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# Thorstein Veblen and the New Deal: A Reappraisal

By

RICK TILMAN\*

**T**HE ideological origins of the New Deal have often been traced by historians to the same sources. These include the Christian Social Gospel in both its Protestant and Catholic forms; Populism, in various guises; and Progressivism, particularly as manifested in the Square Deal and New Freedom. The doctrines of J. M. Keynes and his American disciples and the institutional economics of John R. Commons, Thorstein Veblen and their followers also loom important.<sup>1</sup> It is therefore surprising that no systematic analysis of the relation-

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<sup>1</sup>Veblen influenced such New Dealers as Clarence E. Ayres, head of the Consumer Division of the Labor Department in the mid-1930s and later a leading figure in the development of neoinstitutional economics; see Rick Tilman, "Value Theory, Planning, and Reform: Ayres as Incrementalist and Utopian," *Journal of Economic Issues* 8 (December 1974): 689-706. Walton H. Hamilton of the Consumer's Advisory Board of the NRA coined the term "institutionalism" to describe the school of thought Veblen inspired; see his "Development of Hoxie's Economics," *Journal of Political Economy* 24 (November 1916): 863. Jerome Frank, general counsel for the Agricultural Adjustment Act, worked for the Reconstruction Finance Corporation, 1937-1939, and was chairman of the Securities and Exchange Commission, 1939-1941. Wesley C. Mitchell, member of the Public Works Administration's National Planning Board, was a former student and life-long friend of Veblen; see his introduction to *What Veblen Taught* (New York, 1964). Isador Lubin worked for the NRA and the Department of Labor and was a former student and friend of Veblen; see his "Recollections of Veblen" in *Thorstein Veblen*, ed. Carleton C. Qualey (New York and London, 1968), 131-48. Another New Dealer Veblen influenced was his student, Carl C. Taylor, who received a Ph.D. from Missouri in 1918. In 1935, Taylor became head of the Bureau of Agricultural Economics Division of Farm Population and Rural Welfare; see Richard S. Kirkendall, *Social Scientists and Farm Politics in the Age of Roosevelt* (Columbia, Mo., 1966), 220-21. For a summary of Veblen's influence on the New Deal and the attitude of various New Dealers toward him, also see Joseph Dorfman, ed., *Thorstein Veblen: Essays, Reviews and Reports* (Clifton, N.J., 1973), 276ff.

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ship between the ideas of Veblen (1857-1929) and the New Deal has ever been made. Existing interpretations of the relationship are casual and impressionistic at best.

American historians disagree on how Veblen influenced the New Deal, whom he influenced within it, or which of his doctrines converged with its main policy thrust. However, a survey of New Deal literature reveals that most historians believe Veblen's writings had a significant influence.<sup>2</sup> Indeed, Norman Markowitz has declared that Veblen's work on cultural lag became "such a powerful rationale for social liberal reform programs as to make Veblen appear to many to be the patron saint of the New Deal."<sup>3</sup> But other historians have observed that Veblen's closest ideological affinities were with political movements to the left of the New Deal, and still other scholars have focused on Veblen's relationship to technocracy and the technocratic movement during the 1930s.<sup>4</sup> These different interpretations make imperative

<sup>2</sup>See Arthur M. Schlesinger Jr., "Sources of the New Deal" in *Paths of American Thought*, ed. Arthur M. Schlesinger Jr. and Morton White (Boston, 1963), 91. Also, see Schlesinger, *The Coming of the New Deal* (Boston, 1959), 180, and *The Politics of Upheaval* (Boston, 1960), 151. Another prominent New Deal scholar, James M. Burns, traces aspects of the New Deal back to Veblen "with his sardonic examination of waste under capitalism," while historian William E. Leuchtenberg has commented that:

Thorstein Veblen had a special place: his emphasis on the hostility between technology and finance, his skepticism about an apocalyptic struggle ending in a dictatorship of the proletariat, and his advocacy of an elite of social engineers attracted men like Tugwell, Jerome Frank, and Isador Lubin.

See James M. Burns, *Roosevelt: The Lion and the Fox* (New York, 1956), 155, and William E. Leuchtenberg, *Franklin D. Roosevelt and the New Deal, 1932-1940* (New York, 1963), 34. Also see Ellis W. Hawley, *The New Deal and the Problem of Monopoly* (Princeton, 1966), 43-44, 175-76; Alonzo L. Hamby, *Beyond the New Deal: Harry S. Truman and American Liberalism* (New York, 1973), 3, 9; and Charles A. Madison, *Critics and Crusaders: A Century of American Protest*, 2d ed. (New York, 1959), 339. Elliott A. Rosen in his *Hoover, Roosevelt and the Brains Trust* (New York, 1977), 185-86, 206, deals with Veblen's influence on the brain trust. See also John P. Diggins' more perceptive interpretation in *The Bard of Savagery: Thorstein Veblen and Modern Social Theory* (New York, 1978), 213.

<sup>3</sup>Norman Markowitz, *The Rise and Fall of the People's Century: Henry A. Wallace and American Liberalism, 1941-1948* (New York, 1973), 12.

<sup>4</sup>See Theodore Rosenof, *Dogma, Depression and the New Deal* (Port Washington, N.Y., 1975), 93-96. Rosenof points to Veblen's influence on the left wing of the New Deal, including Tom Amlie, the Wisconsin Progressive. Amlie proposed a constitutional amendment to the effect that ". . . the absentee ownership of any industrially useful article of any person or persons not habitually employed in the industrial use thereof is hereby disallowed in the United States." Amlie claimed that the proposal stemmed "ideologically from the writings of the late Thorstein Veblen." See his "Thorstein Veblen Today,"

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a reappraisal of New Deal historiography concerning Veblen's role. In examining Veblen's influence this article will describe what scholars have claimed was Veblen's intellectual contribution to the New Deal, ascertain whether these claims are congruent with his writings, and show how ideological bias as well as the ambiguity of his writing have distorted the judgment of historians in their portrayal of Veblen and the New Deal.

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Stuart Chase's introduction to a new edition of *The Theory of the Leisure Class* in 1934 ignited speculation on Veblen and the New Deal. Chase commented, "I only wish that he were alive today to interpret in his sardonic way, the world of 1934."<sup>5</sup> However, it was not apparent that the Roosevelt Administration's farm policies were consistent with Veblenian doctrine. New Deal agricultural policies were based on the doctrines of scarcity economics which endorsed restricting production and increasing prices for consumers. As a result, the Agricultural Adjustment Acts of 1933 and 1938 reduced the supply of food and fiber and raised their cost to the taxpayers and consumers. The New Deal at its very inception thus practiced on a large scale what Veblen called "sabotage" or the "conscientious withdrawal of efficiency." Why then do historians regard him as the doctrinal source for farm policies which instituted processes very similar to those he so satirically condemned?<sup>6</sup>

It is interesting to note that the three New Dealers most conversant with his ideas were in the Department of Agriculture,

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*Common Sense* 4 (April 1935): 14-16. Also, see George Wolfskill and John A. Hudson, *All But the People: Franklin D. Roosevelt and His Critics, 1933-1939* (London, 1969), 134-35. For analysis of Veblen's influence on the non-Marxian Left, see Donald L. Miller, *The New American Radicalism: Alfred M. Bingham and Non-Marxian Insurgency in the New Deal Era* (Port Washington, N.Y., 1979). Dorfman deals with Veblen's relationship to technocracy and his influence on New Deal planning, brain trusters and left-wing critics of the New Deal such as Amlie in his *Thorstein Veblen and His America* (New York, 1966), 515-18. Arthur Ekirch emphasizes the alleged ties between Veblen and technocracy in *Ideologies and Utopia: The Impact of the New Deal on American Thought* (Chicago, 1969), 67-70. Also see Edward R. Ellis, *A Nation in Torment: The Great American Depression 1929-1939* (New York, 1970), 219-20 and Ralph H. Gabriel, *The Course of American Democratic Thought* (New York, 1956), 254-55.

<sup>5</sup>Stuart Chase in the foreword to Veblen, *The Theory of the Leisure Class* (1899; reprint, New York, 1934), xv.

<sup>6</sup>The failure of the New Deal farm programs to help southern tenant farmers and sharecroppers is analyzed by Donald H. Grubbs, *The Southern Tenant Farmers' Union and the New Deal* (Chapel Hill, N.C., 1971), and David E. Conrad, *The Forgotten Farmers* (Urbana, Ill., 1965).

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the department which sponsored programs so inconsistent with Veblen's prescriptions. Henry Wallace, secretary of agriculture,<sup>7</sup> Mordecai Ezekiel, his advisor, and Assistant Secretary Rexford Tugwell<sup>8</sup> all performed important roles in the formulation and

<sup>7</sup>Russell Lord, *The Wallaces of Iowa* (Boston, 1947), 189. In January 1922, Wallace wrote to his father, Henry C. Wallace, then Secretary of Agriculture, recommending Veblen be made advisor to President Harding's Conference on Agriculture. See Markowitz, *Rise and Fall of the People's Century*, 19. In 1935, the Secretary of Agriculture commented that "Veblen's message seems to me to be decidedly worthwhile and an excellent antidote if one tends to take the classical analysts too seriously." Henry Wallace, *Democracy Reborn*, ed. Lord (New York, 1944), 98. That Wallace was familiar with and influenced by Veblen's work is undeniable. However, the Schapsmeiers have mistakenly argued that the "ideas of Thornstein Veblen provided Wallace with a conceptual framework, and economic rationale, within which he could incorporate his own beliefs. The tenets of institutional economics set forth by Veblen were quite compatible with Wallace's agrarian outlook.": See Edward L. and Frederick H. Schapsmeier, *Henry A. Wallace of Iowa: The Agrarian Years 1910-1940* (Ames, Iowa, 1962) 33-34, 125. Wallace's "radicalism" which more nearly approaches Veblen's call for a basic change in property relations came after World War II during his 1948 presidential campaign and is a post-New Deal phenomenon. See Rosenof, "Henry Wallace: A New Dealer's Ideology, 1933-1948" (Bachelor's thesis, Rutgers University, 1965). Veblen cites Wallace's book *Farm Prices in Absentee Ownership and Business Enterprise in Recent Times* (1923; reprint, Boston, 1967), 131.

<sup>8</sup>Rexford Tugwell was a critical admirer of Veblen's ideas:

Veblen's had been a far more iconoclastic interpretation of social behavior than [Wesley] Mitchell's own; it had been savagely critical of the alien culture in which he had to make his way as a scholar. There was a good deal of the sourish and disillusioned northerner in his attitude, and although his serious students defend his cynicism as pure detached assessment, I have never found myself convinced.

See Tugwell, *To the Lesser Heights of Morningside: A Memoir* (Philadelphia, 1982), 156. Tugwell wrote that while Veblen rested content with the conclusion that capitalism was almost indistinguishable from racketeering, "another generation of scholars accepting his view, nevertheless felt the need for working at the constructive tasks of betterment. They wanted to bring their learning to the specific service of the future." On January 21, 1931, Tugwell wrote to Professor Willard Atkins that:

I regard myself as something of a contributor too, though my attitude is perhaps not entirely institutional. Ways of thinking and of behaving which you define as institutions seem to me to need acute and imaginative description. The old economics actually prevented us from seeing them as they are. But to me even these are only a sort of springboard into a new economy which creative thought can project and bring into being. I have called this experimental economics to emphasize the creative notion of manipulating in thought, perhaps even in practice, those mechanisms of controlled change, which he must work with. Institutional economics seems to me only to state conditions, to describe the materials with which we must deal. It does not go far enough to provide means of improvement—unless you widen the definition to include the influence of experimental thought. Perhaps you do. I think Veblen did not. To him institutions were the manifestations of a variety of activity and experience and his essential method was to describe these and to define their rooting even in primitive life.

You see, I think of myself as deriving from Patten rather than from Veblen.

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execution of New Deal farm policies. It is somewhat ironic that Wallace, the main architect of these policies, was an admirer of Veblen's work and a Veblen scholar of sorts, but their often-voiced argument that scarcity economics was necessary on grounds of political and social expediency in order to avoid catastrophe does not make them compatible with Veblenian doctrine.<sup>9</sup>

Where in Veblen's writing did Wallace find his inspiration? A posthumously published paper "A Memorandum On a Schedule of Prices for the Staple Foodstuffs" is alleged to have been both a crude plan for, and an endorsement of, what later became New Deal farm policies, characterized by scarcity economics, price supports and acreage controls, with 1911-1914 serving as an index base.<sup>10</sup> Sociologist David Riesman, author of an important

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Rexford G. Tugwell Papers, Franklin D. Roosevelt Library, Hyde Park, New York. Also see Tugwell's "Veblen and Business Enterprise," *New Republic*, 29 March 1939, 215-19; Paul K. Conkin, *Tomorrow A New World: The New Deal Community Program* (Ithaca, 1959), 146-53; and Bernard Sternsher, *Rexford Tugwell and the New Deal* (New Brunswick, N.J., 1964).

<sup>9</sup>See Henry A. Wallace, "Veblen's 'Imperial Germany and the Industrial Revolution,'" *Political Science Quarterly* 55 (October 1940): 435-45. On March 30, 1940, Wallace wrote to Franklin D. Roosevelt:

Sometime ago Isador Lubin, who, as you know, is one of Madame Secretary's right hand men, requested me to write for an economic journal a review of Thorstein Veblen's "Imperial Germany," a book which was written in 1915 and which I read at that time but which I re-read recently. While most of this book was written before the great war broke out in 1914, Veblen's understanding of the German institutions was such that he foresaw in essence almost all of that which has taken place between 1915 and 1940. Those who think that getting rid of Hitler will clear up the situation simply don't know what they are talking about.

I would not ask you on your vacation to go to the labor of reading all of Veblen's "Imperial Germany." You can perhaps get sufficient of the drift by reading my review. However, I would suggest that at your earliest opportunity you get from the Congressional Library Veblen's book "The Nature of Peace" which he completed in late 1916 or early 1917 just before we entered the war. His full appreciation of what it is that produces the bandit character of Germany and Japan, and what is required to offset their destructiveness is most amazing. Mind you, he foresaw in 1917 that at the next turn of the wheel Germany and Japan were almost certain to be working together. I would not recommend that you read all of this book "The Nature of Peace" but if you will dip into it on page 238, I feel confident you will find it difficult to lay it down until you have read many pages. This book will cause you to relive much of the history of which you were a part and to project yourself forward into the history of which I trust you will be an even more vital part.

In the next peace, the mistakes of the last one must not be repeated. Even if you don't agree with all that Veblen says, your mind will inevitably be clarified by the profundity of his analysis. Unfortunately his style is a little difficult.

P.S.F. File, Box 73, Franklin D. Roosevelt Collection, FDR Library.

<sup>10</sup>Thorstein Veblen, "A Memorandum On a Schedule of Prices for the Staple Foodstuffs," reprinted in Veblen, *Essays in Our Changing Order* (1934; reprint, New York, 1964) 347-55. In view of the original date of publication of this memorandum in *Southwestern Social Science Quarterly* (March 1933) it seems



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study on Veblen, claims that this paper on price fixing “could well be a memorandum on New Deal agricultural policy.” But only a misunderstanding of Veblen’s memorandum could transform it into an endorsement of Franklin Roosevelt’s farm program. A more careful reading of the document shows it instead to be a proposal for expanding output to meet wartime demands through a system of controls, subsidies and crop insurance. Although the means recommended by Veblen were similar to those employed by the New Deal, the ends he sought were in diametric opposition. Imitation of means may signify influence even if under changing circumstances the means are put to different ends. Unfortunately, Riesman’s error is often shared by American historians whose ideological blinders cause them to read Veblen’s ends into policy areas where they never took root.<sup>11</sup>

Historians who believe that Veblen was an important intellectual source for the New Deal are on firmer ground when they find the inspiration for the Tennessee Valley Authority in his writings. Although Veblen preferred anarcho-syndicalism to state socialism, early in his career he believed that state socialism should be tried, even if at the microeconomic level it provided less efficient than private enterprise, because it would be less likely to create unused industrial capacity and unemployment. Thus the public ownership program of the TVA was more in keeping with Veblenian doctrine than many other New Deal policies.<sup>12</sup>

New Deal historians often assert that Veblen’s influence was responsible for New Deal regulatory policies. Underlying this assertion is the belief that he endorsed the positive state which intervenes to curb corporate abuse and protect the consuming and investing public. However, there is little evidence in Veblen’s writings that he believed that government regulatory boards could successfully control private enterprise. When it is remembered that Veblen’s theory of the state under capitalism

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unlikely that New Dealers read it before they drafted the first Agricultural Adjustment Act.

<sup>11</sup>David Riesman, *Thorstein Veblen: A Critical Interpretation* (New York, 1960), 116. In addition to the fact that Veblen designed his proposal to expand rather than contract farm output, it differed from New Deal policy in two other ways. First, Veblen wanted to use the price of wheat, *not* an average of the prices of farm staples, as the index base. Second, he intended the policy to be used only for the duration of the war.

<sup>12</sup>See Veblen, “Some Neglected Points in the Theory of Socialism,” in Veblen, *The place of Science in Modern Civilization* (1919; reprint, New York, 1961), 387-408.

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was similar to the ruling class theory of Karl Marx, it becomes apparent why he did not recommend public regulation of private industry. Since the state and its regulatory apparatus were under the control of the business community, regulation would serve the owners at the expense of the general population. The susceptibility of government commissions to control by the very interests they were supposed to regulate was not the product of an intrinsic pathological process (as in the capture theory of regulation) but the manifestation of "a congenital defect built into the model from the beginning."<sup>13</sup>

The inconsistency of New Deal policy on the important issue of monopoly makes it difficult to apply a Veblenian standard even if Veblen had been more precise in articulating his views on the subject. To illustrate, the National Industrial Recovery Act of 1933 suspended the antitrust laws and the National Recovery Administration codes themselves facilitated industrial concentration. An abrupt reversal of policy followed under Thurman Arnold, who as assistant attorney general between 1938 and 1942 instigated almost one-half of all the antitrust suits which the Justice Department launched after the passage of the Sherman Act in 1890.<sup>14</sup> There is little in Veblen's writings to indicate a faith in the restoration of competition through government antitrust policy. Veblen often criticized the negative effects of competitive practices which in his view took the form of unnecessary duplication of facilities and wasted labor and investment in such degenerative processes as advertising and salesmanship.<sup>15</sup>

<sup>13</sup>R. Jeffrey Lustig, *Corporate Liberalism: The Origins of Modern American Political Theory* (Berkeley, 1982), 104-105. Nevertheless, Roosevelt was sensitive to the ability of interested parties to co-opt regulatory agencies. While governor of New York, he created the Public Service Survey Commission as a device to wrest control of the Public Service Commission from the utilities and Republican state legislators. The use of newly created agencies, staffed by young law school graduates, to implement most New Deal programs was also an important phenomenon, perhaps aimed at avoiding capture by regulated industries and other vested interests.

<sup>14</sup>For a discussion of the complex intellectual relationship between Arnold, Veblen, institutional economics and the New Deal, see Tilman, "Institutionalism in the Folklore of Capitalism: A Critique of Thurman W. Arnold," *Journal of Economic Issues* 3 (December 1968): 423-34. Also, see Edward N. Kearny, *Thurman Arnold, Social Critic* (Albuquerque, 1970).

<sup>15</sup>See Veblen, *Absentee Ownership and Business Enterprise in Recent Times* (1923; reprint, Boston, 1967), 142-64, 284-315. Veblen in *The Theory of Business Enterprise* (1904; reprint, New York, 1936) predicted the replacement of competition by monopoly in the case of business stagnation because it would restore the inducement to invest.



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Most New Dealers agreed that full employment could be achieved in an economy in which both government and private enterprise played significant roles. But within this consensus there existed two approaches. The first required detailed planning of production, wages and prices within each industry; it was embodied in the National Industrial Recovery Act of 1933. The second approach advocated a smaller role for government, and stressed the manipulation of tax policy and interest rates and the use of government spending to raise purchasing power and increase private investment. Its goal was competitive capitalism freed from both excessive government regulation and the instability of the business cycle. Although both courses were fundamentally different and often incompatible, it is curious that New Deal historians have seen Veblen as the inspiration for both!

In the mid-1930s Mordecai Ezekiel and other economists in the Department of Agriculture designed a scheme of industrial control aimed at producing not the contrived scarcity of the NRA, but coordinated economic expansion. Introduced in Congress in 1937-38, it became known as the Industrial Expansion Act. The most advanced planning scheme developed during the New Deal to receive attention in Congress, this act's primary inspiration was only partially Veblenian. As Ezekiel himself noted, "Industrial Expansion represents the type of program which can solve the problem of unemployment and production without destroying capitalism. . . ."<sup>16</sup> Ezekiel's proposal bore a vague resemblance to the New Deal agricultural planning system, but it called for planned abundance, *not* planned scarcity. Unlike Veblen's proposal in *The Engineers and the Price System* (1921), the plan did not require the dispossession of absentee owners nor the expulsion of the existing managerial elite. Although Ezekiel's plan surpassed anything envisaged in the NRA, it stopped short of Veblen. In any case, it never received administration backing in Congress; its support was largely confined to radicals and progressives on the left wing of the New Deal.

Veblen believed that a high degree of technological efficiency could already be found within existing industrial units. But the degree of technical efficiency that prevailed within these units was much greater than was characteristic of the relationship *between* units. Consequently, the system that he articulated in *The Engineers and the Price System* was designed to overcome the lack of coordination between large corporations throughout the economy. Veblen endorsed the creation of a central council

<sup>16</sup>Mordecai Ezekiel, *Jobs For All Through Industrial Expansion* (New York and London, 1939), 255.

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composed of engineers, technicians and economists which would prepare a national program in cooperation with the labor force. Any plan which did not dispossess the existing managers and owners of corporate enterprise was, according to Veblen, doomed to failure from the start unless "success" meant simply the stabilization of the existing system of power relations and production according to profit criteria alone. Veblen's notions regarding planning presupposed a kind of organization different from anything found in the New Deal. It is hard to see how his ideas could be applied in a capitalist system, even in an economy with a substantial public sector. This provides further evidence that Veblen was neither a liberal reformer nor the direct doctrinal inspiration for New Deal planning. Despite the evidence, several New Deal advocates thought they found ideological stimulation for their policies in his writing.

It is difficult to relate Veblenian doctrine to New Deal planning policies since these policies developed through an ad hoc, improvisatory process. Like most New Deal planners, Veblen favored the abandonment of laissez-faire but this should not imply his doctrinal anticipation of the NRA. The major participant in the formation of the NRA's codes was not the federal government, consumer groups, small business or organized labor; rather, it was the major corporations who dominated the process and shaped the codes to their own liking. Whatever may have been the general aim of NRA planning, the result was planned scarcity rather than planned abundance. Administered pricing produced an unsatisfactory cost-price disparity which opened the door to emphasis upon the maximization of profits at the expense of abundance.<sup>17</sup> In Veblenian language, this experiment with industrial planning probably benefited the "vested interests" at the expense of the "common man."

Early New Deal tax policies had helped create a more regressive system with greater burdens on consumption and low incomes than on large incomes. To remedy this, in 1935 Roosevelt asked for a graduated corporate income tax, an inheritance and gift tax, and a sharply graduated income tax. But Congress resisted and Roosevelt's proposal suffered a mild defeat; only a token corporate income tax passed and the inheritance tax feature of the bill was deleted. In all, small tax increases produced only \$250,000,000 in additional revenue. As Bradford Lee has argued, the law neither soaked the rich, penalized bigness, nor significantly helped balance the budget. In 1936, a tax on undistributed dividends and

<sup>17</sup>Allan Gruchy, *Modern Economic Thought: The American Contribution* (New York, 1947), 523.

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excess profits was likewise watered down and then repealed. In New Deal economic policy, taxation did not play an important role beyond political rhetoric and psychological warfare.<sup>18</sup>

Was Veblen's leveling bias congruent with New Deal changes in the tax laws? The surtax on large incomes and the new undistributed profits tax on corporations were consistent with Veblenian doctrine, yet given the powerfully egalitarian thrust of Veblen's social philosophy, it is likely he would have flattened society far more than did the New Deal. His emphasis on equality indicates that he believed the most effective way to achieve it was not through taxation and government transfer payments but through fundamental changes in the system of property-ownership. In the long run, progressive taxation has only produced a modest change in the pattern of income distribution. The failure of the new tax policies and redistribution measures to achieve basic structural change would not have surprised Veblen; he did not subscribe to liberal views regarding the potential of the positive state.

Veblen predicted as early as 1904 in his *Theory of Business Enterprise* that one of the remedies for a depression would be an expansion of consumption, especially public consumption of an unproductive nature. The work relief expenditures of the 1930s stimulated aggregate demand and promoted recovery, although not until World War II did federal expenditures grow enough to achieve full productivity and employment. New Deal policy wavered: it expanded expenditures and employment in some parts of the budget and curtailed them in others. Thus the federal government's policy of cutting wages and raising prices helped neutralize other recovery efforts.

A related issue is the consistency of the work relief programs with the Veblenian emphasis on waste avoidance, competent craftsmanship and community serviceability. Veblen's values were incompatible with projects which wasted labor, public buildings with excessive ornamentation, embellishment and

<sup>18</sup>See Bradford A. Lee, "The New Deal Reconsidered," *The Wilson Quarterly* 6 (Spring 1982): 62-76, for a recent interpretation of the impact of New Deal policy on equality.

Tax policy and the passions it evoked thus add a vital dimension to an understanding of Franklin Roosevelt's political appeal and the forces he confronted. Yet the tax structure itself exited the New Deal in much the same form it had entered it. The "forgotten man"—subject to a liquor tax, a social security tax, and the renewed excise taxes, could derive only minimal concrete benefits from the new low-yield tax rates on upper-bracket incomes. The New Deal tax system illustrated the limits to symbolic reform.

See also Mark H. Leff, *The Limits of Symbolic Reform: The New Deal and Taxation, 1933-1939* (Cambridge, 1984), 8.

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unused space (ostentatious display and conspicuous waste), and public works projects constructed for military, sporting, diplomatic or other “predatory” purposes. Some New Deal projects were certainly of this nature but the work relief programs generally enhanced the “life process of the community,” in Veblen’s words, and coincided with his stated values. Also, it is worth noting that many of these programs appeared similar to the public works advocated by populist Jacob Coxey and his “Army of the Commonwealth”—a movement for which Veblen expressed some sympathy.<sup>19</sup>

Veblen’s writings demonstrate little interest in the efficacy or desirability of the modern welfare state. His work may be searched in vain for a discussion or an endorsement of such a system for the United States. Instead of a welfare state, Veblen preferred productive employment for all as an alternative to dependence on government largesse. It is problematic to inquire to what extent public housing, food stamp programs or minimum wage laws evolved as logical extensions or ideological outcroppings of Veblenian doctrine since Veblen’s private papers and published works fail to sanction such policies. Veblen’s indictment of capitalism rested on his assumption that only large-scale structural change could cure the ills of American society. He envisioned the establishment of a cooperative commonwealth, not the inconsistent, incremental reform of the New Deal. Veblen did not believe capitalism capable of being reformed; in his view welfare and regulatory policies offered poor substitutes for socialism.

Veblen also opposed the protectionist drift of American trade policies, from the Morrill Tariff of 1862 to the Fordney-McCumber Act of 1922.<sup>20</sup> Shortly after Veblen’s death, the Smoot-Hawley Tariff Act of 1930 raised tariffs to their highest level in American history. Four years later, the lowering of American tariffs through the Reciprocal Trade Act of 1934 corresponded with Veblen’s preference for lower tariffs. But instead of the immediate, large-scale cuts across the board which Veblen favored, New Deal tariff reduction involved protracted negotiations with individual countries which succeeded only when both sides were willing to engage in reciprocal cuts. By the end of the New Deal era only a few such agreements had been concluded. Measured by the Veblenian yardstick, the New Deal was moving in the right

<sup>19</sup>See Veblen’s analysis, much of it tongue-in-cheek, in “The Army of the Commonwealth” in *Essays in Our Changing Order*, 97-103.

<sup>20</sup>See Veblen’s strictures on the virtues of free trade and the evils of tariffs in his *Inquiry Into the Nature of Peace* (New York, 1917).

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direction toward tariff reduction but its pace was agonizingly slow. The achievement of free trade among industrial nations, an ideal which he endorsed, lay far in the future.

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New Deal historiography began in 1944 with the publication of Basil Rauch's *History of the New Deal* which argued that in the mid-1930s there was a fundamental shift in the policies of the Roosevelt Administration, a transition from a First New Deal to a Second New Deal (1935-38).<sup>21</sup> The First New Deal, according to this controversial interpretation, had utilized the federal government to promote business recovery and agricultural relief, as exemplified by the National Recovery and Agricultural Adjustment Acts.<sup>22</sup> It stood for economic nationalism and accepted large economic units while rejecting the competitive ideal in favor of national planning and regulation. But Veblen dissented from economic nationalism, and never believed in a privately owned corporate economy controlled by the federal government, nor did he share the New Deal's conviction that scarcity economics would assure the future of farming.

The Second New Deal extended federal assistance to organized labor and the unemployed on a large scale. Trade unions benefited from the National Labor Relations Act and the Fair Labor Standards Act, while the unemployed gained jobs from the Works Progress Administration and other relief agencies. The Second New Deal witnessed a massive increase in federal spending for public works projects and relief programs and created the social security system. It also emphasized restoring competition, "soak the wealthy" taxation, and various income maintenance programs. There is little in Veblen's writings to suggest that he believed in the efficacy of competition or favored a social security program which used a regressive payroll tax as its revenue source. While he would have sympathized with progressive taxation, in the long run it had little effect on the distribution of wealth and income. Only a facile and simplistic interpretation of the First and Second New Deals would view them as the legislative results of Veblen's doctrinal influence.<sup>23</sup>

<sup>21</sup>Basil Rauch, *The History of the New Deal* (New York, 1944).

<sup>22</sup>See William H. Wilson, "The Two New Deals: A Valid Concept," *The Historian* 28 (February 1966): 268-88, and Rosen, "Roosevelt and The Brains Trust: An Historiographical Overview," *Political Science Quarterly* 87 (December 1972): 531-63.

<sup>23</sup>See Tilman, "The American Business Community and the Death of the New Deal" (Ph.D. diss., University of Arizona, 1966).

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Does this mean that no relationship existed between Veblen's ideas and New Deal policy? If a distinction can be made between Veblen's doctrine and his influence, it is still possible to maintain that his influence worked in two quite different directions. As Max Lerner put it:

As with Hegelianism, there is a Veblenism of the Right and Left. The Veblenism of the Right leads logically to a system of governmental controls which would match the coercions of business, and thus make the price system work without sabotage and without depressions. The Veblenism of the Left despairs of anything short of a complete displacement of the price system itself, and of the system of absentee owners whose vested right, as Veblen used to put it, was "the right to get something for nothing."<sup>24</sup>

The Veblenism of the Right, which was New Deal liberalism, legitimized a mixed economy which preserved private property within the matrix of welfare and regulatory state capitalism. The Veblenism of the Left was much more radical and demanded a change in the entire system of social relations through fundamental shifts in power and property to achieve a cooperative commonwealth. The Veblenism of the Right was, strictly speaking, contrived and largely bogus while the Veblenism of the Left was authentic, although New Deal historians holding to the conventional view of Veblen as a reformist liberal refuse to recognize this.

The ambiguity of Veblen's legacy when filtered through the ideological lenses of New Deal scholars and policy makers is also evident. Many New Dealers influenced by Veblen believed that his message was consistent with reform liberalism of the New Deal variety. Although they distilled significant policy implications from his work, their central idea was not one found explicitly in his writing but rather was implied in reformist ideas regarding social and legal control of corporate enterprise. The ultimate liberal aim was to place limits on corporate power, moderate the extremes of a profit economy, enhance technological efficiency, and thus implement a controlled capitalism. The ideal of the social control of industry and finance as a desirable public goal—while its economic roots could be found in Veblen—was really a synthesis of his work and that of other American theorists, such as John R. Commons, Wesley C. Mitchell, Louis Brandeis, Gardiner Means, Adolf Berle and Thurman Arnold.<sup>25</sup>

<sup>24</sup>Max Lerner, ed., *The Portable Veblen* (New York, 1948), 32-33.

<sup>25</sup>This is a paraphrase of Lerner, "What is Usable in Veblen?" *New Republic*, 15 May 1935, 10.



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Nevertheless, the apparent distillation of New Deal policy from Veblen's writings has misled historians into claiming that his doctrines were somehow embedded in the reforms of the Roosevelt era. New Dealers like Rexford Tugwell, Isador Lubin, Leon Henderson and Henry Wallace certainly knew Veblen's work but, as Bernard Rosenberg has argued, if they properly understood him, none of them could have claimed to be following the Veblenian program in any particular.<sup>26</sup> Veblen's doctrinaire

<sup>26</sup>See Bernard Rosenberg, *The Values of Veblen: A Critical Appraisal* (Washington, 1956), 127. Wallace was fond of reminiscing about Veblen and his work in ways that were expressive of Veblen's impact on his own thinking. Material from his correspondence is quoted at length so the reader may get some of the flavor of his attitudes toward Veblen:

I remember my Father giving a paper at the Prairie Club about 1919 reviewing Thorstein Veblen's book on the Nature of Peace. He was roundly denounced as a Bolshevik by the club's leading lawyer.

Henry A. Wallace to E. L. Schapsmeier, 11 March 1964. In July 1944 Wallace sent a telegram to Harry Meyers stating:

Veblen was the most prophetic economist of his generation. He saw the inevitability of that against which the troglodytes vainly fight. All honor to you for honoring one of the truly great men of this century.

In a letter to the publisher, Curtice N. Hitchcock, on April 29, 1936, Wallace asked:

Do you remember Thorstein Veblen's style? His sentences were very long and indirect. About twenty years ago I took him and one of his admiring students to task for it. The student told me, when Veblen had left the room, that his style was to some extent for purposes of "protective coloration."

On May 27, 1927, Wallace wrote to the eminent American historian Charles A. Beard that he admired the second volume of his recent book, *The Rise of American Civilization*:

May I congratulate you and your wife on your book. Not only is the analysis excellent but the style has much of the charming subtlety of our friend Thorstein Veblen without being handicapped by his obscurity.

On February 19, 1932, Wallace wrote to C. L. Boynton that:

Your theory about one capitalist requiring less profits than many capitalists is set forth in very great detail in many of Thorstein Veblen's books. They are rather hard reading but excellent mental training along this line.

On December 22, 1932, Wallace wrote to Veblen's future biographer Joseph Dorfman that:

It has always seemed to me that Veblen more than any other economist in his day saw the inevitability of many of the things which are now happening. In many ways, Veblen was an impractical kind of individual. Nevertheless, he planted many seeds which will inevitably have a profound effect on the future of our nation.

All quoted material is from the Henry A. Wallace Papers, University of Iowa, Iowa City, microfilm edition.

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analyses of capitalism were too uncompromising for large-scale borrowing by New Dealers, although they contained insights from which liberals, then and later, would draw valuable inspiration.

However ironic, the term “New Deal” may have been borrowed from Veblen. In his second article on “The Socialist Economics of Karl Marx and His Followers,” published in 1907, he wrote:

... no one for instance, can tell to-day what will be the outcome of the present situation in Europe and America. It may be that the working class will go forward along the line of the socialistic ideals and enforce a new deal in which there shall be no economic class discrepancies, no international animosity, no dynastic politics.<sup>27</sup>

The policies of the Roosevelt administration during the 1930s and early 1940s did not end “economic class discrepancies,” “international animosity” or “dynastic politics.” Furthermore, the New Deal evolved in a different manner from Veblen’s early conjectures. The working class did not create it acting on its own; the program was implemented by such leisure-class representatives as Franklin Roosevelt and backed by a multiclass political alliance. The New Deal coalition, although supported by blue-collar workers, bore only a modest resemblance to Veblen’s machine-process conditioned working class, with its socialist proclivities and machine-process conditioning.

The New Deal often acted the way Veblen’s writing predicted an administration within a capitalist state would act even when pressured by a militant labor movement and millions of angry farmers. The Guffey Bituminous Coal Act, for example, decreased the production of soft coal in order to raise its price, while the gold content of the dollar was decreased to raise domestic prices; both proved disadvantageous to the consumer. As for New Deal labor policy, Veblen would have approved of the unionization of the mass production industries but would have been dismayed by the exclusion of agricultural labor from the jurisdiction of the National Labor Relations Board.

How can the objectives of, and the massive sums loaned or spent by, the New Deal through the Reconstruction Finance Corporation and the Silver Purchase Act be reconciled with Veblen’s own values?<sup>28</sup> Would he have favored shoring up absentee ownership of corporations through federal support or subsidizing

<sup>27</sup>Reprinted in Veblen, *The Place of Science in Modern Civilization and Other Essays* (1919; reprint, New York, 1930), 441-42. More often, however, the coining of the term “New Deal” is attributed to Stuart Chase who was personally acquainted with Veblen and greatly influenced by him.

<sup>28</sup>Veblen, *Absentee Ownership*, 177.

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production of precious metals which he regarded as worthless? The Taylor Grazing Act would have appealed to him on grounds of conservation but since the law stabilized existing access to grazing rights it, too, from the perspective of radical egalitarianism, was deficient. The New Deal never attempted to introduce radical changes in the system of class relations since FDR and his advisors aimed for a permanent truce in class antagonisms rather than a transformation of the class structure. Instead, the reforms buttressed capitalism by protecting stock investors from the excesses of stock manipulators and by supporting bankrupt railroads through government loans. The New Deal subsidized the banking system, protected the investment portfolios of savings banks and insurance companies by guaranteeing mortgages, and tried to repair the price system which Veblen condemned.

Why then have historians persisted in claiming Veblen as an important ideological source of New Deal doctrine and policy when inadequate grounds exist for such claims? One reason is that they indiscriminately lump together intellectuals who have very different points of view on public policy as well as disparate ideological positions. The result is an unleavened mass of "progressive" or "liberal" thinkers who are seen as the embodiment of a coherent "reform" tradition.<sup>29</sup>

Liberal scholars have tended to polarize into two camps in interpreting the meaning and value of Veblen's work. Either they have discerned the utopian vein in Veblen's intellectual anatomy or, if they are New Deal historians, they have transformed him into one of their own kind by emphasizing the amelioristic, pragmatic cast of his thought. By scrutinizing him with ideological lenses tinted with experimental reformism they see their own reflection in the image of Veblen they have created. For too long, many New Deal historians in search of a politically usable past have led their leaders astray by miscasting brain trusters and other New Deal policymakers in an ideological play of dubious Veblenian authorship.

Arthur Schlesinger Jr., who has written more about Veblen than any other prominent New Deal historian, is both familiar with Veblen's life and writings and sensitive in his treatment of Veblen's critical attitudes toward ideological and programmatic liberalism. Schlesinger recognizes that Veblen's *Engineers and the Price System* is not simply a liberal tract for the times but a radical departure from what would become reform liberalism of the New Deal variety. He believes Veblen advocated "replace-

<sup>29</sup>For a discussion of this tendency see Tilman, "Dewey's Liberalism Versus Veblen's Radicalism: A Reappraisal of the Unity of Progressive Social Thought," *Journal of Economic Issues* 18 (September 1984): 745-69.

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ment of the price system by a system of centralized physical planning," organization of the economy "as a systematic whole," and suppression of the market by a "soviet" of technicians with authority to make direct allocation of resources throughout the economy. Schlesinger knows that the New Deal accomplished none of these things. Unfortunately, he does not always separate Veblen's planning prescriptions from actual New Deal planning policy nor does he disaggregate with consistency Veblen's doctrines from his influence.<sup>30</sup>

The work of New Deal historians like Schlesinger should be compared with the more perceptive analyses of other American social scientists. For example, economist Allan Gruchy argued that Veblen believed it impossible to remodel capitalism so as to eliminate the conflict of diverse economic interests. Isador Lubin, another economist and a personal friend of Veblen, stated that Veblen "always gave the impression . . . that certain forces in our society would not permit radical changes in our economic system." Sociologist Max Lerner took an extreme position when he wrote that Veblen would have found "most of the features of the administration program obnoxious to his deepest intellectual drives. His skepticism would have eaten through the very rhetoric of the New Deal that to such an extent derives from him." Marxist Lewis Corey attacked the "institutional economists who rallied to the New Deal to make more workable the system of business enterprise that Veblen condemned."<sup>31</sup>

For those concerned with finding the roots of New Deal doctrines and policies in the writing of institutional economists, John R. Commons is a more important source than Veblen. Many of his disciples participated in the New Deal and helped make and implement its policy. Unlike Veblen, Commons believed capitalism should and could be reformed. As Abram L. Harris put it:

<sup>30</sup>Schlesinger's biases are also evident in his uncritical acceptance of Morton White's claim that there was a unity in Progressive social thought among Veblen, John Dewey, Charles Beard and others, a view which aids him in stereotyping Veblen as a liberal ideologue and doctrinal forerunner of the New Deal. Note the inconsistencies in Schlesinger's portrayal of Veblen by comparing *The Politics of Hope* (Boston, 1963), 68-69, *The Crisis of the Old Order* (Boston, 1956), 130-44, 211-12, *The Politics of Upheaval*, 151, *Paths of American Thought*, 378-91 and *The Coming of the New Deal*, 180. See also James A. Neuchterlein, "Arthur M. Schlesinger, Jr. and the Discontents of Postwar American Liberalism," *Review of Politics* 39 (January 1977): 3-40.

<sup>31</sup>See Gruchy, "The Concept of National Planning in Institutional Economics," *Southern Economic Journal* 6 (October 1939): 124-215. Lubin, "Recollections of Veblen," 144. Lerner, "What is Usable in Veblen?," 10; Lewis Corey, "Veblen and Marxism," *Marxist Quarterly* 1 (January-March 1937): 164.

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Veblen thought that maximum industrial efficiency and welfare required drastic reorganization of the economic system and his proposals to this end have a strongly Marxian flavor. Commons thought that the same objective could be achieved by widening the sphere of collective action of bargaining groups, such as the trade union and the business corporation, and at the same time expanding the economic powers of the state and federal legislatures. Commons spent his life promoting and drafting legislation on unemployment and accident insurance, on minimum wage and public utility regulation, studying changes in the laws brought about by judicial decisions, and constructing economic theories to harmonize with these decisions from the standpoint of his conception of their relevance to a capitalism which he considered to be evolving from individualistic competition to collective organization and bargaining.<sup>32</sup>

That Veblen was never a reformist liberal is apparent but Veblen's New Deal legacy raises questions about both the identification and measurement of intellectual influences on public policies. No thinker will ever appear to exert any influence if all that counts as influence is uncritical subscription to the minute details of his doctrine. Yet tracing lines of influence becomes an exercise in naiveté if every policymaker's claims regarding the systematic theoretical structure and ideational origins of his policies are accepted without examination. The view that Veblen presented a single, unambiguous set of theories or ideas will seem implausible to most Veblen scholars. It would be hard to find a writer who indulged himself more in wit, irony, paradox, dialectical rhetoric and convoluted language than Veblen.<sup>33</sup> The ambiguity of his legacy does not derive just from its being filtered through the ideological lenses of liberals. However, it is no mere New Left rhetorical ploy to point out that these lenses have played an important role in distorting American history.

<sup>32</sup>Abram Harris, "John R. Commons and the Welfare State," *Southern Economic Journal* 19 (October 1950): 22 ff. Commons himself thought that, on the whole, the New Deal paralleled his own economic philosophy. See Commons, *Myself* (Madison, Wisc., 1964), 73.

<sup>33</sup>See the penetrating interpretation of Veblen's prose and his intent by Teresa Toulouse, "Veblen and His Reader: Rhetoric and Intention in *The Theory of the Leisure Class*," *Centennial Review* 29 (Spring 1985): 249-67.