit-and-loss reasons, hucksters altered women's fashions annually. Each season's *dernier cri* looked better than last year's, if only because the new horror afforded the momentary pleasures of novelty. Not for a moment did Veblen share the assumption of standard economics that vendibility and serviceability coincided.

Businessmen were the occasion of other damage. Business leaders were not always best pleased when the economy ran smoothly, when their profits might increase by a little judicious disruption and manipulation of the stock market and the industries whose stocks and bonds bought and sold at the right time were financially highly lucrative. To prove his point, Veblen sketched the events which preceded the creation of United States Steel. In Veblen's telling, the completed merger was a triumph of commercial maneuver which accomplished no industrial end, caused much unrest in financial markets, and profited only its promoters. Among the latter were J. P. Morgan & Company, which collected some \$65 million as reward for inspired efforts in marrying, on paper, a large number of previously independent steel firms. At the end of the operation, no extra ton of steel was poured but a number of speculators and promoters were magically much richer. Here and in less spectacular instances relentless pursuit of financial gain caused unemployment, higher prices, diminished efficiency, delayed innova-

tion, and encouraged what Veblen termed "conscientious sabotage" of the machine process.

The business cycle itself was the natural consequence of business enterprise. Depressions, Veblen told his readers, were a "malady of the affections," a financial rather than an industrial illness. "The discrepancy," according to Veblen, "which encourages businessmen is a discrepancy between that normal capitalization which they have set their hearts upon through habituation in the immediate past and that actual capitalizable value of their property which its current earning capacity will warrant."²⁶ Commerce was done on credit. Businessmen borrowed on the basis of their expected earnings and their actual inventory of merchandise. When businessmen borrowed in unison in order to add to their stocks of goods, they bid prices up and the value of the collateral they had pledged to their banks sympathetically rose as well. For a time the process might proceed merrily but at some point as loans began to set new records, businessmen and bankers began to wonder whether prices and profits could continue high enough to support the huge structure of credit. On occasion, astute operators, scenting profits in a financial crash, spread the rumor that the event was impending. Always a fragile emotion, business confidence faltered, banks called in loans, manufacturers demanded payment by wholesalers and wholesalers by retailers, weak enterprises faltered and failed, and depression spread and persisted until readjustments of debt to prospective sales were completed. None of these events was the natural consequence of the workmanlike activities of the sensible folk who ran the machines and managed the factories. All were damaging effects of the normal routines of people who live in a universe of currency and contracts.

The similarities to Marxist theory were striking. Crises were recurrent. Big operators swallowed little ones. Technology was efficient. Capitalist institutions sabotaged technology in both Marx and Veblen.

On matters of causation, the two diverged. Crises in Marx occurred partly because efficient factories flooded markets with more goods than there were customers. Veblen argued that the huge volume of resources wasted by business enterprise on fashion, advertising, and deliberate interruptions of normal production tended actually to diminish output, at least of biologically serviceable items. Contrasting diagnoses evoked contrasting prophecies. Marx's revolution came when the conflict between the material interests of capitalists and proletarians became sufficiently acute. As soon as workers learned their true class interest, they rationally sought to advance down the road that ended in revolution.

In Veblen groups fought over different issues. The future shape of society evolved from the struggles among three hostile cultural tendencies: business enterprise, the machine process, and yet a third nominee. The last cultural actor was affiliated with warlike or predatory impulses—archaic echoes of the Middle Ages. Men and women dominated by any one of these habits of thought had little in common with the votaries of either of the others. Social conflict was, thus, less an argument about property than a clash of ideologies. Business enterprise insisted on the validity of natural-rights concepts. A proper businessman fervently believed that God and nature validated his title to property and sanctified his every contract. Although the more learned invoked the authority of John Locke, business apologists rewrote Locke to turn each businessman into the “putative

producer of whatever wealth he acquires," however little of his own labor was mixed with the products he sold.

Businessmen and their allies fretted over legal rights, judicial precedent, and the rules of inheritance, each equally irrelevant to industrial efficiency, but directly supportive of pecuniary achievement. The indispensable ally of business enterprise was the lawyer, a good soul "exclusively occupied with the details of predatory fraud." As much as possible, true businessmen kept out of factories and avoided contaminating information about actual industrial processes.

How different were the attitudes of engineers, technicians, and craftsmen we have had occasion already to describe! Efficient, self-respecting, proud of their work, products, and their own role, they were aggravated by the paper-cherishing, legalistic, pecuniary preoccupations of their masters whenever these preoccupations interfered with their own benevolent activities. The sacredness of property provoked no affect in engineers. Pecuniary aims in general struck them as irrelevant or worse. They cared as little for the hobbies and pastimes of business enterprisers—religion, sport, and politics.

If, said Veblen, the argument were between these two groups only, the outcome was in no doubt, the partisans of the machine process were clear winners. Engineers and workmen could readily get along without businessmen. They would never countenance sabotage of sound engineering design in the interests of flashy salability. Businessmen, devoid of the capacity actually to run a factory, needed the people who had such abilities. In one of his late books, *The Engineers and the Price System*, issued in 1921 by Veblen's loyal New York publisher, Viking Press, he almost flatly predicted that the guardians of the machine,

provoked beyond endurance, would certainly take the industrial system into their own hands and operate it henceforth solely according to the canons of mechanical efficiency and biological serviceability.

Veblen died in early 1929, just before the Great Crash which he surely would have enjoyed. During the depression which followed the collapse of the stock market, Howard Scott's Technocracy, a crackpot movement, adopted as its manual *The Engineers and the Price System*. For a time, the movement's world headquarters were located in the utterly respectable Columbia University School of Engineering. Veblen, no optimist, would not have been astonished in death to be honored by the scatterbrained as in life he was ignored by the supposedly intelligent.

The triumph of the engineers was less than foreordained because of the actions of the third runner in the race for power, the remnants of still "older conventions," the living anachronisms personified by "soldiers, politicians, the clergy, and men of fashion." Their habits of thought were hardened in amber long before the natural-rights philosophy of business enterprise emerged in the seventeenth and eighteenth century. The expanding operations of business enterprise called increasingly on the military. Businessmen of assorted nationalities, backed by governments which almost invariably represented their interests, fought over available markets. Their objective was, according to their invariable custom, simple pecuniary gain. Soldiers loved war and destruction for their own sweet sakes. Begun in greed, wars gave the generals the opportunity to return capitalist societies "to a more archaic situation that preceded the scheme of natural rights . . . absolute government, dynastic politics,

devolution of rights and honors, ecclesiastical authority, and popular submission and squalor."²⁷

Nevertheless, business enterprise was slated for bankruptcy whoever became the receiver, generals or engineers. When the hour of grim truth struck, businessmen and their allies were fated either to revert to archaic absolutism under military dominion or submit to the enraged partisans of the machine process. Writing in 1915, Veblen cited the Kaiser's Germany as a contemporary example of reversion to archaic modes of thought. Quite presciently since Japan was at the time an American ally, he wondered whether that country might lapse into the same category.

As Veblen defined them, institutions were "prevalent habits of thought with respect to particular relations of the individual and of the community."²⁸ In optimistic moods, Veblen true to the evolutionary creed hailed the certain triumph of the engineers. As Darwin taught, variations favorable to the survival of a species tended to be passed on generation after generation. If human evolutionary goals were really biological improvement, the machine process supported them infinitely better than wars and business manipulations. Perhaps this agnostic passage echoed Veblen's settled opinions most closely:

Natural rights being a by-product of peaceful industry, they cannot be reinstated by a recourse to warlike habits and a coercive government, since warlike habits and coercion are alien to the natural rights spirit. Nor can they be reinstated by a recourse to settled peace and freedom, since an era of settled peace and freedom would push on to the dominance of the machine process and the large business which would break down the system of natural liberty.²⁹

Veblen's lingering influence is difficult to estimate. Substantial portions of the Veblenian vision are outmoded. Instinct psychology has lost its vogue. Veblen's anthropological musings about Scandinavian heroes and biologically gifted dolichocephalic blonds were perhaps innocent enough when he wrote but discomforting to read in the post-Holocaust era. Evolutionary doctrine is more complex in 1976 than in 1904. Species perish as well as survive.

Moreover, as a revolutionary elite, engineers are as plausible as dentists or accountants. They probably vote Republican, the purest of the natural-rights parties, even more heavily than lawyers and account executives in advertising agencies. In the industrial West, according to standard measurements, incomes have steadily risen in spite of business sabotage of industrial operations. A Veblenian might with justice retort that the national income categories themselves conform to the requirements of business enterprise. If engineers reformulated them, GNP might be much smaller and decreasing instead of increasing.

Neo-Keynesians and neoclassicists dominate the nation's graduate departments of economics. Young economists, clutched by the intricacies of econometrics and subtle theories of price, read no Veblen. The lonely Norwegian scholar, the drifter among American universities, the persistent dissenter from the American celebration, and the suspected World War I subversive founded no party and acted as patron saint to few departments of economics. In each presidential season, the major parties nominate excellent friends of business enterprise.

This is not quite the whole story. High-school and university students still are assigned Veblen. Veblen's strange, convoluted, mock-ponderous manner takes more than the

five minutes between television commercials to appreciate, but like addictions to shellfish, martinis, and Monty Python's Flying Circus, affinity increases with familiarity. Once a person is hooked, he or she derives continuing delight from Veblen's wicked wit, felicity of phrase, and unexpected turns of thought. He treated the military, one of his favorite targets, to this salvo:

With the complement of archaic virtues that invests these adepts, there is also associated a fair complement of those more elemental vices that are growing obsolete in the peaceable civilized communities. Such debaucheries, extravagances of cruelty, and general superfluity of naughtiness as are nameless or impossible in civil life are blameless matters of course in the service. In the nature of the case they are inseparable from the service. The service commonly leaves the veterans physical, intellectual, and moral invalids. . . . But these less handsome concomitants of the service should scarcely be made a point of reproach to those brave men whose devotion to the flag and the business interests has led them by the paths of disease and depravity. Nor are the accumulated vices to be lightly condemned, since their weight also falls on the conservative side; being archaic and authenticated, their cultural bearing is, on the whole, salutary.³⁰

The linguistic twirls apart, Veblen meant what he said. If military veterans perished either at each other's hands or in hospitals where their "superfluity of naughtiness" landed them, peaceful citizens would sleep more quietly in their beds and the cause of evolution would be better served.

Enduring wit demands enduring targets. Systematic critics of Pentagon budgets like Seymour Melman and J. K. Galbraith seem to echo Veblen's mordant judgment of military aspirations. They fear waste of resources, but even more the influence of the military mind. The diverse legions

of environmentalists and consumerists carry on the Veblenian distinction between the serviceable and the meretricious. Ralph Nader's and Emma Rothschild's assaults upon the auto industry focus on both unsafe cars and meretricious designs. One hopes that, wherever he now is, Veblen chuckled in appreciation at these words of Galbraith's:

The family which takes its mauve and cerise, air-conditioned, power-steered, and power-braked automobile out for a tour passes through cities that are badly paved, made hideous by litter, blighted buildings, billboards, and posts for wires that should long since have been put underground. They pass on into a countryside that has been rendered largely invisible by commercial art. The goods which the latter advertise have an absolute priority in our value system. Such aesthetic considerations as a view of the countryside accordingly come second. On such matters we are consistent. They picnic on exquisitely packaged food from a portable icebox by a polluted stream and go on to spend the night at a park which is a menace to health and morals. Just before dozing off on an air mattress, beneath a nylon tent, amid the stench of decaying refuse, they may reflect vaguely on the curious unevenness of their blessings. Is this, indeed, the American genius?²¹

With Veblen of all people, one ought to refrain from advertising his product beyond its mechanical merits. Still, credit is due to a thinker who identified three persistent institutional themes of American capitalism, embodied in the arts of engineering and technology, salesmanship and advertising, and war and military glory. Misguided adventures like the *Mayagüez* incident attest to the capacity of any president, even at the end of a disastrous military enterprise, to whip up the dormant martial emotions of the public. To appreciate Veblen and to adapt his ideas it is

unnecessary, indeed barely possible, to endorse every assumption and every speculation. Like Marx, Veblen, endowed with a powerful moral vision, saw society as a whole and grappled with its future.

As Keynes has been domesticated by textbooks and politicians, he is scarcely identifiable as the closet radical and rebellious member of the English intellectual establishment whom his friends and followers admired in his lifetime. Child of Cambridge University, favorite pupil of Alfred Marshall and Marshall's successor A. C. Pigou, peer of the realm at the end of his career, Keynes nevertheless struck the public eye first as an ingrate who had turned maliciously against his political superiors. For when he resigned in disgust from the British delegation to the 1919 Versailles Peace Conference, he was an important adviser to Prime Minister Lloyd George, and one of a Big Four whose other members were no less than Woodrow Wilson, Georges Clemenceau, and Vittorio Emanuele Orlando. Deeply distressed though he was by the cynicism and treachery of the others, Keynes according to polite convention should have resigned and kept his mouth shut. Lloyd George would surely have written him a pleasant letter of regret.

Silence seldom struck Keynes as the best course of action, then or later. At the end of 1919, he published one of the great polemics of the century, *The Economic Consequences of the Peace*. By respectable criteria, this detestable volume did everything wrong. Keynes attracted his readers' immediate attention with four mordant sketches of the central actors at Versailles. Lloyd George had encouraged Britons to believe that the devastated German economy could pay
