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Source: *The American Journal of Economics and Sociology*, Jul., 1995, Vol. 54, No. 3 (Jul., 1995), pp. 339-355

Published by: American Journal of Economics and Sociology, Inc.

Stable URL: <https://www.jstor.org/stable/3487101>

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Thorstein Veblen's Analysis of German Intellectualism:

Institutionalism as a Forecasting Method

By COLIN LOADER *and* RICK TILMAN*

ABSTRACT. Veblen's critique of German intellectuals during *World War I* ran parallel to his overall critique of Imperial *Germany*. Elements from the modern West (liberal ideas or *technology*) were seen as grafted onto the German authoritarian structure in such a way as to temporarily strengthen that structure. Analysis of wartime writings by German *academics* verifies Veblen's assertions. Those writings presented the *authoritarian state* as a better protector of the interests of all the German people than was the type of constitutional state found in Britain. The shrill wartime writings of Werner *Sombart* were of a different tone than those of the moderates, verifying Veblen's concerns over the explosiveness of the mixture of the modern and authoritarian, as well as its *fascistic* potential. Veblen's institutional *forecasting* can, with reservations, be rewarding in analyzing similar atavistic continuities today.

I

Introduction

IT HAS LONG BEEN ASSERTED that certain theoretical and doctrinal similarities exist between the German Historical School and American Institutional Economics.¹ Although there has never been a full systematic comparison of the two schools, it can be documented that at least some kind of intellectual interaction took place between the founder of the institutional school, Thorstein Veblen (1857–1929), and two leading members of the Historical School, Gustav Schmoller (1838–1917), the leader of the second generation of the school, and Werner Sombart (1863–1941), an outspoken member of the rebellious third generation.² Sombart and Veblen especially give evidence of having read and admired one another's work.³ Despite this mutual admiration, serious differences between the work of Veblen and that of the Historical School, particularly Sombart's, are apparent. The explication of the structural relationships of the two men's works is a larger project that is now undertaken. Here a more specific aspect of the relationship, namely Veblen's critical position vis-a-vis Sombart and the German

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intellectuals during the course of World War One is explored; and the significance it had for his predicting the dangerous authoritarian course of Germany when applying his institutional analysis are explored.

In that period, Veblen wrote two books that analyzed aspects of the German Empire in the modern age. The first, *Imperial Germany and the Industrial Revolution* (1915), focused on the incomplete modernization process within Germany and its effects on the domestic political system. The second book, *An Inquiry into the Nature of Peace* (1917), analyzed the impact of the German political system, characterized by the survival of the dynastic state, on the system of world politics. The major theme in this latter work concerned the means by which the dynastic state made war palatable to the masses whose own interests were not served by the war.

II

Veblen's Critique of the German Intellectuals

VEBLEN was touring in Europe in the summer of 1914, when World War I began. Later, he laid the blame for the war on the German Empire, writing that "Imperial Germany and Imperial Japan are, in the nature of things as things go, bent in effect on a disturbance of the peace,—with a view to advance the cause of their own dominion."⁴ He meant by "the nature of things" that these two countries were dynastic states and, therefore, by nature warlike and aggressive, that they were engaged in the "Imperial enterprise." The following summarizes Veblen's position:

Germany is still a dynastic State. That is to say, its national establishment is, in effect, a self-appointed and irresponsible autocracy which holds the nation in usufruct, working through the appropriate bureaucratic organization, and the people is imbued with that spirit of abnegation and devotion that is involved in their enthusiastically supporting a government of that character. Now, it is the nature of a dynastic State to seek dominion, that being the whole of its nature. And a dynastic establishment which enjoys the unqualified usufruct of such resources as are placed at its disposal by the feudalistic loyalty of the German people runs no chance of keeping the peace, except on terms of the unconditional surrender of all those whom it may concern. No solemn engagement and no pious resolution has any weight in the balance against a cultural fatality of this magnitude.⁵

While attributing this aggressive, warlike nature to the dynastic state, Veblen argued that this was not the case with the average citizen. War worked against the latter's interest, because he or she bore the burden without reaping any of the fruits. Therefore, in order for a dynastic state such as Germany to successfully wage war, the common person had to be co-opted by state authority for ends not serving the common good. In Germany, this was done by instilling patriotism in the underlying population that made them malleable in the hands of the ruling elites. Veblen defined patriotism as "a sense of partisan solidarity in

respect of prestige” and in the aggregate as “a sense of undivided joint interest in a collective body of prestige.” To him it was little more than a form of false consciousness.⁶

Veblen was thus repulsed by what he saw as the enthusiasm of the German people for the war. He declared that this could only be explained by the set of institutions which had become ingrained in Germany through habit, so that they were accepted by the people as embedded in conventional national principles. Law and order meant unquestioning obedience to personal rule of the dynasty. Since true freedom was irreconcilable with this rule, it was dismissed as “license” by those who accepted the principles of the system.⁷

Veblen believed that the intellectuals formed an intermediary force between the rulers and the masses. They had close contact with the ruling class through their role as a service class. And although they were more distant from the people, they were able to “serve as an instrument of publicity and indoctrination in the hands of the discretionary authorities.” In this role the intellectuals did not exercise any critical function, displaying the same habitual loyalty that the general populace did. They might seem to have been more emotional at the onset of the war than were the masses, but this was only because they expressed their feelings with a greater facility of language.⁸

The German intelligentsia, in Veblen’s view, lacked the critical stance characteristic of intellectuals in democratic societies. He did not dispute the fact that democratic governments might engage in imperialistic endeavors, but if so, they were answerable to democratic public opinion (whose formulation was at least partially in the hands of the intellectuals). In Germany, this public check on the dynasty was missing. The public (and the intellectuals) were simply “a silent partner, or a minority stockholder in this dynastic enterprise.”⁹ Thus Veblen seemed to have assumed that imperialistic endeavors would be more benign if they were conducted by governments such as those of the United States and Britain, where the institutionalization of democratic responsibility was more prevalent.¹⁰

Veblen thought that, in addition to playing the above-described role in their national polity, German intellectuals also participated in a larger international intellectual community, where they exchanged ideas with thinkers from other nations. In this role German intellectuals were “the accredited spokesmen of the German nation in all its commonplace communication with the rest of civilized Europe.”¹¹ Veblen believed that since this international communication took place in a sphere that was, at least partially, independent of the national cultural communities, this would allow for the importation of Western ideas critical of dynastic absolutism into Germany. Such importation was akin to the exchange of other modern forces, like technology, as was discussed in *Imperial Germany*.

The issue was whether these ideas would have a liberating impact on the German public. Veblen did not believe that they would have an immediate impact, because “in the process of assimilation of these alien conceptions of right and honest living, the borrowed theorems concerning civic right and duties . . . have undergone adaptation and revision.” The intellectuals who were the medium of the transmission of Western ideas into Germany were so much a part of the concrete German experience that they simply reformulated these ideas in a way that put them at the service of the dynastic state. Because the basic premise of Western ideas, such as the principle of personal authority, was the absence of the institution of the dynastic state, the “Pickwickian convolutions” in which they were translated into the German intellectual sphere mitigated them and made them non-effective. Veblen wrote:

Neither the sound intelligence nor the good faith of these Intellectuals of the Fatherland is to be impugned. That the—unnecessarily vague and circumlocutory—expositions of civic institutions and popular liberty which they have so often and largely promulgated should have been used as a serviceable blind of dynastic state-craft is not to be set down to their discredit. Circumstances over which they could have no control since they were circumstances that shaped their own habits of thought, have placed it beyond their competence to apprehend or to formulate these alien principles (habits of thought) concretely in those alien institutional details and by the alien logic with which they could have no working acquaintance.¹²

Veblen’s description of the role of the German intellectuals ran parallel to the one he made in *Imperial Germany*, where he described the importation of modern industrial technology and organization as a force promoting the German dynastic state. Now, instead of modern Western technology, modern Western ideas were being grafted onto a reactionary political structure to promote its survival. The implication of Veblen’s book is that the German intellectuals, instead of using their acquired knowledge to criticize the government and thus help the German people as a whole to “unlearn” the patriotism that fostered their support of the war against their own real interests, became the most ardent and eloquent supporters of that regime.

Veblen believed that Western ideas, like Western technology, were essentially in conflict with the reactionary dynastic state and, so, would eventually undermine the latter. However, this would take time. He was happy to see pseudo-democratic institutions, such as the Reichstag with its universal male suffrage, adopted by the Empire, even though he was under no illusion that it represented a true process of democratization. Such institutions would eventually contribute to the demise of the existing absolutism. However, without the imposition of outside force, the transformation of Germany to democratic forms, while inevitable, would be a long one.

III

The German Intellectuals in World War One

THIS ASPECT OF VEBLÉN'S ARGUMENT that is to be examined and supplemented in this essay, which will begin with an investigation of the institutional role of the German academics, concentrating on their position vis-a-vis the imperial state. An examination of some of the early wartime tracts of more moderate academic intellectuals will follow,¹³ and then special attention will be given to Werner Sombart's more chauvinistic piece, *Händler und Helden (Traders and Heroes)*.¹⁴ Because of the paucity of footnotes in Veblén's text, it is not possible to identify the entire range of intellectuals he was addressing. The one work cited by Veblén, the historian Eduard Meyer's wartime attack on England,¹⁵ will be shown to be representative of a significant mainstream group of German academia. It will be argued that in certain ways, Sombart's work was not congruent with the ideas of those professors.

The wartime writings of German academics, like Meyer's work, were envisioned as an intellectual defense against a series of anti-German works written in the first year of the war by British professors.¹⁶ These German writings had two major themes, which addressed the same issues raised in Veblén's studies of Germany. Common to these themes was an attack on Herbert Spencer's typology of states, which contrasted the reactionary dynastic state to the progressive liberal industrial state.¹⁷ The first theme challenged the idea that the dynastic state was necessarily reactionary, arguing that it actually protected people better than did the liberal parliamentary state. This theme, then, focused on the domestic state-society relationship. The second theme addressed foreign policy and the claim that the German state was the aggressor in bringing about World War One. Here the German intellectuals argued that England was primarily responsible for the war. Clearly, both of these themes were tied together, with the dynastic state being the central element, as it was for Veblén.

The close relationship of the German university to the state has been dealt with at length elsewhere,¹⁸ and so we offer here only a short sketch. Crucial to the relationship was the fact that the university system was a part of the state. University education became the important qualification for non-noble bureaucrats, who grew to consider themselves a nobility of spirit.¹⁹ Identification with the state gave university education an important place in German society and allowed academics to become the spokesmen for the larger class of educated middle classes known as the *Bildungsbürgertum*.²⁰ Peter Wagner describes the relationship of the state and its bureaucracy to academia as the interaction of two discourses, i.e. a "discursive coalition." The development of the authoritarian state and the integration of the university into the state resulted in the discursive centrality of the state within the social sciences. As state officials, professors

conducted their intellectual projects with an indissoluble mixture of interest in knowledge and service to the state.²¹

The role of university intellectuals as intermediaries between the state and a larger public opinion became more problematic at the end of the century. With the increasingly dynamic German economy making its impact in all aspects of society, professors feared for the decline of the values of mind and education and, therefore, of their own social status. They became increasingly wary of challenging the policies of the state in the sphere of domestic politics and limited their efforts to popularizing foreign policy measures such as the building of the new navy.²² While professors saw themselves having two-way influence, on both the state and the larger public, they in fact were becoming simply publicists for the state. One observer wrote that when the government needed support for a foreign policy measure such as the fleet, they "hailed the famous academic as a parade horse out of the stall."²³ With the beginning of the war, professors saw their duty as two-fold—the strengthening of morale on the home front and the direction of a propaganda campaign against the Allies to offset the latter's successful propaganda among neutral nations.²⁴

Despite sharing this common defensive position at the beginning of the war, the professors rather quickly broke into two camps, which Klaus Böhme has termed the "radicals" and the "moderates." The former, while talking of the war being a defensive measure, listed a series of offensive war aims. They supported annexations of territory and reparations payments from the Allies, and they resisted any reform of the Imperial government. These views were institutionally represented in the Fatherland Party, a large propaganda organization, founded by radicals.²⁵ The moderates on the other hand maintained their defensive position, eventually advocating a negotiated peace. Although a number of these men wanted reforms of the political system late in the war, most rejected the replacement of the monarchy by a republic.²⁶

Such was the background for the German intellectual support of the state that Veblen attacked. Much of the argumentation of these scholars was based on the Hegelian distinction between the state and civil society that was so prevalent in Germany in the nineteenth century. The state was perceived as a supra-individual entity, an individuality in its own right, an ethical entity embodying the spirit of the German people. Sombart wrote that this "organic and objective" idea of the state postulated that "all forces, all organs and members of the state should always remain in a harmonious relation to one another."²⁷ Schmoller described the state as the embodiment of the highest collective morality, the "highest ethical power that controlled individual existence."²⁸

Opposed to this organic unity was the divisive, mechanistic sphere of civil society, which was characterized by the self-interest of individuals. These individuals proceeded in an atomistically rational way with no concern for any

larger collective morality. These two elements were not seen as totally discrete entities but as aspects of a nation, which were ranked vertically, with the lower chaotic realm of civil society being given organic meaning by the state which stood above it. It was the state that represented moral-political continuity; society was simply an ahistorical abstraction of this organic continuity. The idea that the state and society were completely separate things was anathema to the mainstream of German political thinking in the 19th century.²⁹ Engaging in the activities of civil society was not necessarily harmful if the state provided a larger sense of direction. It was only when society became separated from the state, when people pursued their own individual interests with no larger moral direction, that a nation was faced with destructive chaos.

Many academics believed that the institution that most typified the societal sphere within the realm of politics was the political party, which was organized to promote the interests of its members. "Parties arise," wrote Friedrich Paulsen, "where an unorganized mass acts as a unit in order to form a resolution."³⁰ In other words, parties did not represent a common organic unity but rather a shared set of material interests.³¹ Even though parties claimed to be striving for the common good, that good was always defined by their own interests. In promoting their interests as the "good," they demanded absolute obedience to this agenda at the expense of others in society. Thus when a single party attained power, it represented not the entire population, but only a part of it. Any one party could not be expected to be fair to those not sharing its interests. Parties operated on two levels; on the one hand, they sought to acquire actual political power and, on the other hand, they sought to influence public opinion.³² Both of these methods served only specific material interests.

According to this philosophy, the state could not be properly dominated by political parties. The latter could have a role but it had to be a subordinate one. Eduard Meyer spoke for many academics when he presented, as the institutions necessary for the "independent and vigorous existence" of the state "beyond the power of political parties," a proper military organization and a virile monarchical government.³³ The latter, of course, had as its backbone an objective, efficient and honest civil service.

Both the military and the bureaucracy were described by German academics not as instruments for imperial expansion but as checks on both feudal rule and the arbitrariness of the monarch. Schmoller wrote that the military was "a school for the nation." Friedrich Meinecke, seeing "a good deal of Kantian ethics" in every private, called the army "one of those corporate counterpoises to the too great individualization and 'atomization' of modern culture."³⁴ Because of universal conscription, Schmoller claimed, the German army was more a people's army than any other in the world. Universal military duty presupposed an agreement between the people and the government, permitting only a defensive war,

not one of conquest.³⁵ This formulation reversed that of Veblen on patriotism. He claimed that without the joining of the masses to the state through patriotism there could be no war.³⁶ In other words, the union allowed the state to direct the masses toward its own ends. The German academics, to the contrary, argued that the union allowed the masses to exert influence on the state.

This was even more true of the civil service in the eyes of many German academics. The latter were upholders of the German *Rechtsstaat*, the state of laws, which guaranteed the personal freedom of individuals against the tyranny of party factions. Otto Hintze described the qualities of the German civil servant as "righteousness, a sense of duty, unselfish diligence, a regard for the commonweal, and simple loyalty." The civil servant's expertise, adherence to the letter of the law and personal integrity lifted him above individual political loyalties and insured a fair and objective administration.³⁷ Schmoller presented with approval the contention that "the essence of the state and of official position is the protection of the general welfare against the particular interests of the wealthy classes," and then wrote:

If we did not have the official aristocracy of our conscientious civil servants and of our incomparable body of officers, we might have a ruling aristocracy of money and capital, such as on the whole impose their will in England, France and in the United States.³⁸

Clearly, Schmoller believed that the latter countries were plutocracies because of the party systems by which they were governed. He claimed that Germany had many fewer abuses of class power and, therefore, had a superior system of public education, a fairer judicial system and more independent and efficient local government.³⁹ This was echoed by Otto von Gierke:

We do not want to sacrifice to the democratic Moloch our historically achieved lofty idea of the state, our harmonic connection of a strong monarchy with Germanic freedom of the people, our organization of the governmental and the social in a way that preserves unity in the multiplicity. We will not let ourselves be Americanized.⁴⁰

In these writings, the English state was portrayed as the antithesis of the German. Its parliamentary constitution meant that the government was dominated by parties and hence specific economic interests. Accordingly, English ministers were chosen not according to their professional fitness but according to their party affiliations. For them the state was not the expression of some larger set of values, nor was it the servant of the general welfare. Rather, in keeping with the nightwatchman theory, the English state was primarily seen as a police force.⁴¹ Sombart summarized the indictment of the English state thus:

What characterizes the English state is that it possesses nothing of that which one thinks of as significant in a state, namely that it should be an organically organized community of people forming a unity of culture and civilization. . . . The English world empire on the contrary consists of mechanically arranged contiguous pieces like a sum of capital. The

individual components that are “accumulated” are very loosely connected to one another and to the motherland.⁴²

Since, for the English, government was simply the interplay of the interests of individuals and groups, the citizen of England was unwilling to make sacrifices for the larger cause. Was it any wonder, wrote Meyer, that the English did not understand the real meaning of “Deutschland, Deutschland über alles?” but instead saw it as akin to “Britannia Rules the Waves,” that is, as a paean to imperial endeavor than what it actually was, a statement that the German placed his nation above everything else.⁴³

These arguments by the moderate German academics correspond nicely to Veblen’s critique. Democratic ideas, particularly concern for the welfare of the populace, were incorporated into their experience and presented in such a way that the authoritarian German state became the true defender of such values as liberty, equality and fraternity.⁴⁴ This state allegedly provided the advantages of democracy without its disadvantages, namely the rule of plutocracy through the party system.

This essentially defensive attitude of the moderate German academics toward their state led to the second point, that it was English foreign policy, not German, that was the aggressor leading to World War One.⁴⁵ They argued that it was false to portray England as the defender of the balance of power against German *Weltpolitik*. Instead, they said, one must look at the larger world situation. There it became clear that England, with its huge overseas empire, was the dominant world power. Maintenance of the balance of power on the European continent was a means to England’s preservation of its world mastery and its dominance of international trade. German policy in the 19th century, including the building of the fleet, was simply aimed at securing Germany “a place in the sun,” not at acquiring any kind of world mastery. In this sense Germany wanted to establish a world-wide balance of power. Thus, what was presented as an attack on the concept of the balance of power from an English perspective was actually a defense of the concept from the German perspective. It is important to note that these thinkers did not attack the concept of the balance of power, which had a defensive ring to it, but rather the English formulation of that concept. This went along with their general view that World War One was a defensive struggle to preserve their growing economy against English aggression, as well as preserving the Austrian Empire against Russian aggression.⁴⁶

The above points capture the common themes of the moderate wartime German writings. They portrayed the German state as more peaceful, more progressive and more caring for the welfare of its people than was the English state, because in England civil society held a position superior to the state rather than vice-versa. These essays took the vertically arranged dualism of Hegel and presented it as a truly binary opposition, along the lines of Ferdinand Tönnies’

community and society (*Gemeinschaft und Gesellschaft*), with England being the *Gesellschaft* and Germany the *Gemeinschaft*. Instead of two aspects, one of which was supposedly subordinate to the other, it was now a matter of two conflicting forces, one of which was positive, while the other was negative.⁴⁷ Instead of two aspects of the same culture, the dichotomy was now strongly presented as two separate cultures combatting one another.⁴⁸

Werner Sombart certainly subscribed to this binary formulation in his wartime work, *Traders and Heroes*. Sombart wrote that we live two lives on earth, a lower material one and a higher spiritual one. With the former, one is isolated from others, with the latter one is unified with others. Therefore, one had to climb out of the material sphere and into the spiritual realm. Such was the duty of the hero. Being a hero, for Sombart, meant putting the nation above one's own individual interests. As noted, the hero took an idealistic view of the world, seeking a higher life in spirit (*Geist*) that was above and outside of himself and finding it in the idea of the people (*Volk*) and the fatherland. It was this notion of the supraindividual that connected the heroic to the concept of the state. Sombart wrote that "the German patriotism thrusts its deep roots into the fertile soil of a heroic mother soil, and around its crown glisten the rays of the highest spiritual and artistic culture."⁴⁹

The trader, i.e. Englishman, took a different view of the world. Oriented toward practical ends, he was unable to raise himself above the immediate and everyday reality. ("They're all crazy for money.") Sombart identified these utilitarian ethics as essentially those of business. This generalization of commercial interests and the natural shallowness of English "common sense" resulted in a lack of differentiation among the English. There was no difference between the highest and the lowest individuals, because the level of the highest had been lowered. This made heroic activity impossible. It followed, wrote Sombart, that the English pioneered the contract theory of the state. The trader spoke only of rights and not duties, rejecting a higher spiritual life in favor of business as usual. Such a society of traders could produce no spiritually-oriented cultural values. Instead, "England, Inc." was simply a massive warehouse with no organic connections. Sombart believed this was also true of English foreign policy, where it was perfectly permissible to break treaties and where war was simply a matter of profit.⁵⁰

The presentation of Sombart's views up to this point indicates simply a more strident version of the binary formulation found in the moderate German academic writings. However, with the introduction of the theme of war, Sombart departed from the others. For he talked not only of heroes versus traders but also of "warriors versus shopkeepers."⁵¹ War was presented as a form of revitalization.

Sombart wrote that, prior to the war, the “English disease” had spread throughout Germany, and efforts to rescue men from the swamp of “traderdom” had failed. Germany had become a world of materialized urban culture and political parties, and men like Sombart had sunk into a deep cultural pessimism. But then the miracle of the war had occurred and Germans had rediscovered their heroic spirit through militarism. His book was dedicated to these young German warriors and was designed to show the returning soldiers what characterized the enemy of German essence and what life after the war would entail. It was the younger generation, especially the soldiers, who would lead the way and break through the older limits and prejudices.⁵²

Thus militarism and war were positive things for Sombart. Both awakened the idea of the fatherland. To the trader, who thought only in terms of individual life, war was meaningless, but to the hero, who thought in terms of sacrifice to a higher life, death in battle had great meaning. Thus, the elevation of the spirit of the hero to that of the warrior was necessary to prevent the victory of the trader mentality.⁵³

What is important is that Sombart identified the balance of power with the trader, describing it as a lifeless concept, an extension of the business mentality. Instead, one had to recognize that war was a natural part of the living state. Internationalism was basically a bad thing. It was not possible for the Germans to be “good Europeans,” for it would mean a weakening of the spirit of the hero through a mixture with the spirit of the trader.⁵⁴

Sombart’s position was not only embryonically fascistic, but also directly contradicted that of the moderate German writers who have been surveyed.⁵⁵ In presenting war as a positive thing and the balance of power as a negative thing, Sombart undercut their effort to present the war as a defensive struggle on Germany’s part and to assert that Germany was not opposed to the balance of power but only to England’s version of it, which disguised English world mastery. He also provided support for Veblen’s axiom of the aggressive dynastic state, as well as for those who have tried to connect the policies of the Empire with those of Hitler’s Third Reich.

IV

Veblen’s Prophecies Regarding Fascism

AS EARLY AS 1897, in a review of Sombart’s *Socialism and Social Movement in the 19th Century*, Veblen detected what later became a powerful motif in Sombart’s work, namely his nationalism and metaphysical romanticism. Veblen wrote that:

Oddly enough—though perhaps it seems less odd to an affectionate latter-day citizen of the militant Fatherland—this ideal cultural growth to which socialism should look, it is explicitly held comprises a large unfolding of warlike activity. Socialism is, on this and related

grounds, not apprehended to be, in strict consistency, an international (a fortiori not an anti-national) movement.⁵⁶

In other words, Sombart was more of a nationalist than he was a socialist. This was indeed insightful of Veblen in that, at this time, Sombart was being accused by his German colleagues of exactly the opposite.⁵⁷

Veblen's critique of the dynastic state (and implicitly Sombart's book) anticipated the appearance of fascism. In *Imperial Germany*, as we have shown, he described the Hohenzollern dynasty as a volatile fusion of modern science and technology with an antiquated class and religious structure, conservative bureaucracy, entrenched military caste and quasi-absolutist monarchy. In the long run, Veblen believed these structures could not co-exist with the new industrial system because their imperatives were not congruent with its maintenance. The opportunity of the dynasty to seize territories it coveted and engage in other acts of unprovoked aggression was rapidly passing away because it could neither live with industrialism or without it. Without the forces of modernity it lacked the military capability to prey on its neighbors, yet with those forces its own institutions would erode under pressures exerted by science, technology, organized labor and the demands of the underlying population for representative government and peaceable relations with other countries. Lately, this scenario has also been postulated for fascism.⁵⁸

Veblen did not, to be sure, predict the exact form that fascism would take when it came, nor did he fully anticipate the personal characteristics of Hitler and the massively murderous results of his policies. Nevertheless, his prophecies were uncanny for, in rough fashion, he predicted the institutional configurations and nationalist aggression of Germany long before it occurred. More to the point, however, he actually used his own patented brand of institutional analysis to make these predictions. Thus his success in predicting the future on these occasions was not due to random chance. Rather, it was a direct consequence of using an institutional approach with its stress on uneven development, cultural lag and the ultimate incongruity between rigidity of habit and adaptive impulse. The predictable consequences of these phenomena in absolutist systems would be aggression and war unless their archaic political and social structures were modernized, that is, brought in line with their new industrial systems and the scientific and technological adaptive imperatives this suggests.

Since anticipations of fascism came relatively late in his career and were among the most accurate predictions he ever made, they were very likely the consequence of the maturation of the institutional theory he had been developing for more than a generation. Of course, the theory, whatever its shortcomings, was the work, in turn, of an alienated and estranged individual whose particular kind of social marginality had fostered intellectual iconoclasm and originality. It is important to also note that even though other scholars and intellectuals

had access to the same information and observed the same chain of events as Veblen, none had the prescience of mind to anticipate fascism long before it arrived. This may be attributed not simply to Veblen's intellectual brilliance nor to the novelty of his ideas, but to his advantage in possessing and understanding the institutional theory of analysis.

Veblen's evolutionary perspective and his cultural lag theory stressed the likelihood of atavistic continuities and left him uncertain of the future because blind drift was as likely an outcome as any. It seems to us that institutional analysis would be especially valuable in examining the multitude of regimes around the world, from fundamentalist Iran to the former Soviet Union, where discontinuities between political and economic institutions exist. A significant test of the viability of any social theory is its ability to forecast the future before it arrives. A theory such as Veblen's, which stresses the degree of malleability of a cultural and institutional overlay under pressure from an evolving technocratic structure, promises insight into the nature of change in an unstable world.

There should also be added the caveat that Hitler, historically was not the heir of the Hohenzollern dynasty or of the "dynastic tradition," present also in other European states. Historians carefully avoid long-term predictions, and social theorists, whether on the basis of economics, sociology or psychology, are ill equipped to make them reliably. The "method of institutional analysis" was used by Veblen, not as a crystal ball, but as a way of understanding economic and social behavior and their continuities and discontinuities. That his premonition came true cost the lives of millions, millions who had the potential of turning the rudder the other way, and some of whom eventually did.

Notes

1. For example, Lionel Robbins, foreword to David Seckler, *Thorstein Veblen and the Institutionalists* (Boulder: University of Colorado Press, 1975), ix; Lev E. Dobriansky, *Veblenism: A New Critique* (Washington DC: Public Affairs Press, 1957), 171–73; David Riesman, *Thorstein Veblen: A Critical Interpretation* (New York: Charles Scribner's Sons, 1960), 155–56; Michael Appel, *Werner Sombart: Theoretiker und Historiker des modernen Kapitalismus* (Marburg: Metropolis Verlag, 1992), 194; Joseph Dorfman, *Thorstein Veblen and His America* (New York: Viking Press, 1966), 147, 156, 202–03, 212–13, 323. Dorfman also presents Veblen's case against the Historical School.

2. On at least one occasion, Veblen corresponded with Schmoller. After having read "a very instructive" paper by Schmoller, Veblen sent him three issues of the *American Journal of Sociology* containing articles he had written on a related topic. Veblen commented that "my excuse for obtruding these papers on your notice is that they offer a tentative explanation of a couple of points which you have modestly excused yourself from discussing, at the same time that you have referred to them as being of serious importance. The points in question are particularly (a) the rise of private ownership into an institution sufficiently important to induce a change in the group's methods of life, and (b) the causes of the transition from the maternal to the paternal household." Veblen then commented

about the articles he had sent Schmoller: "The papers are, of course, slight sketches, rather than an exhaustive discussion; but I have had the hardihood to think that you might be interested to see how this subject, in which you take so much interest, looks to an American economist. Permit me to express the great gratification it is to me to find that the general views which I hold on the subject have the authentication of your authority." Letter of Veblen to Schmoller, January 27, 1899, Nachlaß Gustav Schmoller, Zentrales Staatsarchiv Merseburg, Repository 92, Acte 191a (1899). There is no record of a reply by Schmoller.

3. On several occasions, Veblen reviewed Sombart's books for the *Journal of Political Economy*. Cf. Veblen, *Essays, Reviews and Reports*, ed. with intro. by Joseph Dorfman (Clifton NJ: Augustus M. Kelley, 1973), 463–65, 498–506, 529–32. In addition, Veblen often cited Sombart's work. For example, he relied partly on Sombart's judgement regarding the acceleration of German industrial development between 1825 and 1850. See Veblen, *Imperial Germany and the Industrial Revolution* (New York: Viking Press, 1939), 62. Indeed, in the preface he points to Sombart's *Die deutsche Volkswirtschaft im 19. Jahrhundert* as his own study's only rival. Sombart, in turn, both cited and praised Veblen's *The Theory of the Leisure Class*. Cf. Sombart, *Luxury and Capitalism* (Ann Arbor: University of Michigan Press, 1967), 61. Sombart wrote that "Veblen, in his brilliant book on the 'leisure class,' attributes all valuation of luxury and property to the urge to distinguish one's self." On page 84, he used the Veblenian phrase "ostentatious display." In a note to Wesley Mitchell on January 14, 1937, Sombart wrote that Mitchell and Veblen were exceptions to the rule of American economists who wander along completely antiquated paths. Mitchell Papers, Butler Library, Columbia University, New York. Also cf. Arthur K. Davis, *Thorstein Veblen's Social Theory* (New York: Arno Press, 1980), 417–32; Carle C. Zimmerman, *Consumption and Standards of Living* (New York: D. Van Nostrand Co., 1936), 498–520.

4. Veblen, *An Inquiry into the Nature of Peace* (New York: Viking Press, 1945), 79.

5. —, 103.

6. —, 31, 109.

7. —, 97.

8. —, 109–10, 115–16.

9. —, 119–20.

10. Veblen himself was an example of this critical attitude. He did not engage in pro-war propaganda and castigated patriotism. See Jeff Biddle and Warren J. Samuels, "Thorstein Veblen on War and Peace," in Samuels et. al., *Economic Thought and Discourse in the 20th Century* (Brookfield VT: Edward Elgar Publishing Co., 1993), 87–158.

11. Veblen, *Nature of Peace*, 110.

12. —, 113.

13. It should be noted that academic and intellectual are not synonymous terms in modern society, although that was much closer to being the case in Germany than in the United States. Nevertheless, there was an entire spectrum of intellectual opinion that was outside the purview of this essay and whose extremes have been described in two books by Roger Chickering, *We Men Who Feel Most German: A Cultural Study of the Pan-German League* (London: Allen & Unwin, 1984) and *Imperial Germany and a World without War* (Princeton: Princeton University Press, 1975).

14. Sombart, *Händler und Helden: Patriotische Besinnungen* (Munich: Duncker und Humblot, 1915).

15. Eduard Meyer, *England: Its Political Organization and Development and the War against Germany*, trans. Helene S. White (Boston: Ritter & Co., 1916).

16. This is especially true of Otto Hintze et. al., *Modern Germany in Relation to the Great War*, trans. William W. Whitelock (New York: Mitchell Kennerley, 1916), which contains essays by many well-known German academics, including Gustav Schmoller, Friedrich Meinecke, Ernst Troeltsch, Hans Delbrück and Hintze. Alice Goldfarb Marquis has written that “defensiveness verging on self-pity was to be the dominant tone in Germany’s propaganda effort.” Marquis, “Words as Weapons: Propaganda in Britain and Germany During the First World War,” *Journal of Contemporary History*, 13 (1978), 489.

17. Schmoller, “The Origin and Nature of German Institutions,” in Hintze, *Germany*, 184.

18. The two best accounts of this in English are Fritz Ringer, *The Decline of the German Mandarins* (Cambridge, MA: Harvard University Press, 1969), and Charles McClelland, *State, Society and University in Germany, 1700–1914* (Cambridge: Cambridge University Press, 1980).

19. The classic work, describing this process in Prussia, is Hans Rosenberg, *Bureaucracy, Aristocracy and Autocracy; The Prussian Experience, 1660–1815* (Boston: Beacon Press, 1958).

20. Pierangelo Schiera, *Laboratorium der bürgerlichen Welt. Deutsche Wissenschaft im 19. Jahrhundert*, trans. Klaus-Peter Tieck, (Frankfurt/Main: Suhrkamp, 1992), 19–20. A good introduction to the place of the *Bildungsbürgertum* is Klaus Vondung, “Zur Lage der Gebildeten in der wilhelminische Zeit,” in Vondung (ed.), *Das wilhelminische Bildungsbürgertum: Zur Sozialgeschichte seiner Ideen* (Göttingen: Vandenhoeck & Ruprecht, 1976), 20–33.

21. Wagner, *Sozialwissenschaften und Staat. Frankreich, Italien, Deutschland 1870–1980* (Frankfurt/Main: Campus, 1990), 47–56.

22. An excellent discussion of this whole development is Rüdiger vom Bruch, *Wissenschaft, Politik und öffentliche Meinung: Gelehrtenpolitik im Wilhelminischen Deutschland 1890–1914* (Husum: Matthiesen Verlag, 1980).

23. Quoted in vom Bruch, 210.

24. Most famous was the “Appeal to the World of Culture,” on October 4, 1914, by 93 intellectuals, including many professors. They denied Germany’s guilt for the war, challenged English propaganda and declared that Germany would fight to the end “as a cultural people.” “Aufruf an die Kulturwelt,” in Klaus Böhme (ed.), *Aufrufe und Reden deutscher Professoren im Ersten Weltkrieg* (Stuttgart: Philipp Reclam, 1975), 47–49. This collection contains a number of similar appeals. For a general discussion, see Klaus Schwabe, *Wissenschaft und Kriegsmoral: Die deutschen Hochschullehrer und die politischen Grundfragen des Ersten Weltkrieges* (Göttingen: Musterschmidt Verlag, 1969), 21–2.

25. The high point of this radical movement was the address on June 20, 1915, by the Berlin theologian Reinhard Seeberg, which called for among other things the annexation of Belgium and parts of Russia. This document is contained in Böhme, *Aufrufe*, 125–35. When the Reichstag passed a peace resolution in 1917, the radicals issued a petition of protest signed by 1100 professors. A counter petition supporting the Reichstag vote garnered only about 100 signatures. The actual documents are in —, 184–86.

26. Böhme, “Einleitung” to —, 3–43.

27. Sombart, *Händler*, 80.

28. Quoted in Wagner, *Sozialwissenschaften*, 89.

29. Manfred Riedel, “Der Staatsbegriff der Geschichtsschreibung des 19. Jahrhunderts in seinem Verhältnis zur klassisch-politischen Philosophie,” *Der Staat*, 2 (1963), 41–63.

30. Friedrich Paulsen, “Ueber Parteien und Parteipolitik,” *Preussische Jahrbücher*, 95 (1899), 393.

31. Paulsen saw this becoming even more the case in the 19th century, when parties lost their religious and political ideals and became completely dominated by socio-economic interests. —, 398–99.

32. —, 401.

33. Meyer, *England*, 328. A third factor, an economic structure that protected agriculture, received little attention from other academics. This is revealing in that this factor is connected with the East Elbian nobility, the Junker, whose support of the dynastic state and reputation as reactionaries would provide support for Veblen's thesis.

34. Meinecke, "Kultur, the Policy of Power and Militarism," in Hintze, *Germany*, 581. Ernst Troeltsch wrote: "All the ideal forces of education, science and technical training have been absorbed into the organism of the army; conversely, the military system furnishes the model and the requisite strength for the remarkable organization which prevails throughout the German nation and in which the individual and discipline of the whole are successfully united." Troeltsch, "The Spirit of German Kultur," in Hintze, *Germany*, 71. Also see "Erklärung der Hochschullehrer des Deutschen Reiches," in Böhme, *Aufrufe*, 49. Defending the German military establishment was not synonymous with aggressive militarism. For example, Hans Delbrück, who subscribed to these arguments ("The German Military System," in Hintze, *Germany*, 169–183), later became the foremost opponent of the radical Fatherland Party. See Böhme, *Aufrufe*, 19.

35. Schmoller, "Institutions," 200–01.

36. Veblen, *Nature of Peace*, 78.

37. Hintze, "Der Beamtenstand" (1911), cited in Peter-Christian Witt, "The Prussian Landrat as Tax Official, 1891–1918," in Georg G. Iggers (ed.), *The Social History of Politics* (Dover, NH: Berg Publishers, 1985), 137–38.

38. Schmoller, "Institutions," 193, 213.

39. —, 194, 217.

40. Quoted in Böhme, *Aufrufe*, 26.

41. Meyer, *England*, 34, 189, 53–54.

42. Sombart, *Händler*, 35. It is interesting that Sombart uses the terms "motherland" for England and "fatherland" for Germany, thus adding a gendered component. Eduard Meyer wrote that just as there was no English word for "Staat" there was also none for "Vaterland." Meyer, *England*, 34. This is noteworthy in that Veblen sarcastically uses the term "fatherland" to describe the German Empire.

43. Meyer, *England*, 34.

44. This point was specifically made by Adolf von Harnack, "Was wir schon gewonnen haben und was wir noch gewinnen müssen," in Böhme, *Aufrufe*, 94–98. At the other extreme were the radicals such as the historian Georg von Below, who argued that these Western ideals had to be replaced by the German ones of duty, order and justice. Quoted in —, 24.

45. See Schwabe, *Wissenschaft*, 21–9.

46. See especially Hintze, "Germany and the World Powers," and "The Meaning of the War," both in Hintze, *Germany*, 28–37, 53, 617–22; but also Meyer, *England*, 189, 232; Schmoller, "Institutions," 185, 215, 217; Meinecke, "Kultur," 561, 574; Troeltsch, "Spirit," 61, 88. One of the common themes in most of these essays was to disassociate Germany's position from that of Friedrich Nietzsche, Heinrich von Treitschke and Friedrich von Bernhardi, all of whom were presented by English academics as representing a chauvinistic German world view.

47. This was not a totally new phenomenon. It was customary during the 19th century for German academics to label those forces and theories identified with the capitalist

market and laissez-faire economics as “Manchesterdom.” For a good discussion of German historians’ changing views of England in the 19th century, see Charles McClelland, *The German Historians and England: A Study of Nineteenth Century Views* (Cambridge: Cambridge University Press, 1971). This labelling continued in the wartime writings. See Meyer, *England*, 114–15, for example.

48. In “Spirit,” 56–58, Troeltsch warned against the war being presented as a cultural one, but this is exactly what happened on both sides. The writers in Hintze, *Germany*, were less adamant in this than were Meyer and Sombart.

49. Sombart, *Händler*, 66–78; quote on 71.

50. —, 61, 9–17, 20–38, 50, 64.

51. —, 81.

52. —, vi, 92–99, 108–23.

53. —, 84–92. The notion that the war represented a kind of rebirth was a common one among German academics. However, the moderates emphasized the overcoming of class and party divisions and did not offer a glorification in its own right. See, for example, Otto von Gierke, “Krieg und Kultur,” Harnack, “Was wir schon gewonnen haben,” Hermann Oncken, “Die Deutschen auf dem Wege zur einigen and freien Nation,” all in Böhme, *Aufrufe*, 68–75, 93, 103–04.

54. —, 81, 134–41.

55. Sombart was not alone in taking this position. For example, Georg von Below wrote that “a good warrior spirit certainly lives in broad circles of our academic community.” Quoted in Böhme, *Aufrufe*, 3.

56. Veblen, *Essays, Reviews and Reports*, 464–65.

57. After many years in marginal positions in German academia, due largely to his reputation of being a “socialist,” Sombart finally received his desired full professorship at the University of Berlin in 1918, the last year of the war. While some have speculated that this was partially due to *Händler*, Friedrich Lenger of the University of Tübingen has convincingly argued that the main reason for Sombart’s appointment was not *Händler* but rather the publication of the first two volumes of the second edition of what is considered his major work, *Der Moderne Kapitalismus*, in 1917. See Lenger, *Werner Sombart 1863–1941: Eine Biographie* (Munich: C.H. Beck, 1994), 256.

58. See especially, Jeffrey Herf, *Reactionary Modernism: Technology, Culture and Politics in Weimar and the Third Reich* (Cambridge: Cambridge University Press, 1984).

Once is Enough

A ONETIME GIFT to a charity—say to memorialize a dead friend—is regarded by the recipient as an annuity, and an addition to a list which can be sold to others.

CHARLES P. KINDLEBERGER