

**The Psychology, Life, and Relevance of
Thorstein Veblen**

**Lauren Alexis Moses¹
Duke University
Durham, North Carolina
April 15, 2002**

¹ Lauren Alexis Moses graduated magna cum laude from Duke University, where she was an Angier B. Duke Memorial Scholar. Lauren won the Allen Starling Johnson, Jr. Prize for best honors thesis of the year. In July she will join the Hedge Fund Strategies Group of Goldman, Sachs & Co. in Princeton, New Jersey.

Acknowledgments

I would like to thank my mother for insisting that I marshal my scholarly resources and produce an honors thesis when I thought such a feat was logistically impossible. The inspiration for this thesis originated in Prof. Craufurd Goodwin's course, History of Economic Thought, which I took my sophomore year. I am most appreciative for Prof. Goodwin's guidance and friendship over the past three years, as he has alternately been my instructor, departmental advisor, and thesis advisor. For their support I thank each member of my immediate family, as well as my close friends at Duke, whom I fear I shamefully neglected while in the process of writing this document.

I. The Function of Psychology in the Works of Thorstein Veblen

Introduction

Institutional economist Thorstein Veblen viewed his contemporaries' customary habits of thought with clarity and insight. Between the years 1899 and 1914 he published theories to explain varied social phenomena, such as class distinctions, the "instinct of workmanship," and business enterprise. Because his work approached topics no less daunting and monumental than the cultural and industrial foundations of society, it was certain that he would simultaneously grapple with the nature and behavior of the people who create, embody, and perpetuate these same foundations. This thesis seeks to understand the psychology at work in Veblen's texts, his motivations for suggesting such a psychology, and the relevance of Veblen's work today.

Veblen's work as an institutional economist was socially motivated. This is not to say that he wrote to voice his conscience or to free the oppressed. He wrote to analyze, to present theories that were remarkable for their attempt to be comprehensive. His goal was not to change the world but to reflect more of the world in his work and offer a torch by which we might better see ourselves and what we, as a civilization, have accomplished thus far. Can the psychology at work in his texts speak across the decades? We turn to the texts.

The Theory of the Leisure Class

Veblen considers first the origin of the leisure class. He begins by noting that the later stages of the "barbarian culture" did have a leisure class, but he works further and further backward across civilizations until a distinct leisure class is undetectable. In this introductory section, Veblen writes with an anthropologist's confidence but without a social scientist's evidence. He makes claims and glibly slides between examples ranging from feudal Japan (had a leisure class) to Polynesian islanders (had a leisure class, but hunting was not a high honor) to nomadic hunting tribes (no leisure class). Still, in this first chapter as in all the chapters to follow, he cites no one.

Veblen argues that the institution of a leisure class has emerged gradually during the transition from primitive savagery to barbarism, "or more precisely, during the transition from a peaceable to a consistently warlike habit of life" (7). Here it is crucial to note the two conditions upon which the development of a leisure class depends. First, "the community must be of a

predatory habit of life (that is, be habituated to the infliction of injury by force) and second, “the subsistence must be obtainable on sufficiently easy terms to admit the exemption of a considerable portion of the community from steady application to a routine of labor” (8). By Veblen’s logic, only with the advances of technology can the second condition be met, creating an opportunity that frees a class of people who can be the leisure class. If everyone must struggle to meet subsistence, then no one can afford to neglect productive activity, let alone dismiss productive activity in order to distinguish oneself from others who must labor to survive.

Communities without a defined leisure class, Veblen notes, are small groups, peaceable in nature, whose economic systems are not focused upon individual ownership (7). Veblen claims that the existence of a leisure class requires a predatory habit of life. In early savagery it makes sense that no one can rise above his present station without aggression. It is too early in civilization to have a range of non-aggressive means by which one can advance beyond one’s peers. As Veblen describes with respect to nomadic hunting tribes, “there is a differentiation of function...but the exemption of the superior class from work has not gone far enough to make the designation ‘leisure class’ altogether applicable” (5).

Veblen argues that over the course of diversification and specialization, the distinction between industrial and non-industrial employments asserts itself. Many more activities are industrial than are not. Examples of non-industrial employment are war, politics, sports, learning, and the priestly office (6). To perform any of these functions indicates that a person is exempt from industrial employment, and “this exemption is the economic expression of superior rank” (1). This distinction captures a dichotomy which goes by several names in Veblen’s work: pecuniary vs. industrial; exploit vs. industry. The dichotomy originates from the two preconditions for a leisure class as well as from a propensity to emulate. People are eager to distinguish themselves from their peers in order to be the object of esteem and emulation. However, if everyone is completely consumed with meeting the subsistence, there is no opportunity for this “animus” or spirit of emulation to take root. Emulation becomes important only after basic needs are met. The terms Veblen uses to establish his dichotomy suggest this distinction. Industry is necessary to produce those goods essential to sustenance and preservation, while exploit is infused with the “animus” to distinguish oneself from the rest of the group.

Veblen tells us, “under this ancient distinction the worthy employment are those which may be classed as exploit” (8). He does not give a warrant for this claim, though a satisfactory one might be that while the earliest civilizations may have been peaceable, increases in population meant greater population density and, in turn, the need for more habitually warlike habits. Exploit was necessary for survival, which made exploit a “worthy” course of action. In later civilizations, the sense of exploit being worthy and anything that did not require exploit being unworthy persisted and formed the basis of Veblen’s contemporaries’ notion of “menial employment,” i.e. those that did not require exploit.

Exploit--at first a necessity and now a conscious choice--results in consciously enjoyed “invidious” distinctions. These distinctions take the form of one person owning more property than another, though “property” in this sense must be allowed the widest range of meanings. Veblen could not arrange the pairings “pecuniary vs. industrial” and “exploit vs. industry” without implying a connection between pecuniary and exploit that was nearly if not precisely as intimate as that between industrial and industry. By using the term pecuniary rather than exploitive, Veblen quickly assigns to “pecuniary” the negative connotations of “exploit” the reader may already have, as well as the detailed connotations that Veblen intends to develop throughout the book. Other economists, Veblen explains, describe “industrial” as conveying man’s “power over nature” (9). According to Veblen, “industry” creates a new thing, while exploit is one agent’s successful redirection of energies previously directed to some other end by another agent (11). Veblen takes liberties in defining the terms of his argument. At one moment he fuses pecuniary and exploit into near-synonyms, and in the next moment he dismisses the negative connotations of the term “waste” and continue as though it only means “non-productive.”

Veblen tells us: “The motive that lies at the root of ownership is emulation” (21). He has trouble explaining the root of emulation, but develops it in the context of the “instinct of workmanship” and invidious comparisons. Veblen writes, “With the exception of the instinct of self-preservation, the propensity for emulation is probably the strongest and most alert and persistent of the economic motives proper” (82). Veblen’s psychological outline, as he calls it, asserts that humans by nature have respect for and are drawn to efficiency and have a natural antipathy for waste. In their work, humans have an instinctive affinity for the most efficient (least wasteful) manner of completing some task, and Veblen calls this instinct the instinct of

workmanship. He then makes this jump: “Wherever the circumstances or traditions of life lead to an habitual comparison of one person with another in point of efficiency, the instinct of workmanship works out in an emulative or invidious comparison of persons” (13). As discriminating creatures, it is not hard to believe that we do make habitual comparisons. Still, the invidious comparisons that Veblen goes on to relate are, importantly, not necessary to survival, so such a comparison is simply “a process of valuation of persons in respect of worth (27).

Veblen does not take much time to explain why we make these comparisons. For example, is there an instinct to make invidious comparisons as there is supposedly an instinct of workmanship? It seems that ideas developed later in the book depend upon habitual comparisons as though they were instinctive, though Veblen never says this explicitly. If emulation is indeed the root of ownership, one might wish Veblen had given more details on this point. If we accept the notion that invidious comparisons *are* habitually made in some communities, then “visible success becomes an end sought for its own utility as a basis of esteem” (13). All that follows in *Theory of the Leisure Class* depends upon the successful display of this visible success. In other words, people habitually satisfy their psychological need for esteem by appealing to external sources (other people) that, in turn, satisfy the need for esteem through emulation. By way of qualification, Veblen acknowledges that this result depends significantly upon the temperament of the population.

People confer or deny esteem based on one’s successful display of visible success, i.e. efficiency. We see that the display of visible success is key, as are the opportunities to make this display. Recall the two preconditions for a leisure class: a predatory habit of life and subsistence obtained on sufficiently easy terms to allow a number of people to become exempt from “steady application to a routine of labor” (8). Until these preconditions are met, scarcely anyone has the means or opportunity to distinguish himself before an audience that would respond to his display of visible success. With an increasingly predatory habit of life, there are more opportunities for “honorific acts.” Veblen writes, “Aggression becomes the accredited form of action, and booty serves as *prima facie* evidence of successful aggression” (14). Over the course of such displays, a more general invidious distinction asserts itself between two lifestyles: that of exploit and that of industry. Concurrently, “labor acquires a character of irksomeness by virtue of the indignity imputed to it” (14). Meanwhile, that which conveys “assertion of the strong hand” elicits esteem (15).

Recall that the motive at the root of ownership is emulation. Emulation coincided with the habit of making invidious distinctions. Veblen never states the cause of emulation but he believes it arrives in the presence of habitual invidious distinctions. Similarly, Veblen does not give a satisfying cause of ownership, though he says the “dominant incentive was from the outset the invidious distinction attaching to wealth” (21). Veblen handles ownership as something coincident with the emergence of a leisure class.

In order to tease out the significance of ownership relative to the ways in which the leisure class manifests its unique psychology, Veblen begins by tracing ownership back to ownership of women by the strongest males in a community. The transitive power of ownership was such that over time ownership of women was more than its surface appearance--it was also ownership of the goods these women produced. According to Veblen, it was in this way that ownership of specific goods developed. But ownership is psychologically relevant in terms of what an owner believes ownership conveys to the rest of the world. In other words, ownership is interesting specifically because of the unspoken messages that ownership communicates to the rest of the community. As civilizations develop and there are fewer opportunities for “honorific acts” that earn the attention and esteem of nearly the entire community, some other means of earning esteem had to arise. The need for esteem could not go unanswered.

The means of communicating that need had to adapt to the changing culture. Property managed to fill that void. Though there were increasingly fewer opportunities for honorific acts, there were more opportunities for industrially aggressive acts. The result of such an act was the acquisition of some kind of property that served the dual purpose of relaying the tale of industrial aggression while distinguishing the agent from others in his community. When wealth alone is seen not just as proof of a prior meritorious act but as the meritorious act itself, this shift in interpretation confirms the success of property in conferring esteem. Property, rather than heroic achievement, becomes “the conventional basis for esteem” (23).

Veblen described the above basis for esteem with the term “pecuniary emulation.” The need for esteem on one hand meets with the drive to emulate on the other. The fusion of the two does not make one community superior to another; rather, the work of satisfying psychological needs has to be done and Veblen simply asserts that this is one common way (one of many) in which people perform the work. Veblen imagines that reputability in a community requires that a person attain “a certain, somewhat indefinite, conventional standard of wealth” (24). Further,

“anything in excess of this normal amount is meritorious” (24). Because the need for esteem is so pervasive and because the propensity toward invidious distinction is habitual, Veblen argues that the wealthy continually seek to exceed one another in their visible displays of success. Their relief at surpassing others is always short-lived, but Veblen does not explain if this is because others meet the latest standard and the first person must work to attain a higher standard of wealth in order to maintain an invidious distinction between himself and others. Veblen suggests that existing at the new standard of wealth fails to make the person significantly happier than the previous standard of wealth and so he (and everyone else) keep pressing toward higher and higher standards of wealth. This conclusion seems to have little justification in that Veblen fails to assert any connection between earning esteem, which is the psychological goal in question, and various standards of wealth within the leisure class. Veblen allows that there are several other incentives to acquisition and accumulation than a singular desire to “excel in pecuniary standing and so gain the esteem and envy of one’s fellow-men” (25). Pecuniary emulation, this continual striving for accumulation, is chief among them.

To join the ranks of the leisure class requires abstention from productive work and evidence of wealth. In keeping with the rules by which people accord esteem to one another, productive work is unworthy. To abstain from productive work is, even more than property, the conventional means of displaying success. The social tension surrounding this point and the strength with which the conviction that productive work is unworthy, are such that abstention from productive work “comes to be a requisite of decency” (32).

Veblen defines leisure as “the nonproductive consumption of time” (34). Leisure originates as directly from a sense of the unworthiness of productive work as it does from the wish to provide evidence of pecuniary ability to afford a life of idleness (34). An important means of placing wealth into evidence is to acquire manners or any social accouterment that takes unproductive time to learn. The more elaborate display of leisure earns esteem in kind. A member of the leisure class may be daunted by the effort to assure the rest of the world that even when he is not in public where he could provide firsthand evidence of his leisurely state, he is still engaged in unproductive work. He must convey this message indirectly. To aid in such a display, members of the leisure class often employ the help of servants. When these servants consume time nonproductively, that leisure is vicarious leisure. The leisure is not for the

servants' enjoyment but rather, to effectively demonstrate the household head's "ability to sustain large pecuniary damage without impairing his superior opulence" (48).

Conspicuous consumption is closely related to conspicuous leisure. While the latter involves the unproductive use of time and effort, the former refers to the unproductive use of goods. The goal of both is to make it clear that the person in question enjoys sufficient success to be exempt from productive work. Conspicuous consumption functions as "a mark of prowess and a perquisite of human dignity" (53). Just as members of the leisure class may employ the help of servants to convince the world of their conspicuous leisure, friends and even competitors can help display conspicuous consumption. When guests attend a party whatever they consume vicariously for the host impresses upon them the "excess of good things which the host is unable to dispose of single-handed" (57). The same end is accomplished through a wife's vicarious leisure in the form of household duties, which, though they take time, require technically unproductive time (62). Veblen attests that "the effects are pleasing to us chiefly because we have been taught to find them pleasing" (62).

Both conspicuous leisure and conspicuous consumption imply some degree of wastefulness, but Veblen is quick to explain and defend his use of the term. He does not wish to imply "an illegitimate expenditure of human products or of human life," rather, he uses "waste" to describe "an expenditure that does not serve human life or human well-being on the whole" (73). Veblen's use of the term "implies no deprecation of the motives or of the ends sought by the consumer under this canon of conspicuous waste" (73). Still, Veblen is familiar with the pervasive, negative connotations ascribed to the term "waste." In his essay he does not hesitate to assign new meanings to terms with previously familiar meanings, and this makes it difficult to determine at any point what moral judgments he is or is not making.

The goal of conspicuous leisure and conspicuous consumption is to elicit esteem from external sources. If a person should have the means and opportunity to consume conspicuously but not do so, this rejection of convention offends the masses and "unworthy motives of miserliness are imputed to those who fall short in this respect" (77). It is as though the community had at some point had a meeting of the minds, decided the several ways in which one member could appeal to the group and solicit esteem. To break with convention swells in importance and assumes the level of a grave breach of contract. To enforce the system of visible

display of success in return for esteem, the activities of conspicuous leisure and consumption are carried out under “pain of disesteem and ostracism” (83).

The ways in which people negotiate the psychological need for esteem is worked out in keeping with the notion of conspicuous leisure and consumption are many and varied. One method Veblen points to is dress as an expression of the “pecuniary culture.” For the leisure class, whether the style of dress is elaborate or conservative, its intention is to make clear that these are people who do not and cannot habitually engage in productive labor (127). Style of dress is even more direct and to the point than conspicuous leisure and consumption in that it indicates a person’s pecuniary standing to all observers at first glance (123). Dress should be “conspicuously expensive and inconvenient” such as a corset that lowers a subject’s vitality and renders her “permanently and obviously unfit for work” (126). In addition, the ingrained habit of “approving the expensive and disapproving the inexpensive” (114) is particularly applicable to dress.

Dress embodies the central themes of *Theory of the Leisure Class*. It is just one of the social behaviors that Veblen discusses, but it is the example in which the manifestations of conspicuous leisure and consumption are most readily visible. Now that we have traced not only the origin and development of the leisure class but also Veblen’s psychological outline from the barbarian stage to Veblen’s day, let us turn to another text.

The Theory of Business Enterprise

The Theory of Business Enterprise was published in 1904, five years after *the Theory of the Leisure Class*. Veblen based *Business Enterprise* on the premise that “the material framework of modern civilization is the industrial system, and the directing force which animates this framework is business enterprise” (1). The motives and goals that Veblen describes as being the drivers of business enterprise are crucially important to interpreting the psychology at work in this book.

Veblen asserts that the motive of business is pecuniary gain; the “aim and usual outcome is an accumulation of wealth” (20). To meet these ends, businessmen focus on redistribution of investments from “less to more gainful ventures” (25). Businessmen are responsible for maintaining industrial balance, specifically the flow of capital. While businessmen may be credited with “coordinating industrial processes with a view to economics of production and

heightened serviceability,” Veblen asserts that businessmen are commonly agents of pecuniary coercion (41). Often it is industrial imbalance that will best fulfill the businessman’s pecuniary interest (27). So, the businessman does not behave as a disinterested party when he contributes to the coordination of industrial processes. “The ulterior end sought is an increase of ownership, not industrial serviceability” (37).

Veblen regards the role of businessmen with suspicion. He does not marvel at the idea that industrial processes can be coordinated while a vast number of businessmen pursue individual pecuniary gain. Businessmen and their respective business interests compete against one another, and Veblen finds that the businessman’s ends are “commonly accomplished by the help of some form of pecuniary coercion” (31-32). As described in *Leisure Class*, conspicuous consumption focused upon showing a household head capable of sustaining great pecuniary damage. Here the struggles between rival businessmen are determined by which side can endure the greater pecuniary damage (32). The contests are of a similar nature because the ultimate goal of public esteem through conspicuous waste is always present.

Veblen charges that “the ulterior end sought is an increase of ownership, not industrial serviceability” (37). While an increase of ownership is an “ulterior end,” it is not the ultimate end. Veblen is committed to the idea of ownership as a prime mover in business enterprise. He claims, “The spiritual ground of business enterprise is given by the institution of ownership” (66). At the same time, Veblen maintains that “pecuniary aims and ideals” do such a good job of making men work hard and unremittingly that “the business system probably compensates for any wastes involved in its working” (65). But ownership is not identical to pecuniary gain. In essence, Veblen labors hard, using stronger and stronger language to make pecuniary gain and the institution of ownership vie for the honor of being most responsible for business enterprise in its present form.

Businessmen’s expectations are also important to placing the business enterprise in a psychological context. Veblen maintains that businessmen uniformly expect to make a profit. Only since the advent of the machine industry have businessmen considered profit to be unquestionably legitimate. Now gain is normal, since it is the purpose of their endeavors, whereas loss “is felt to be an untoward accident which does not belong in the normal course of business, and which requires particular explanation” (87).

The sense of entitlement to profit, an offshoot of the need for esteem, swells into the relationship between business and government. Businessmen expect government to defend their interests and facilitate their means of attaining public esteem through pecuniary gain. Perhaps the notion that the business system, at its core, is intended to meet this specific psychological need functions as unspoken justification for the presumed “solidarity of interests” between business and government (286). Veblen does not think he is overstating the issue when he asserts, “Representative government means, chiefly, representation of business interests” (286). In addition, businessmen can assert some authority over government actions in terms of their ability to monitor those actions. The government must not pursue a course of action detrimental to business interests and must always work under the surveillance of businessmen.

Veblen attributes ebb and flow of the business cycle to psychology. He writes, “Business depression and exaltation are, at least in their first incidence, of the nature of psychological fact, just as price movements are a psychological phenomenon” (186). The psychological disposition of investors becomes the prime mover in business cycles. No amount of data or statistics holds more sway than the sweeping pendulum of the investors’ psychology.

Public esteem is the social goal Veblen discussed in *Leisure Class* and it continues to be the ultimate focus in *Business Enterprise*. Though businessmen may throw themselves into the pursuit of pecuniary gain, this approach would only be serviceable if, as Veblen argues, public esteem is awarded to various professions “in some rough proportion to the sums paid for their work” (272). Just as there is public esteem, there is public disesteem, which people heartily seek to avoid. In *Theory of the Leisure Class*, failing to consume conspicuously was an act performed “under pain of ostracism.” In *Business Enterprise*, the offensive act is “failure to bargain shrewdly or to accumulate more goods than one has produced by the work of one’s own hands” (291). Either of these failures makes the offender vulnerable to disesteem because his peers will see his failure as a “neglect of duty” (291).

The audience that monitors successes and failures with respect to pecuniary gain and conspicuous waste is of virtually one mind. Otherwise, the incentives to consume conspicuously and pursue ownership at all costs might be poorly aligned. If the acts that are supposed to earn approbation instead elicit disesteem, this disconnect obfuscates the means by which anyone can satisfy his psychological need for esteem, in which case the theories of the leisure class and of the business enterprise would fold in on themselves. Veblen notes that people seem to embrace

business principles and even integrate a pecuniary disposition into their language by using the word “practical” to mean “useful for private gain” (382). This adoption of the businessman’s eye for the bottom line demonstrates the pervasive impact the business enterprise is able to have even on those who have not dedicated their professional lives to pecuniary interests.

Businessmen are charged with the responsibility of coordinating industrial processes and managing the flow of capital that funds these processes. The workers or laborers in charge of the specific industrial processes are constantly engaged in mechanical industries. As a result, the standardization of the machines they operate imposes standardization upon the operators as well. In effect, “the process standardizes his supervision and guidance of the machine” (308). For those whose work falls on the industrial side of the “exploit v. industry” dichotomy, their “thinking in the premises is reduced to standard units of gauge and grade” (308). The need for conformity for the sake of industry presses in on the workers and makes all other intelligence useless (309). Whereas “the machine compels the adaptation of the workman to his work,” (310), the goal of pecuniary gain need not restrain the intelligence of the businessman. The business community can attempt to impose its will on government, while the machine operator, on the contrary, must respond and conform to the needs of the machine.

The machine imposes standardization and conformity at every turn without providing the worker any outlet for his breath of intelligence. Veblen charges: “the machine is a leveler, a vulgarizer, whose end seems to be the extirpation of all that is respectable, noble, and dignified in human intercourse and ideals” (358). The machine directs the operator into some kind of stupor, training him into “insensibility” of morality and dignity (360). These difficulties afflict industrial employment but not pecuniary employment. Veblen hastens to qualify that businessmen—especially those men whose business is more immediately concerned with industry--often must think of industrial processes in mechanical terms, even if their ends are pecuniary. Even so, “there is an appreciable and widening difference between the habits of life of the two classes; and this carries with it a widening difference in the discipline to which the two classes are subjected” (317). Differences in their methods of reasoning lead to differences in their points of view, “methods of argument” and so forth such that “the two classes come to have an increasing difficulty in understanding one another and appreciating one another’s convictions, ideals, capacities, and shortcomings” (318). Once the classes are conscious of their disconnect, the way to see one another clearly will be to think in terms of needs. We must have esteem for

ourselves and be able to understand our own motivations. These are needs as surely as are food and shelter and contribute to that incredibly complex mix that makes a person a well-adjusted, self actualizing human being.

The Instinct of Workmanship and the State of the Industrial Arts

Instinct of Workmanship was published in 1914, nine years after *Theory of Business Enterprise*. While *Business Enterprise* focused on the coordination of industrial processes, *Workmanship* concentrated on the industrial arts alone. Veblen first described the instinct of workmanship in *Theory of the Leisure Class*. It was a natural propensity toward and affinity for completing some action or task as efficiently as possible and likewise having “disesteem” for waste. In the book devoted to the concept, Veblen expounds upon instincts as being “prime movers in human behavior.”

Veblen defines an instinct as “the conscious pursuit of an objective end which the instinct in question makes worthwhile (5). Veblen asserts that the instinct of workmanship is “chief among those instinctive dispositions that conduce directly to the material well-being of the race” (25). He ranks it even above the “parental bent” which spans a broader scope than relating only to one’s children. Veblen adds that the parental bent should not be confused with the impulse to procreate. Instead, the parental bent encompasses a desire to make life easier for future generations (26).

To understand how Veblen imagines varied instincts function with respect to one another, it is helpful to note his discussion of the contamination of instincts. Veblen envisions instincts “intimately engaged in a play of give and take” such that “the work of any one has its consequences for all the rest, though presumably not for all equally” (29). In other works, Veblen typically approached his topic of interest as though people were agents single-mindedly focused on pecuniary gain. The notion of “contamination of instincts” seems to allow for greater realism.

No matter what instincts are engaged in give and take, Veblen still asserts that the institution of ownership is strong enough to cause self-interest to displace the common good in men’s ideals. Through exploit, men are in the habit of seeking their own ends. Recall that some degree of technological advancement was required in order for anyone to generate wealth beyond the subsistence level (150). In a world where these preconditions are met and where there is such a pervasive propensity toward self-aggrandizement, there is no equally strong

countervailing instinct to prevent group solidarity falling into the “invidious and emulative form” (160).

According to Veblen, the distinguishing mark of any business era is the supreme dominance of pecuniary principles (216). When Veblen writes that these pecuniary principles serve both as “standards of efficiency and as canons of conduct,” he affirms the prominence of the pecuniary habit of thought as a driver of social behavior. The expectation of pecuniary gain and the constant striving toward “new and larger business” (216) determine a standard disposition toward efficiency, conduct, and the rest of the world that is so pervasive it translates concepts into pecuniary terms. Because the demonstration of success carries more weight than success itself, “workmanship comes to be rated in terms of salesmanship” (217). Veblen explains that as a result, “the canons of workmanship, and even of technological efficiency, fall more and more into pecuniary lines and allow pecuniary tests to decide on points of serviceability” (217). Thus informed by pecuniary principles, we see serviceability, indeed value, through a prism of pecuniary gain and self-aggrandizement. In order to begin to see the world clearly, specifically our own economic behavior, we must actively consider this prism, what it illuminates, and where it casts shadows.

II. Veblen: the Man We Knew and the Man We Only Recently Discovered.

To better understand Veblen’s approach and contribution to economic thought, we turn to his beginnings. Surely somewhere between his birth on a Wisconsin farm and the day he sat down to begin writing *Theory of the Leisure Class* there were identifiable circumstances and events that shaped his intellectual perspective and drove him to inform his institutional economics with psychology. Further, we hope to learn the motivating forces that made Veblen a social critic who was particularly antagonistic toward waste and how that disposition ties back into his connection with psychology.

When the Veblens settled on expansive farmland in the Midwest they joined the ranks of the local Norwegian community. Thorstein was the sixth child of twelve children born to his parents, Thomas Anderson Veblen and Kari Bunde Veblen.

Joseph Dorfman's 1934 biography, *Thorstein Veblen and His America*, is widely considered to be the definitive biography of Veblen. In this book, Dorfman describes young Thorstein as work shirker, an avid reader, and his mother's favorite. On the farm, Veblen learned to think of city dwellers as "parasitic" and affected with an "aristocratic spirit" (Dorfman 3). Veblen did not simply adopt the prevailing household sentiment. He witnessed firsthand the Yankees ability to mulct local Norwegians out of their land, including from his own, very bright father.

It was in this farm setting that all could see a "visible relation between their own productive efforts on the soil and the results in produce" (Dorfman 7). According to Dorfman, despite the opportunity to unite around a common work ethic and life commitment to farming, the Norwegian community was a setting of extreme cultural isolation.

Unfortunately, the tide was turning against the farmer. A series of dramatically advanced technological processes imposed incessant pressure on self-sufficient farming. The frontier was disappearing. In response, anti-business sentiment swept over "the agrarian West" (Dorfman 14). Debt was a constant worry and burden. Meanwhile, railroad companies caught the brunt of anti-business sentiment.

Veblen had immense respect for his father's intellect. Still, their relationship was so stilted that one day the older Veblen passed his son in town without speaking, from which Thorstein concluded that there was no reason to speak if there was nothing to say. The strangely distant relationship persisted and Dorfman notes that Thorstein found out he was to enroll at Carleton College only when his father dropped him off at the school.

At Carleton College, where they aimed "at the standard of scholarship maintained by the best New England colleges," economics was taught as a core part of the commonsense philosophy. The four fundamental laws of political economy with which Veblen would have been thoroughly familiar were: (1) God has made man a creature of desires, (2) man must by irksome labor force nature to yield her hidden resources, (3) the exertion of labor establishes a right of property, and (4) the right of exchange (Dorfman 22). Undaunted or unfazed by not having fit in well at Carleton, Veblen pursued graduate study at Johns Hopkins. There, for the first time, he was in the midst of Southern culture, "with its highly developed leisure class" (Dorfman 38). This experience likely further entrenched his dislike of waste and affectation. Ultimately unable to secure a scholarship at Hopkins, Veblen entered Yale. The impression

Veblen made on people-- even those who considered themselves his friends--was not particularly positive. George Duncan, friend and later a professor of philosophy at Yale, described Veblen as “not an attractive or polished man in character or carriage” (Dorfman 42).

Throughout the biography, Dorfman attributes Veblen’s critical, anti-capitalist worldview to having grown up in an impoverished home and having struggled with English. Dorfman characterizes Veblen as a “marginal man” who was perpetually out of place, whether in the Norwegian community in Wisconsin or in Carleton College, or much later when he served on faculty at more than one university. By Dorfman’s account, Veblen seemed “sneering and supercilious” to most of his fellow students at college (Dorfman 30). After college when he returned to the farm and did nothing but read widely, he was a misfit for appearing to lack ambition in a community that put a premium on hard work and self-reliance. As a professional, the fact that he was vocal about being agnostic won him no affection among those in administration. He also attracted unfavorable attention by being a married man who carried on indiscreet affairs. In fact, his signature misfit style distinguished him negatively when he sought appointments and consistently had to rely on the help of his brother Andrew or close friends to secure his next position.

Stephen Edgell, author of *Veblen in Perspective*, assails Dorfman’s “marginal man” thesis and those who have for years accepted it uncritically. In Edgell’s book, published in 2001, Edgell makes frequent reference to the correspondence between Andrew Veblen, Thorstein’s older brother, and biographer Joseph Dorfman. As Dorfman worked on the manuscript, he sought and was met with a great deal of assistance and feedback from Andrew Veblen. In these letters from Andrew Veblen to his brother’s biographer, he often provided factual details and context, but even more often expressed his dismay with Dorfman’s approach to his brother’s biography. Despite persistent refutation in Andrew Veblen’s letters, Dorfman persisted in asserting that Thorstein Veblen was raised in an underprivileged home and struggled with English. On the contrary, Andrew Veblen countered that the Veblens were well off and nothing could be so ridiculous as to assert that Thorstein struggled with English. Andrew described these points as a mere two of the most egregious “misapprehensions, misstatements, and misleading notions” in Dorfman’s manuscript. As the manuscript lengthened over the years and as Andrew Veblen continued to correspond with Dorfman, Veblen continued to counter those assertions he found specious. He grew frustrated and weary after several very long letters that seemed to go

unheeded. Finally, Andrew Veblen died in 1933, one year before Dorfman's biography of his brother was published.

Edgell laments that since the publication of Dorfman's *Thorstein Veblen and His America*, the general public and even Veblen scholars have accepted Dorfman's work uncritically. Rather than obtaining Andrew Veblen's letters, which provide a devastating exposé of his impression of the biographical process that ran roughshod over the truth, readers have deferred to Dorfman. As it turns out, Andrew Veblen was not the only sibling in correspondence with Dorfman. Thorstein's young siblings John and Florence also countered the direction in which Dorfman insisted upon taking his thesis. John Veblen, nine years Thorstein's junior, wrote, "the idea that you think he [Thorstein] was raised in poverty, worked his way through college, etc. That is not so. Our parents were well to do farmer folk." In contrast to the "alienated loner" thesis, John continued, Thorstein was "what we call a good sport, loyal to his friends and family" (qtd. in Edgell 45). In 1931 Thorstein's sister Florence felt she knew where this biography was headed and wrote with wry dismay, "There has been some attempt to surround Thorstein Veblen's youth with the fashionable American decoration of hardship, privation, and struggle. There never was any ground whatever for this" (qtd. in Edgell 45). Florence pointed out the importance of "close friends" in Thorstein's life and also noted that English as well as Norwegian was spoken at the dinner table when Thorstein lived at home (Edgell 45).

Dorfman's first mistake was that he approached his biography with a certain thesis into which he hoped Veblen's life would neatly fit. On top of that, he did Thorstein Veblen, his family, friends, and the general public a disservice when he refused to modify his account when there was a plethora of evidence that "invalidated key elements" of it. Rudolf von Tobel, a lawyer and one of Veblen's close Carleton friends, informed Dorfman that Veblen was "master of as correct and precise English...as anyone in college." In answer to Dorfman's question, "Was there any cultural antagonism between Norwegians and New Englanders?" Von Tobel replied, "None whatever" (qtd. in Edgell 46).

Edgell argues that while Dorfman's manuscript worked its way toward publication and even years after, Dorfman attended to correcting minor details but neglected to "attend to the major points that would have challenged directly the economic social marginality thesis he advanced in the first edition" (Edgell 56).

Dorfman's willful refusal to modify his marginality thesis persisted despite available evidence. Part of what may have steered him awry—though he had every opportunity to right himself—was the kind of information he pursued about Veblen. Edgell alludes to Goffman's distinction between the front and back regions of social life (1969). The *front regions* are concerned with “social occasions in which a premium is placed on impression managing one's performance whereas *back regions* are informal social gatherings that encourage the expression of feelings” (Edgell 50). Dorfman gathered much of his information and indeed, focused his biography on the front regions of Veblen's life. Dorfman most often quotes Veblen's former students and others who knew him in a professional sense. It seems a fair observation that most people are reserved in the professional sphere, and have little cause or incentive to reveal much emotion, especially with students. Henry Rolfe, professor of Greek while Veblen was at Stanford explains, “Very little that was controversial, very little that was personal, came from him. He was too dignified for such discourse” (qtd. in Dorfman 275). Edgell, on the other hand, focuses his work on the back regions of Veblen's life, dealing almost entirely with Veblen's family and friends. It is from these sources we learn that Veblen was “a good sport, loyal to his friends and family” whereas ex-students blamelessly lack access to a similar perspective. Edgell aptly summarizes that “the key issue is the impersonality of the public sphere and the intimacy of the private sphere” (50).

Oddly enough, for someone intent upon the back regions of Veblen's social life and someone who pored over the apparently oft-neglected Andrew Veblen letters to Dorfman, Edgell provides virtually no insight into Ellen Rolfe or Ann Bradley, Veblen's first and second wives. One would think these women would have been authorities over Veblen's intimate sphere and might easily have known more about the expression of his emotions over the course of his life than his siblings with whom he lived only as a young man. It may be that neither woman corresponded with Dorfman or had any letters that could serve as primary sources as was the case with Andrew Veblen's many and copious letters to Joseph Dorfman. Whatever the case, a back region-intensive account that does not include significant information from one's spouse cannot be thought entirely comprehensive.

Another issue about the way in which scholars and biographers have interpreted Thorstein Veblen arises from a linguistic puzzle. Edgell suggests that Dorfman and others who framed their work based on Dorfman's economic and social marginality thesis have treated the

terms “stranger” and “marginal man” synonymously (Edgell 50). Georg Simmel’s construction of “the stranger” as a social category, though once clearly differentiated from “the marginal man” collapses onto the former because of a failure in translation. Robert E. Park, a translator and disseminator of Simmel’s sociology, mistakenly presents the two concepts as synonyms (Edgell 50). While both categories can be said to exist socially and spatially on the outside of things, “the stranger” is depicted as “successful trader, a judge, and confidante” (Levine qtd. in Edgell 51). The “stranger” appreciates the benefits of his position and is largely content and nonconformist. The “marginal man,” however, lives in constant, self-conscious frustration with his distant state of being and is willing to conform to the mainstream to end his keen sense of marginalization (Edgell 51). Park advanced the notion that the “marginal man” was “on the margin of two cultures and two societies” who is likely to experience a “sense of moral dichotomy and conflict” (Levine qtd. in Edgell 51). Dorfman’s insistence on seeing Thorstein Veblen as a “Norskier” out of place among New Englanders undoubtedly helped convince him of the appropriateness of his “marginal man” thesis.

Dorfman’s biography of Thorstein Veblen bombards the reader with his marginality thesis, and without benefit of Andrew Veblen’s letters of protestation which only became available to the public in the 1990s, the thesis seems perfectly valid. In light of those letters and biographical information about Mr. Dorfman, Edgell suggests that it was likely Dorfman who felt marginal, not Veblen (Edgell 54). Several sources vehemently refute that Veblen grew up in an underprivileged home and struggled with English. These sources—primarily Veblen’s siblings and close friends—instead assert that his family was well to do and that he had as fine a command of English as anyone. Dorfman, on the other hand, grew up in urban poverty, a Russian-born Jewish immigrant in the geographic isolation of the American West. The time of his immigration coincided with an era of remarkably high immigration from eastern and southern Europe, as opposed to the earlier pattern of immigration from northern and western Europe. As a source of additional social tension, Dorfman’s formative years spanned a period in which conservative elements sought legislation to stem European immigration (Edgell 54). From his beginnings in Portland, Oregon, Dorfman grew to be an ambitious scholar. During his early work on the Veblen biography he was an “inexperienced scholar” and an aspiring Ph.D. candidate. Edgell suggests that knowledge of Dorfman’s background and possible sense of his own marginalization may have “impaired” his perception of Veblen at the outset. Further, Dorfman’s

inaccurate “marginal man” thesis may tell us more about “the seeking of conventional success and social acceptability than it does about the origins of Veblen’s acclaimed critical social thought” (Edgell 55).

In his research that debunked Dorfman’s “marginal man” thesis, Edgell found that Thorstein Veblen’s surroundings and circumstances were completely different from Dorfman’s account and indeed aided and supported Veblen where Dorfman suggested they had hindered him. First, instead of growing up in an underprivileged home, Veblen spent his young life in a farming family that considered itself well to do. Indeed, John Kenneth Galbraith, “a long-term Veblen admirer and critic,” wrote that the Veblens thought themselves ‘representatives of a superior culture,’ treating with ‘contempt’ the pretentiousness of the local Anglo-Saxon elite” (qtd. in Edgell 47). Socially, while Veblen could legitimately be called a misfit for his agnostic beliefs or distant demeanor in the classroom, he was still capable of nurturing and maintaining friendships with people who later extended their best efforts on his behalf to help him secure professional appointment. Professionally, Veblen was unable to follow a smooth, clear path that would take him from promotion to promotion. His coexistence with university administrations was frequently, at its best, one of mutual toleration. While at the University of Chicago, Veblen sought a raise. Rather than grant the raise, the president of the school informed Veblen that he would not object to Veblen leaving. Veblen wrote out a letter of resignation and with that gesture successfully called the president’s bluff and was awarded a raise.

Without evidence Dorfman asserted that the Norwegian community where the Veblens lived in Wisconsin was a site of extreme cultural isolation. Edgell argues the opposite-- that this community was in fact a source of support and affirmation. Veblen had a lifelong passion for learning and discussing Scandinavian cultures. Edgell notes that Veblen frequently referred to the prehistory and history of Scandinavian cultures to illustrate a theoretical point (Edgell 60). Edgell notes that Veblen drew upon his knowledge of Scandinavian people in nine of his twelve books (61). Veblen pursued the idea of habits to their teleological conclusion. He concerned himself with “cultural habits and social institutions, not racial differences since these ‘act to direct and define the aims and end of conduct’” (Veblen qtd. in Edgell 60). Veblen’s reference to “social group or race” demonstrated his concern with the “societal rather than biological” nature of race. His frequent use of the term “peoples” also predated by a generation those who

suggested that the term “race” should not be used with reference to human populations in scientific discourse (Edgell 60).

This side of Veblen’s life that drew support and passion from his family and Norwegian ethnicity is a side absent from Dorfman’s account but the definitive perspective in Edgell’s thesis that Veblen benefited from his own and his family’s growing economic, social, cultural, and symbolic capital” (73). Included in symbolic capital is the value of Veblen’s “linguistic capital”—not simply his command of English, but importantly his command of Norwegian that would allow him to translate *Laxdaela Saga* and stay current on changing subtleties of Norwegian culture. It was not only from his family but also from his bond to Norwegian culture that Veblen acquired his abhorrence of waste and love of what he called “workmanship.” This affection for efficiently directed and performed work for the common good inspired Veblen’s writing and set up the classic dichotomy that became the conceptual framework for most of his books.

The sources of Veblen’s psychology are many. The bulk of his sense of the world in which he lived surely had much to do with the economic, social, cultural, and symbolic capital Edgell describes. In fact, what is left over are factors that in comparison might at first seem incidental. We know that Veblen read widely. Living on the family farm while he recovered from eastern malaria, Veblen spent his time reading. Then Veblen might walk behind the plow as his father proceeded through the fields and discuss what he had read. This routine continued throughout Veblen’s six years of unemployment. Given his access to the works of esteemed workers in every subject from philosophy to botany, it is interesting and perhaps telling that Veblen so rarely acknowledged a debt to outside sources when he became a writer of note himself.

David Riesman, author of *Thorstein Veblen: A Critical Interpretation*, wondered about Veblen’s usual failure to cite his sources in his writings. Riesman suggests that Veblen may have been clinging to a goal of appearing original—a “natural” from whom knowledge flowed as though from some singular, organic source. Even more likely, Veblen may have wanted to “evade another academic ritual, another debt, but in addition some inner fear that a citation would act as a constraining force, limiting what he could say” (Riesman 15-16). It is possible, as Riesman suggests, that Veblen chafed against the notion that if he cited a source he would either have to agree with that person’s interpretation or explain why he disagreed with it. But the use of

sources is often pertinent to the structure of an argument that will do more than simply agree or disagree and will instead present established opinions before moving off into a new direction that is neither directly aligned with or antithetical to the cited source. Veblen would have appreciated that but still his citations were few and far between, which at the very least makes it difficult to identify his influences and on the more extreme side makes us question his agenda in writing. Edgell's answer, straight from Veblen, implied that all his sources were part of common knowledge and that his sources would be obvious to anyone reasonably well read.

In keeping with his lack of citations, Veblen was prone to abstraction and generalization. Some of this abstraction was a consequence of his Charles Darwin-inspired evolutionary approach to any topic. Veblen was thoroughly familiar with Darwin's work and allowed it to inform his writing. Veblen believed that the evolutionary forces that acted on species over time also impressed their will on habits and institutions, but with an important difference. Rather than "survival of the fittest," Veblen maintained that conservative forces preserved the "survival of unfit." Edgell summarizes Veblen's thesis: "institutions emerge during one era but persist into another, resulting in cultural lag and the survival of, at best, inappropriate habits of thought" (115). As he described it, Veblen did not imagine a self-correcting mechanism to bring institutions in line with where they "ought" to be, which may be what made him feel his writing was necessary. In his biography of Veblen, Dorfman notes that as a young man Veblen could think of no honorable profession except possibly the ministry (Dorfman 4). Perhaps here was the honor in institutional economics—to counter the conservative forces and push customary habits of thought out of ruts and toward the common good.

Veblen's preference for tracing a given theme over evolutionary stages should not be overlooked. His trademark style led Edgell to write, "Hence, for Veblen, the present was understandable only with reference to the 'barbarian past'" (Edgell 164). As already noted, Veblen frequently referred to Scandinavian culture to make a theoretical point. But his evolutionary approach, while it rather casually swept over thousands of years did not necessarily require the dismissal of specificity that Veblen seemed to believe it did. Veblen may give himself too much credit for creating a theory (i.e. of the leisure class) that rose out of a barbarian, savage, and eventually handicraft era. At times it seems Veblen believes his authority as a writer comes from the timelessness of his ideas, a timelessness that resists substantiation. Edgell suggests that those who considered Veblen's work to be biting, satirical social critique were likely hamstrung

by the satirical tone and as a result missed the “evolutionary wood” for the “satirical trees” (77). Veblen’s lack of specificity can certainly be frustrating in that it leaves unanswered questions not only about his theory but also about the psychology advanced within it. Riesman supposed that Veblen clung to his abstraction and generalization out of an unwillingness to say “just what it was that was central for him—which would have meant, of course, saying who he was” (16). Disappointed and somewhat disillusioned by what Veblen left undone, Riesman writes:

But the danger lies in the possibility that Veblen shut himself off from much that was new by his very propensity for abstraction and generalization. Had he in this case, for instance, made an actual investigation, he might have discovered that, if wealth were great enough, it might induce indifference to dress, or that there were denominational differences irrespective of wealth, or rural-urban ones, and so on—all the buzzing, booming confusion of American life which Veblen somehow, thinking he understood it, did not continue to grapple with. (48)

There are several other issues that Veblen may have considered and sacrificed in his commitment to the evolutionary approach. Equally possible, he may have thought some questions out of the scope of his theory, thought them too problematic, or not considered them at all. Another omission that Riesman points out is that in the context of women’s dress and conspicuous consumption Veblen does not discuss sexuality as consumption and in consumption. What he does say is that the wealth displayed is not the wealth of the wearer. Having made his point about women as objects of display for men, Riesman charges, “He does not recognize that women’s dress also symbolizes the prevalent attitudes towards female sexuality” (Riesman 178). Using an example that parallels Veblen’s reference to corsets, Riesman calls to the fore the “present off-the-shoulder fashion for women [that] in constricting their arm movements, symbolizes a partial defeat of feminism and a pose reminiscent of Veblen’s day, of sexual dependence and helplessness in women” (178). In some instances it seems likely that Veblen may consciously have resisted specificity in an effort to commend his work to the world with an aura of timelessness. Yet he does refer specifically to corsets—just not specifically the role of sexuality as it related to consumption, and it is difficult to determine the

significance of that omission. Veblen may have thought that such a discussion would have struck his audience as vulgar.

Other issues that seem quite relevant to Veblen's *Theory of the Leisure Class* are the role of self-consciousness or awareness among the leisure class, their reaction to being emulated, and self denial among those who emulate and envy. Riesman acknowledges that Veblen has given us "our vocabulary of misgiving and self-deprecation" (79). Edgell quotes Veblen as saying, "No class of society, not even the abjectly poor, forgoes all customary conspicuous consumption" (110), therefore is there not a significant expanse of psychological investigation to do among the working class and among the more self-reflective members of the leisure class?

Veblen uses dichotomies as the framework through which he approaches the questions that are crucial to his inquiry. These pairings become familiar touchstones throughout his work and may be considered the thematic bedrock of his work. These dichotomies, such as industrial vs. pecuniary or industry vs. exploit seem to be the clearest or most recognizable representations of Veblen's psychology. Riesman points to Veblen's "dichotomizing moralism" and suggests that it seeks out the conflict between workmanship and wastemanship (80). Riesman affirms and maintains the ubiquity of this conflict. He goes further to assert that the conflict is present throughout the social order of readers' "individual lives" (80). The readers' ability to "internalize the voices of his *dramatis personae*" validates the presence of Veblen's "dichotomizing moralism" from the start, but Veblen hedges and resists the readers' corroboration via "his own ambivalence towards his moralism" (80). When he appears to at least make the terms of his psychology clear through use of dichotomies, Veblen remains cloaked in the innate ambivalence of not only the dichotomy itself, but also his "dichotomizing moralism." This brand of moralism, on the one hand, gives Veblen the room to glide at will between appearing detached and appearing invested. On the other hand, in reading critically we suspect that he is using detachment as a guise to write about that in which he surely must feel invested or else he would not have been inspired to write all that he did.

Recall that Veblen defined an institution as a customary habit of thought. As an undergraduate, Veblen studied the work of William James, including James' *The Principles of Psychology*. In her article, "William James's Narrative of Habit," Renee Tursi asserts that for James, "neither routine nor repetition sums up [habit's] character...nor is mere custom alone--what we usually regard as institutionalized or community-sanctioned habit--the 'real' subject at

hand” (Tursi). Leaping into the spiritual and metaphysical aspects of the human existence, James’s writing on habits includes “features of intuition, intention, and tendency” that complement his notions of “rationality, morality, and the will to express a profound dynamism” (Tursi). Perhaps most significant to Veblen’s incorporation of habit into his evolutionary approach to economics is James’s notion that an original thought would perish if left on its own. Only habit “enables the environment to preserve an idea’s ongoing potential” (Tursi). Here, perhaps for the first time, it becomes clear what Veblen’s attraction to James’s description of habit may have been. Here was a concept with limitless potential. Rather than being narrowly defined in terms of routine and repetition, James created an understanding of habit that was leaps and bounds beyond its common connotation. James’s ability to thrust the idea of habit into the spiritual and metaphysical arena likely served as inspiration and a model for Veblen. Tursi notes that James’s view of habit contradicts “everything we have taken on faith from Walter Pater regarding habit and an inventive world on the cusp of modernism” (Tursi). In 1888, Pater, the English essayist, suggested that the formation of habits directly implied our failure on “every creative plane” (Tursi).

Veblen’s description and use of habit in his writing was very dense and complex, but his goal was clear: to understand institutions. Though Veblen does discuss instincts, typically these were seen as biologically motivated while habits were psychologically motivated. Veblen goes on at length about instincts in the introductory chapter of *The Instinct of Workmanship and the State of the Industrial Arts*, but this is the only place he gives them such attention. Here Veblen presents the “instinct of workmanship” which he seems to require as a determinate basis for later habits. The instinct of workmanship, he argues, manifests itself in terms of individuals having regard for the welfare of the group and wanting to perform tasks as efficiently as possible in the best interest of the collective group. Veblen could have used habits here but he needed the idea of an instinct to better motivate his evolutionary discussion. Something had to predate and ignite the habit and the instinct(s) he describes serves that purpose. That being accomplished, Veblen can focus on habits.

Interestingly enough, Veblen maintains the notion of feedback between habits and instincts: “all instinctive behavior is subject to development and hence modification by habit” (qtd. in Edgell 83). Human culture itself is a scheme of institutions which have grown out of habit, so the concept of habit connects and preserves the conceptual integrity of both instincts

and institutions. Veblen, eager to rigorously connect habits with institutions, writes, “the adaptation of habits of thought is the growth of institutions” (qtd. in Edgell 84). Veblen explains that the “growth of culture is a cumulative sequence of habitation” that varies “incontinently, cumulatively, and consistently” with the exigencies of the world (qtd. in Edgell 83). The variation is incontinent because each new move necessitates others that are different from what would have occurred without the first move. Variation is cumulative simply because each change builds upon the last and this, of course, is in keeping with Veblen’s evolutionary approach to institutions. Finally, variation is consistent because the underlying traits of human nature remain substantially unchanged.

No stranger to playing the iconoclastic social critic, Veblen maintained a then irreverent view of demand. Like Darwin who thought that the “hedonistic conception ‘may be erroneous,’” Veblen rejected and “ridiculed the assumption that humankind was like a ‘lightning calculator of pleasure and pains” (qtd. in Edgell 68). Joseph Dorfman attributed Veblen’s non-mainstream perspective to Veblen’s “marginal man” status. Dorfman wondered, “Would it have occurred to the hypothetical Man in the Mainstream to doubt the hedonistic psychology of the economic man of classical economics?” (qtd. in Edgell 32). Dorfman imagined that Veblen, as a marginal man, was “free to follow his reasoning wherever it led” and therefore was “able to see demand as a complex, often illogical result of irrational, subconscious impulses and institutionally induced, emulative desires” (qtd. in Edgell 32). Though we may now look askance at the “marginal man” thesis, we are not helpless in our attempt to better understand Veblen and his body of critical thought. We can and have derived much. Specifically, Veblen used a William James-inspired understanding of habit conflated with a minimalist discussion of instincts to pave the conceptual path toward institutions—his prime area of interest and probing inquiry.

III. The Relevance of Thorstein Veblen and the Psychology Question.

After what we have discovered about Thorstein Veblen and the role of social psychology in his work, there is a sense of both potential and familiarity. In the end it seems there was always a resonance and truth to his approach that recognized the integral nature of culture and behavior as components of economic behavior. No institution or habit of thought could be

isolated or alienated from the human nature of the people who subscribed to it. Alongside the familiarity of a theory that acknowledges and respects our emulative human nature, there is also an unerring conviction that such work could not long be overlooked or marginalized. Ultimately, social scientists would, on a grand scale, have to incorporate some of the same thinking we first saw in Veblen's written works. The human desire to understand the human condition would require psychology to make not a fleeting appearance but a sustained involvement in economics over time.

To approach and ultimately flesh out Veblen's relevance to modern economics, we should first consider a question easily taken for granted: what is modern economics? It is not the political economy Thorstein Veblen studied after first trying his hand at philosophy at Carleton College. Unlike the political economy of the middle to late 19th century, economics as a field has since narrowed and professionalized. Practitioners sacrificed the immense breath of political economy, in part to enable economics to gain respect as a social science and for economists to practice their work in a respected field. The professionalization was successful and the discipline of economics has no shortage of Nobel Prize winners, graduate schools, scholarly journals, and professional and academic organizations. Professionalization required formality of method, and nothing assured formality as well as mathematics. High-level mathematics became requisite in order for economists' work to be taken seriously, and it is only in the past twenty years that economists have not only dared to boldly include psychology in their economics study, but they have found a way to do so that is also mathematically rigorous.

Contemporary economics is ambitious and resourceful in ways that owe much to Thorstein Veblen. In 2001 Matthew Rabin became the first John Bates Clark medal winner to openly embrace behavioral economics. Rabin delves into cognitive psychology studies and then translates that information into formal models of economic theory (Uchitelle C14). Rabin answers questions that are in keeping with the sweep of Veblen's inquiry. In his studies, Rabin has found that "people behave toward others as they perceive others to be behaving toward them, even if such behavior does not maximize income or well-being" (Uchitelle C14). Veblen might have been surprised by this result. His own theory focused upon the self-centered, ostentatious leisure class. Though Veblen firmly makes the point that there is some form of conspicuous waste even among the abjectly poor, *Theory of the Leisure Class* takes a class-specific approach

to the question of economic behavior. Rabin, on the other hand, reached a conclusion about people in general and concluded that human behavior responds to fairness and reciprocity.

Veblen's idea of a "habit of thought" may not be quite the same as our modern conception of habit, but the two seem closely related when it comes to procrastination, perhaps because it calls up images of what Veblen called "conservative forces." An individual's difficulty in overcoming a kind of inertia is much like any larger group of people steeped in the inertia of tradition or long practice. Matthew Rabin's work has carved a place in economic theory for the phenomenon of procrastination, "noting that people procrastinate in planning for retirement, although such behavior can be costly" (Uchitelle C14).

In an 1892 article on the political implications of emulatory consumption, Veblen pointed out that "the tendency for the lower classes to conform to the archaic standards of pecuniary decency set by the upper classes resulted in the 'strengthening of the general conservative attitude of the community'" (Edgell 111). This hegemony solidified the position of the leisure class and conserved archaic institutions. The thrust of Veblen's criticism was to challenge conservative forces and the evolutionary drift toward uncritically accepted circumstances. Douglas F. Dowd, author of the essay "The Strengths and Weaknesses of Veblen," notes that "as time goes on, institutions become shelters for vested interests which, attempting to make the most of what they have, attempt also to prevent institutional change, and do so with power, habit, and law behind them" (31). This left Veblen to account for and counter the "social lag" associated with institutions. Veblen's style was irreverent and matter-of-fact. His "style of resplendently ironic sociology contributed to the foundation of the sociological tradition of social criticism" (Edgell 115).

While Veblen benefited from the years of existing literature in nascent psychology and indeed his work led to new, additional questions that would augment psychology as a discipline, Rabin has the benefit of a highly developed cognitive psychology discipline, including a number of specific studies to draw upon. Veblen lived in a time when the discipline of psychology itself was so new that most every question led to uncharted territory. And yet, compared to the "classical masters," Veblen had the benefit of "two generations of active research in biology and anthropology as well as in psychology, [and] he could reach what is certainly a later, and a presumably juster conception of human nature"(Mitchell 53). To have proceeded boldly along a

path toward a theory of economic behavior in the absence of the studies to which Mr. Rabin can now refer, is part of what makes Veblen such an important figure.

In order to maintain his unique logic on the path toward the topic of inquiry he found most important as an economist, Veblen had to fill in the gaps as he went. Veblen was fascinated by and committed to better understanding institutions. These “habits of thought” seemed to be what made the world go round. We see how central institutions were for him in that he applied an evolutionary approach to his analysis, as though he dared not miss a stage of their development. Every stage played a role in bringing institutions to where they existed in the present day.

The Society for the Advancement of Behavioral Economics conducted its biannual meetings in San Diego in June 1999. Conference participants presented papers that reached between economics and several other social science disciplines, including psychology, anthropology, sociology, political science, and statistics (Grossbard-Shectman 1). The major theme of the conference was the “reorientation of economics.” The conference called attention to changes in the discipline that have shaped and continue to shape three fundamental themes in economics: rational choice, equilibrium analysis, and a clearly defined concept of efficiency. The more we acknowledge the inherent complexity of human choice and decisions, the more information our economic models need to include. The article paraphrases Thomas Schelling’s observation that the concept of efficiency is problematic when preferences can be manipulated, or when people lack the will power to carry out their plans. Such issues crop up in divorce, child rearing, crime, and retirement planning. Although not all topics that interest economists “lend themselves to formal analysis, there is ample room in the discipline for clear, insightful thinking that is neither formal nor mathematical” (Grossbard-Shectman 1).

Though Veblen’s precedent is often overlooked, it was his interdisciplinary approach that imagined that anthropology, psychology, biology, etc. had bearing on economics. His willingness to include insights from disciplines that he thought might be helpful in informing his theories about institutions paved the way for modern economists to do the same. So, modern economics is still the embodiment of the three fundamental themes mentioned earlier, but it is also a self-aware, reflective, and ambitious discipline. Modern economists are undaunted by the notion of looking beyond the discipline to augment the body of knowledge within the discipline.

Thorstein Veblen's life spanned the years 1857 to 1929, but his work commends itself to the present day. Those issues with which he was concerned were of lasting relevance because at their root they were about people. In their endless complexity, people will always be the focus of any social science. We know that what Veblen offered us is not outmoded and irrelevant because we can see his influence in tangible ways. Warren Samuels points out that Veblen's ideas inspired a school of thought that publishes a professional journal and that international organizations exist to discuss the relevance of his ideas. Further, "Veblen's intellectual stock is currently rising because the political economist who spent his career railing against industrial waste has much to offer in addressing modern industrial environmental problems" (Samuels 915).

Stephen Edgell, who alerted readers to the unsoundness of the Joseph Dorfman's "marginal man" thesis, notes that an abundance of empirical research during the 20th century confirms the prevalence of conspicuous consumption in a variety of societies (Edgell 108). Mass consumption and consumerism in America calls for a steady stream of products that are wasteful in varying degrees. Designer labels and fashionable clothing are just a small part of the general striving toward respectability that conspicuous consumption describes.

Importantly, the people striving are aware of Veblen's work. *Theory of the Leisure Class* "has become an essential part of the discourse of academic social science where it deals with social inequality and consumption, and has entered popular consciousness to an extent matched only perhaps by the ideas of Darwin, Freud, and Marx" (Edgell 110). Therein lies an advantage of coining phrases to fill as yet uncharted intellectual space. Veblen's phrases "conspicuous waste" and "conspicuous leisure" gave us the tools to have a discourse about economic behavior in a way that had not been possible before. These two phrases brought criticism to what had been the private side of economic behavior. The way people dressed or delegated tasks to domestic servants had not been the focus of other economists' attention. Veblen brought into daylight the workings of the private sphere as the focus of a theory of economic behavior. Whereas previously, economics tended to address public, professional issues, Veblen brought his analysis to bear on a new and daring area, the private sphere, economic behavior within the home and motivated by the need to assure others of one's respectability.

Veblen's work is relevant and important because of the impression it makes on our thinking about consumption and money. John Kenneth Galbraith wrote that after reading *Theory*

of the *Leisure Class*, “No one...ever again sees the consumption of goods in the same light” (qtd. in Edgell 110). We are creatures of consumption, and to become thoughtful and critical about our own commonplace actions is to be empowered to change our behavior. We needed Veblen’s work in order to realize that we have more to account for than what corporations do or what takes place in the marketplace for wage labor. Consumption speaks to our internal sense of well being, what we think we deserve, and what we need in order to meet our goals and aspirations. Veblen surprises us by suggesting that those aspirations have much in common and can typically be boiled down to being esteemed or seen as respectable by our peers.

Veblen’s accomplishment is even more remarkable when we note that at the time he wrote *Theory of the Leisure Class*, the reigning productivist approach in economics and sociology marginalized the study of consumption and “relegated it to the confines of utilitarian theory” (Edgell 110). Against this intellectual backdrop, Veblen’s thesis that attributed both social and economic meaning to all consumption was “devastatingly original” (Edgell 110). This notion of the social meaning of consumption was powerful in its application not only to the leisure class but across all classes. Veblen argued that “No class of society, not even the abjectly poor, forgoes all customary conspicuous consumption” (qtd. in Edgell). With that statement, there was no longer any reason to force Veblen’s *Theory of the Leisure Class* to apply only to the upper strata of social classes. Here was a theory that while clearly topically devoted to the leisure class, held meaning for all. If there was some degree of conspicuous consumption among everyone, then everyone ought to consider the social meaning of money and consumption.

Veblen’s concern with waste was a constant throughout his body of work. Over time, the concern became more intent upon the social costs of industrial capitalism. In *Instinct of Workmanship*, as Veblen seeks to describe how the business community came to be devoted to pecuniary management alone, he harkens back to *Theory of the Leisure Class*. He uses TLC to explain (with an evolutionary approach) the ways in which workmanship came to be rated in terms of salesmanship. But this explanation is the sterile side of a discussion Veblen feels passionately about and relays powerfully in *Theory of Business Enterprise*. Here is where Veblen expands upon the social consequences of pecuniary management. Here is where he assails the nature of the pecuniary economy in that it calls for absolute conformity. Veblen writes of the workman, “His thinking in the premises is reduced to standard units of the gauge and grade” (Veblen 308). The machine compels the adaptation of the workman to his work, without question

taking away the kind of control over the work process that someone with a farming background knows intimately and thrives upon. The workman bears the brunt of a standardized process that makes him utterly replaceable, and the source of this emotional strife is that businessmen seek “an increase of ownership, not industrial serviceability” (Veblen 37).

Veblen selected issues to pursue that were expansive, lasting, and relevant. Though the circumstances surrounding any issue will change over time, Veblen’s work illuminates the value not only of being discerning and critical but also of attempting to understand the origin and development of the institution at hand. In the first quarter of the 20th century, Veblen could only anticipate so much. He did not have the robustness of our present-day cognitive psychology studies to inform his thinking or form the empirical basis of *Theory of the Leisure Class*. What commends Veblen’s work to the present day is his interdisciplinary approach to his topic of inquiry.

Edgell writes: “Veblen did not so much wish to widen the scope of economics (Copeland 1958) as to transform it via an integration with other disciplines, including anthropology, sociology, and psychology” (164). This integration was precisely what Veblen saw as necessary to best understand institutions. He wanted more than a superficial understanding and would therefore have to seek answers in more than one place. But as noted earlier, during Veblen’s time these disciplines were only beginning to be seen as distinct and separate. That division was a function of professionalization, but earlier no one expected knowledge to fall neatly into distinct categories of disciplines. Knowledge was vast, expansive, and irrepressible. The rather open nature of disciplines at this time explains why Veblen would not have sought to “widen” the scope of economics. The scope was already wide, but what Veblen needed was the assistance of other areas of study to flesh out institutions in satisfying depth. The disciplines he chose to dip into were all related and capable of informing his line of inquiry. Psychology offered a way of thinking about individual and social behavior, while sociology would explain the way societies develop and interact. Meanwhile, anthropology included the study of the origin, the behavior, and the physical, social, and cultural development of human beings (American Heritage College dictionary).

Recently, cultural studies have proven to be examples of the interdisciplinary value of Veblen’s contribution. American literature and cultural criticism have found in his work no small amount of inspiration. Edgell points to Clare Eby who examined the writings of Theodore

Dreiser and Veblen with reference to content and style in *Dreiser and Veblen, Saboteurs of the Status Quo*. Larry Van Sickle has shown that fiction author Kurt Vonnegut was familiar with Veblen's writings and drew upon some of his ideas for his novels. In a similar vein, Upton Sinclair indicated in a letter to Joseph Dorfman that Veblen's work had influenced him: "I have tremendous admiration for his work. You will find considerable reference to that in 'Love's Pilgrimage'" (qtd. in Edgell 167). Edgell concludes, "It is indicative of the breadth, depth, and originality of Veblen's critical social thought that it continues to be regarded as relevant, and therefore influential, albeit unevenly, among so many intellectual disciplines and beyond academia" (166). And Veblen is both relevant and influential even today. We could not expect that influence to distribute itself evenly across all the disciplines to which he turned for guidance, explanation, and inspiration.

Veblen's work continues to demonstrate the value of interdisciplinary study. He does not hesitate to reach beyond economics into other disciplines because he is not thinking of the disciplines as rigid categories. In our attempt to professionalize the various disciplines, we have imposed rigidity and then must remind ourselves the only borders between disciplines are self-imposed. Knowledge is of an expansive, sprawling nature that resists categorization. What Veblen did likely seemed natural to him. He sought answers in those places that his questions led him, but today, pursuing answers across disciplines can require conscious thought and a commitment to interdisciplinary study. The author of the article on the Society for the Advancement of Behavioral Economics symposium pointed to frequent discipline mixing among economists and other social scientists. The author notes that when these social scientists find themselves working in the same fields, each brings an orientation informed by his or her disciplinary background. At times the two will "offer competing explanations for a given phenomenon" but other times they may complement each other. In her example, one discipline may "provide a theory of how preferences evolve, and the other discipline explains the consequences of such evolution for the social equilibrium. In either case, many interesting topics lie at the intersections of economics and other disciplines" (Grossbard-Schechtman 1).

The dangers of interdisciplinary study are easy to anticipate. Reaching across disciplines assures breadth but not depth. Veblen tried this at a particularly difficult time in that psychology was a nascent discipline. Today, with growing acceptance of the interdisciplinary nature of thorough investigation, there is more support for such work. Douglas F. Dowd writes that "one

need not fully share Veblen's values to find his approach useful. This is true to the degree that Veblen illuminated particular strategic relationships in the functioning of society" (21). The job that Veblen cut out for himself as an institutional economist was immense. Dowd speaks to the complexity of Veblen's task:

Because he is radical, the radical critic early finds himself concerned with an immense range of issues, however narrow his initial focus may have been. The study of leaves is complicated; but to trace the leaf to the twig, the twig to the branch, the branch to the trunk, and the trunk to its roots and the soil in which it grows; and to understand each aspect and the processes and relationships tying each to the other is much more difficult. (26)

Veblen did not shrink from applying the evolutionary approach he so valued. The fact that he rarely cited sources may have been his way of coping with the self-imposed demands of the evolutionary approach to describe economic behavior.

Thorstein Veblen is getting his second wind. Of the literature about him and his work, that which is most revealing and insightful was published in the last three or four years. Even the "marginal man" thesis that Joseph Dorfman advanced against the will of more than one of Veblen's siblings indirectly had some value. It was the guiding premise of what would become the definitive biography of Thorstein Veblen. Despite inaccuracies it was the respected source to which later Veblen scholars often turned. If Dorfman had listened to Andrew Veblen and modified his thesis, he would have produced a more accurate biography, but Veblen might not have the second wind he presently enjoys. The release of Dorfman's letters, including correspondence with Andrew Veblen played a role in bringing Veblen to the fore some 73 years after his death. Another part of that feat has been the exciting developments in behavioral economics. We, who know Veblen's willingness to reach into psychology to inform his economics and who have analyzed the results of such an approach in his written works, duly note the day when a John Bates Clark medal is for the first time awarded to a behavioral economist. Veblen was an irreverent, ambitious, interdisciplinary scholar at a time when he had every reason not to be. The title of Joseph Dorfman's biography of him is *Thorstein Veblen and His America*. Neither Veblen nor his America has been exhausted by study thus far. Each still has the power to engage the interest of many scholars for generations to come.

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Thorstein Veblen was a founding father of original, or old, institutional economics. The social and evolutionary usage of things and thoughts are at the center of Veblen's approach. In his studies, he dealt with psychological, social, anthropological and economic issues. The psychological content of Veblen's writing takes instinctive and habitual issues into consideration. The proposal of this paper is to revisit the psychology of Veblen's conspicuous consumer. In such a task, this paper discusses the role of observation and cognition in habit building, and their influence on th

Thorstein Bunde Veblen (30 July 1857 – 3 August 1929) was an American economist and sociologist, who during his lifetime emerged as a well-known critic of capitalism. In his best-known book, *The Theory of the Leisure Class* (1899), Veblen coined the concept of conspicuous consumption and conspicuous leisure. Historians of economics regard Veblen as the founding father of the institutional economics school. Contemporary economists still theorize Veblen's distinction between "institutions" and Veblen's humanism never leads him into the Ruskinian identification of wealth with life. He clearly recognized that economics should limit itself to man's dealings with the material needs of life. But this requires an examination of the psychical history of material civilization with all the varied instincts, urges and activities involved. Veblen's great contribution to economic science lay in his insistence upon the wider basis demanded by his biological and anthropological studies. Instead of studying pleasures and pains, or satisfactions and sacrifices, on the supposition that these "real forces" determine what men do, economists should study the processes of human behavior at first hand.

2 I. The Function of Psychology in the Works of Thorstein Veblen

Introduction Institutional economist Thorstein Veblen viewed his contemporaries' customary habits of thought with clarity and insight. Between the years 1899 and 1914 he published theories to explain varied social phenomena, such as class distinctions, the "instinct of workmanship," and business enterprise. This thesis seeks to understand the psychology at work in Veblen's texts, his motivations for suggesting such a psychology, and the relevance of Veblen's work today. Veblen's work as an institutional economist was socially motivated. This is not to say that he wrote to voice his conscience or to free the oppressed.

The Life and Career of Thorstein Veblen. Born in America to Norwegian immigrants, Veblen was an outsider and nonconformist with unusual behavior and alternative views; he rejected neoclassical economics, Marxism, pragmatist philosophy and laissez-faire economics. He wanted to integrate economics with sociology and history to show how the discipline was influenced by human biology and psychology. The longest job of Veblen's career was with the University of Chicago from 1892 until 1906, where he started as a teaching assistant and advanced to become a research fellow, assistant professor and th