

History of Economic Thought: Thorstein Bunde Veblen

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Thorstein B. Veblen (1857-1929)



Thorstein Veblen

Thorstein B. Veblen (1857-1929)

- A Norwegian-American
- PhD, Yale University
 - PhD thesis on Kant (lost!)
- Lecturer at Cornell, Stanford, Missouri, Chicago, and Newschool
 - Never become a full professor
 - Known for his personal affairs with women
 - Known as an influential social critic
- Editor of the *Journal of Political Economy*
- Rejected the presidency of the American Economic Association (1924)

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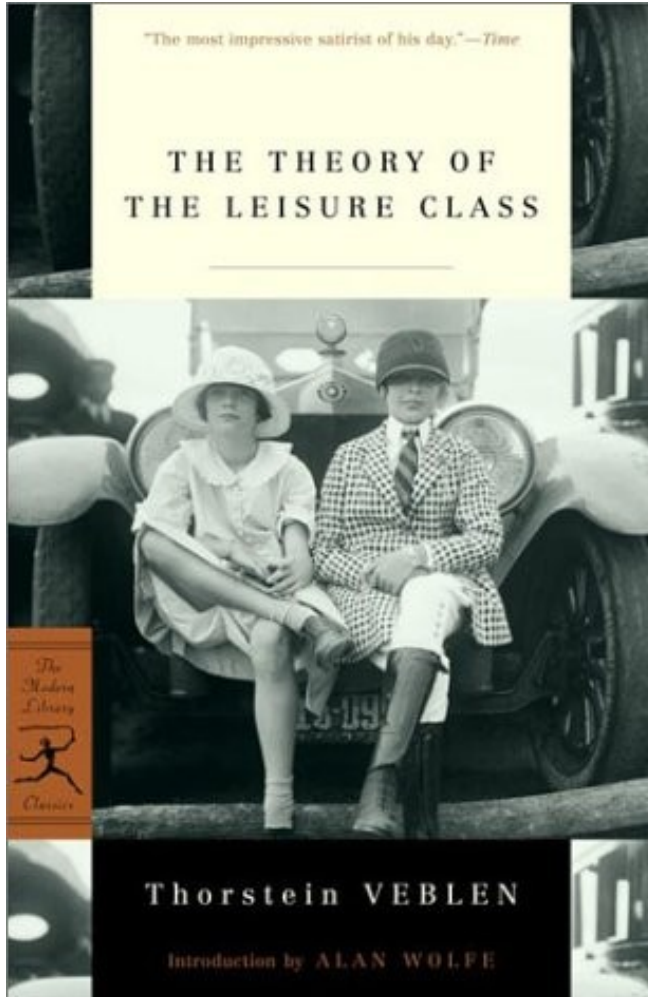
Books (Selected)

- *The Theory of Leisure Class* (1899)
- *Theory of Business Enterprise* (1904)
- *Absentee Ownership* (1923)

Journal articles (Selected)

- «Why is Economics not an Evolutionary Science?» (1898)
- «Preconceptions of Economic Science» (1899)
- «The Socialist Economics of K Marx and His Followers» (1906)
- «The Limitations of Marginal Utility» (1909)

The Theory of the Leisure Class



- First edition: 1899
- Thorstein Veblen (1857-1929)
- The father of evolutionary economics
- “A stick of dynamite wrapped up to look like a stick of candy” (Lewis Mumford)

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- The Great Depression of 1929
- Fordism and Taylorism
- The so-called American Exceptionalism
- American capitalism and the monopoly capital
- Emergence of new socio-economic classes
 - Engineers
 - Leisure class

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Influences (1/3):

- **Marx**

Class conflict:

→ Proletariat and capitalists

- **Veblen**

Sabotage:

→ Captains of industry and engineers



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Influences (2/3):

- **Spencer and Darwin:**

Biology instead of physics

Critique of teleology

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Influences (3/3):

- **American pragmatists and psychologists:**

C. Sanders Peirce, John Dewey, and William James

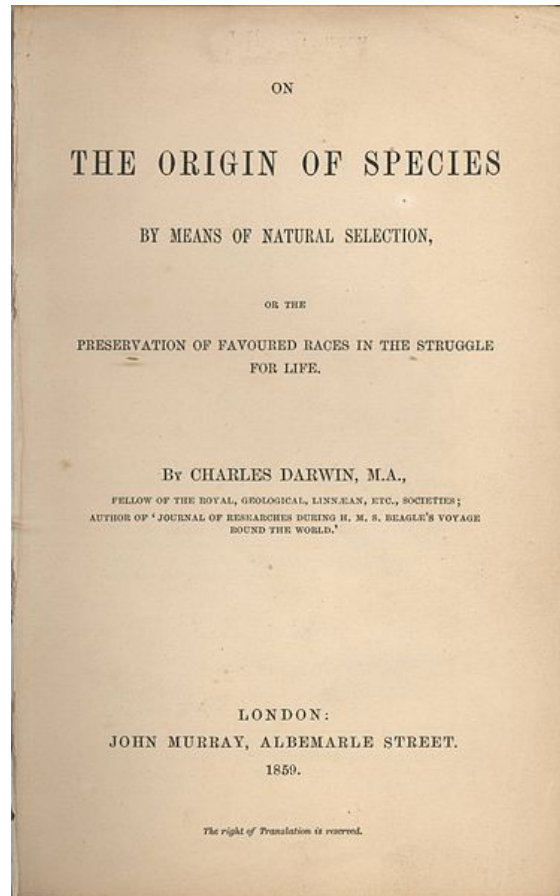
Reformism and progressivism

Empiricism

Values

Instincts

On the Origin of Species



- First editions: 1859
- 6th edition (with corrections): 1876
- Neither first nor last book that Darwin published in his lifetime
- Darwin was not the first person who argued for evolution.
- The conception of evolution has evolved since Darwin.

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What is it that survives in society and economy?
(«unit of selection»)

Biology	Economics
Species	Institutions

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Biology	Economics
Species	Institutions



On the Origin of Species

- Evolution in natural life



On the Origin of Institutions

- Evolution in social and economic life

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What is an institution?

An institution is the cumulated consequences of habits and instincts.

Families, universities, religions, sciences, bureaucracy, law, business firms, for-profit organizations, non-profit organizations, nations, conventions, routines, ideologies, etc.

Institutions – major claims

1. Economies and societies cannot be understood independently from institutions (morality, law, companies, banks, states, military etc.).



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2. Institutions do not always perform perfectly (suboptimality, inefficiency, second best solutions etc.).

Tower of Babel (sources: the Bible, the Quran and other religious and folkloric narratives)

And the whole earth was of one language, and of one speech. And it came to pass, as they journeyed from the east, that they found a plain in the land of Shinar; and they dwelt there. And they said one to another, Go to, let us make brick, and burn them throughly. And they had brick for stone, and slime had they for mortar. And they said, Go to, let us build us a city and a tower, whose top may reach unto heaven; and let us make us a name, lest we be scattered abroad upon the face of the whole earth. And the LORD came down to see the city and the tower, which the children of men builded. And the LORD said, Behold, the people is one, and they have all one language; and this they begin to do: and now nothing will be restrained from them, which they have imagined to do. Go to, let us go down, and there confound their language, that they may not understand one another's speech. So the LORD scattered them abroad from thence upon the face of all the earth: and they left off to build the city. Therefore is the name of it called Babel; because the LORD did there confound the language of all the earth: and from thence did the LORD scatter them abroad upon the face of all the earth.

Genesis 11:1–9

Metaphor – Tower of Babel



Gustave Dore, 1865

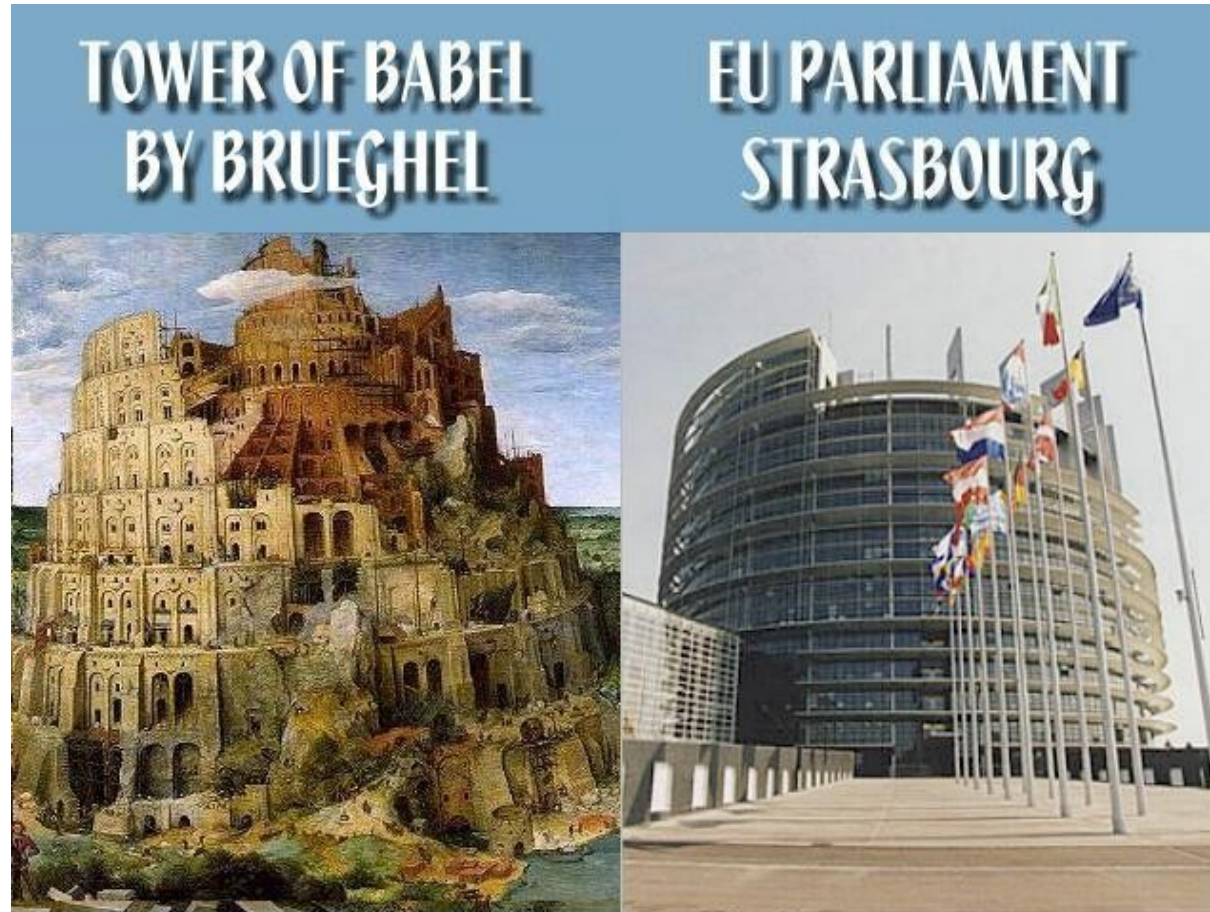


Lucas van Valckenborch, 1594



Athanasius Kircher, ?

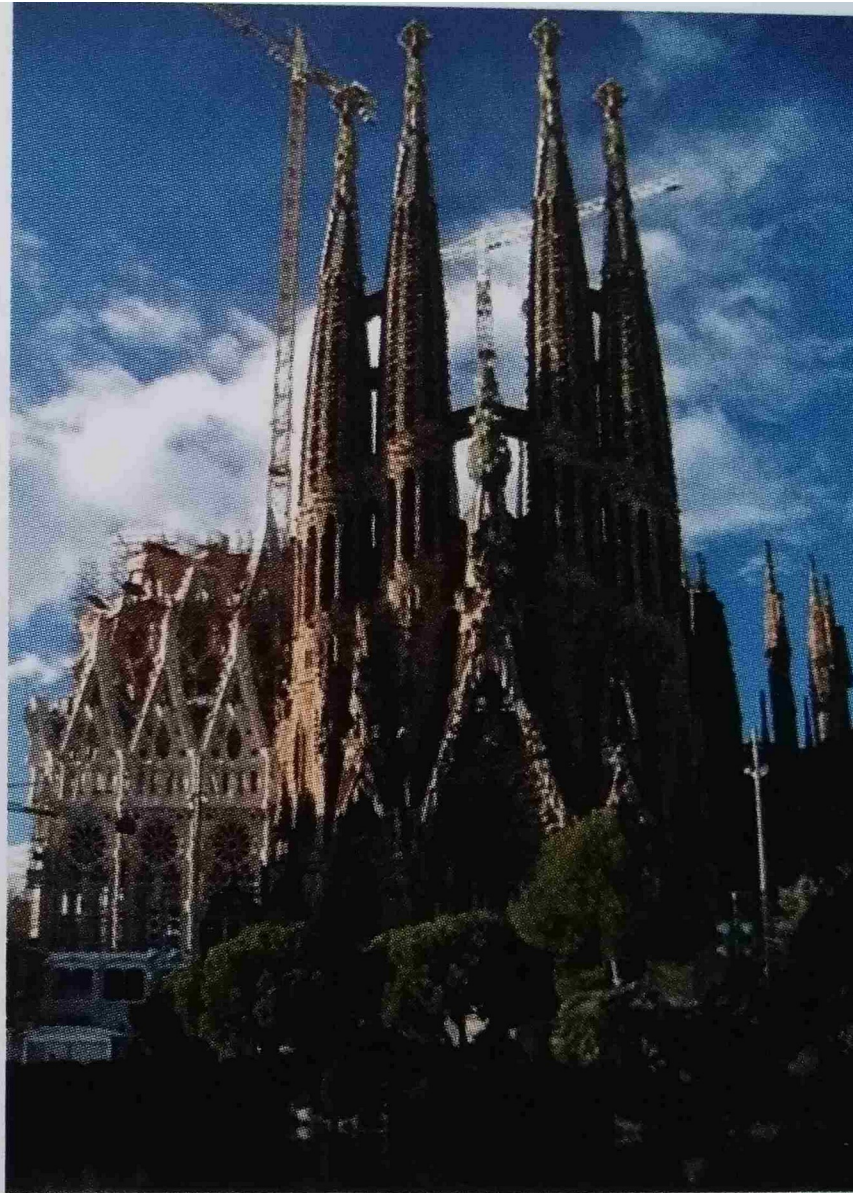
Metaphor – Tower of Babel



Pieter Bruegel, 1563

Institutions – major claims

1. Economies and societies cannot be understood independently from institutions (morality, law, companies, banks, states, military etc.).
2. Institutions do not always perform perfectly (suboptimality, inefficiency, second best solutions etc.).
3. Many human institutions are older than humans (saving, learning, housing, colonizing, competition, cooperation etc.).
 - a) Human societies and non-human societies share common institutions



Termite Castle and La Sagrada Família (See p. 235 for discussion.)

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 - a) Human societies and non-human societies share common institutions
 - b) Many human societies share uncommon institutions



St. Paul, London, UK (17th c.)



Blue Mosque, Istanbul, Turkey (17th c.)



Taj Mahal, Agra, India (17th c.)



Angkor Wat, Angkor, Cambodia (12th c.)

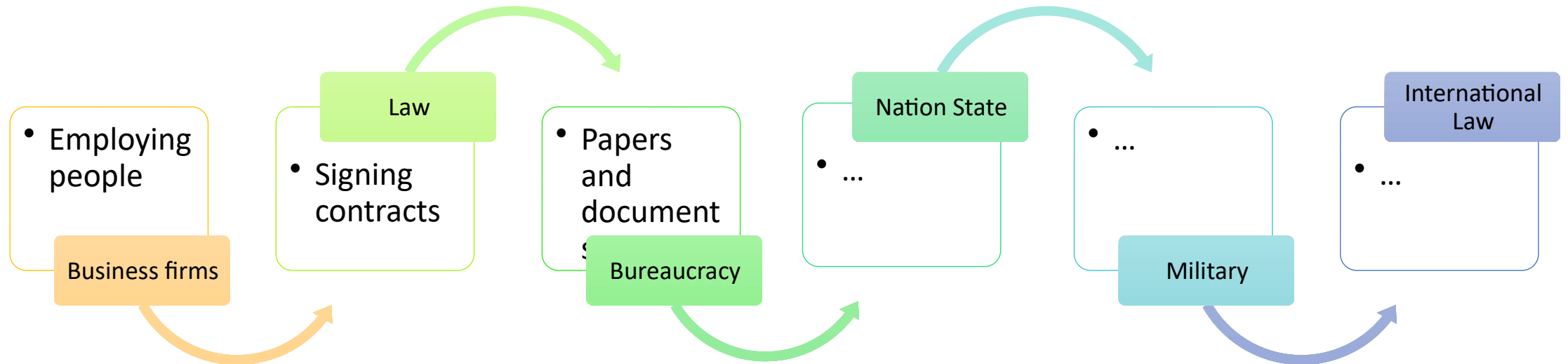
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 - a) Human societies and non-human societies share common institutions
 - b) Many human societies share uncommon institutions
4. Institutions are not always a product of (intelligent) designer(s)

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How do institutions operate?

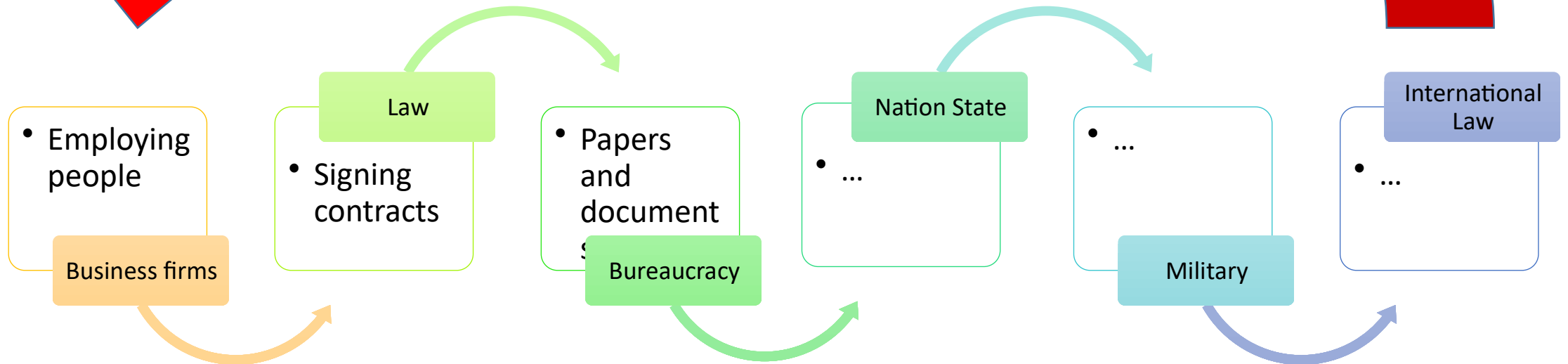
Interaction and hierarchy among institutions



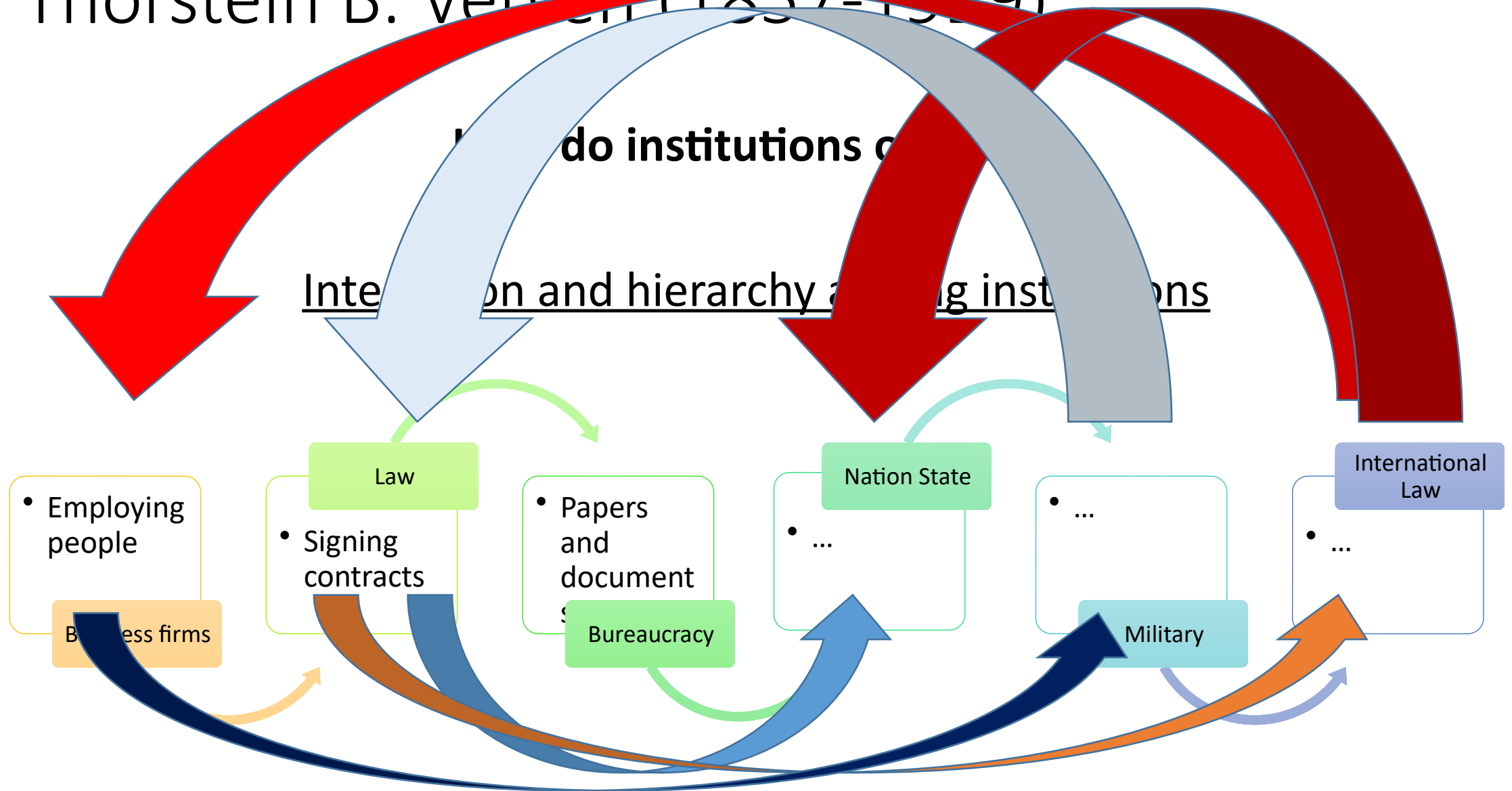
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How do institutions operate?

Interaction and hierarchy among institutions



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How do institutions operate?

Interaction and hierarchy among institutions



This interaction and hierarchy is:

Complex, multi-directional, and cumulative (or circular)

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What are institutions made of?

HABITS and INSTINCTS

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Habits

- Obtained by learning or learning-by-doing
- Transferred among individuals and generations via culture and education

Instincts

- Obtained and transferred among generations via genetic mechanisms
- Flourishes through training
- Similar or identical instincts exist in different individuals in different societies in different periods of time
- Humans and non-humans have common instincts

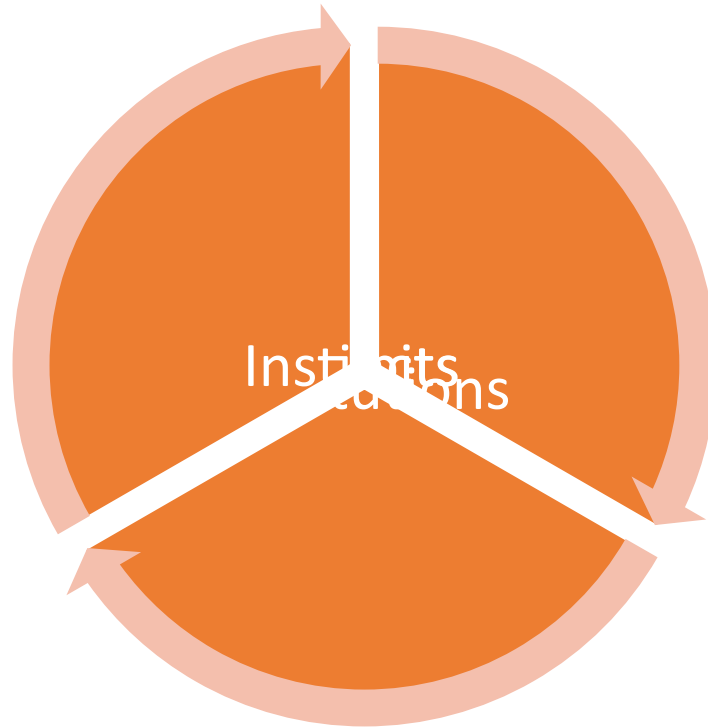
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Habits: washing your teeth before going to bed, turning on your TV as you arrive home, checking your emails as you arrive at your office, congratulating friends on anniversaries, calling your friends at their birthdays, going to the same bank, drawing the same amount of Money from the ATMs, using Internet Explorer or Google Chrome, sitting in the same chair in the classroom etc.

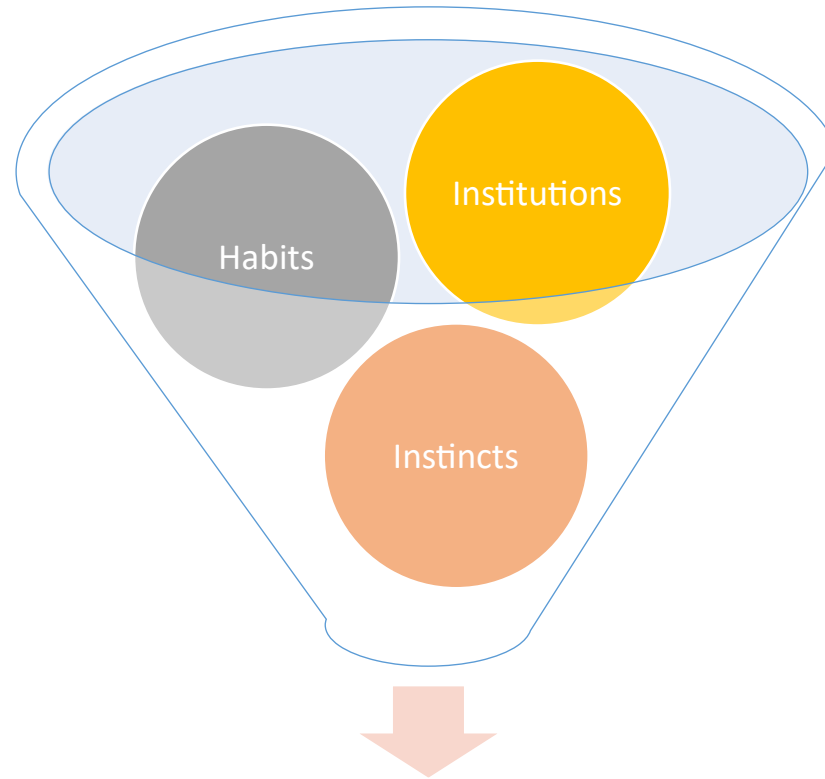
Instincts: parenthood, workmanship, and idle curiosity

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How do instincts and habits operate?



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INDIVIDUAL and SOCIAL BEHAVIOUR

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Consumption as an institution

An orthodox definition of economics: economics is the science of the allocation of «limited resources» among «unlimited needs.»

Is it always needs that really matter when we consume commodities?

Or, do wants and desires matter, too?

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Consumption as an institution

When **wants** and **desires** matter,



Consumption is not only consumption.



Individuals consume for **conspicuous purposes**, too!

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What is **conspicuous consumption**?

- Spending money on luxury goods for purposes of social display
- Emulation as an evolutionary mechanism (or instinct-?)
- Desire for status, provoking envy
- Fashion, make-up, alcohol, drug, sports, higher education,



Leisure Class

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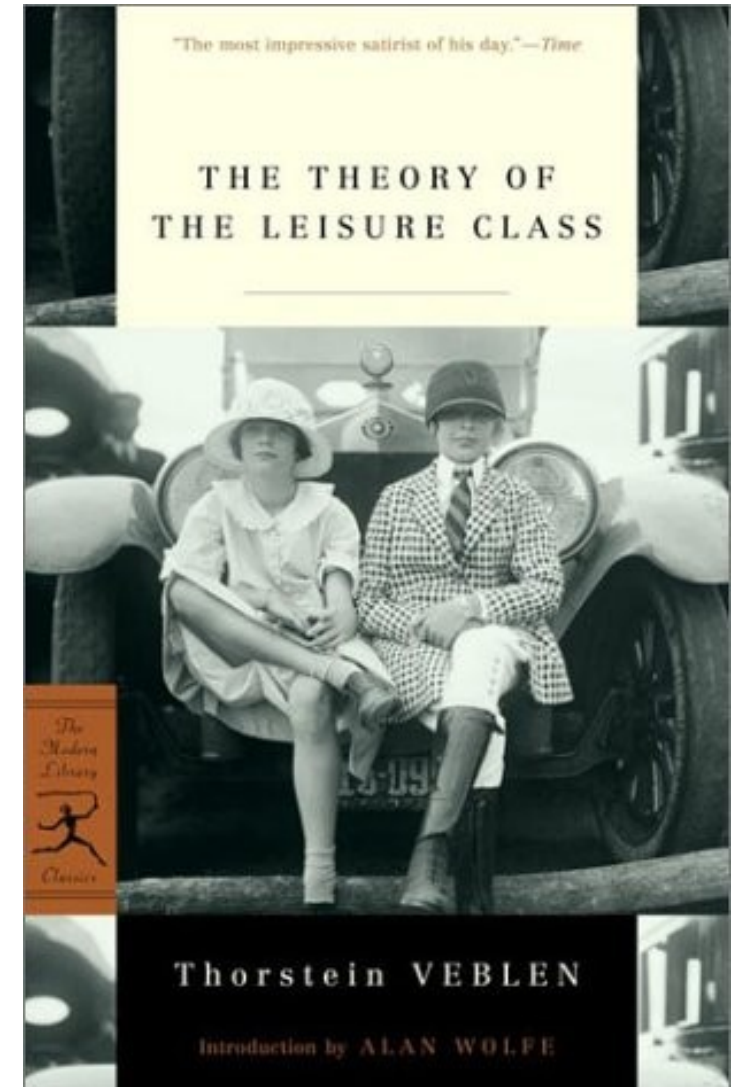
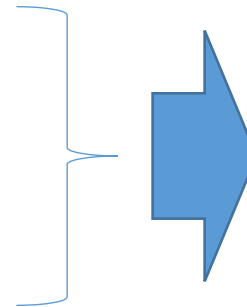
What (who) is **leisure class**?

- An elite social strata in which individuals can afford not to work
- Useless practices of consumerism or conspicuous consumption
- Hedonistic behaviour: Seeking pleasure at all times.

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What (who) is **leisure class**?

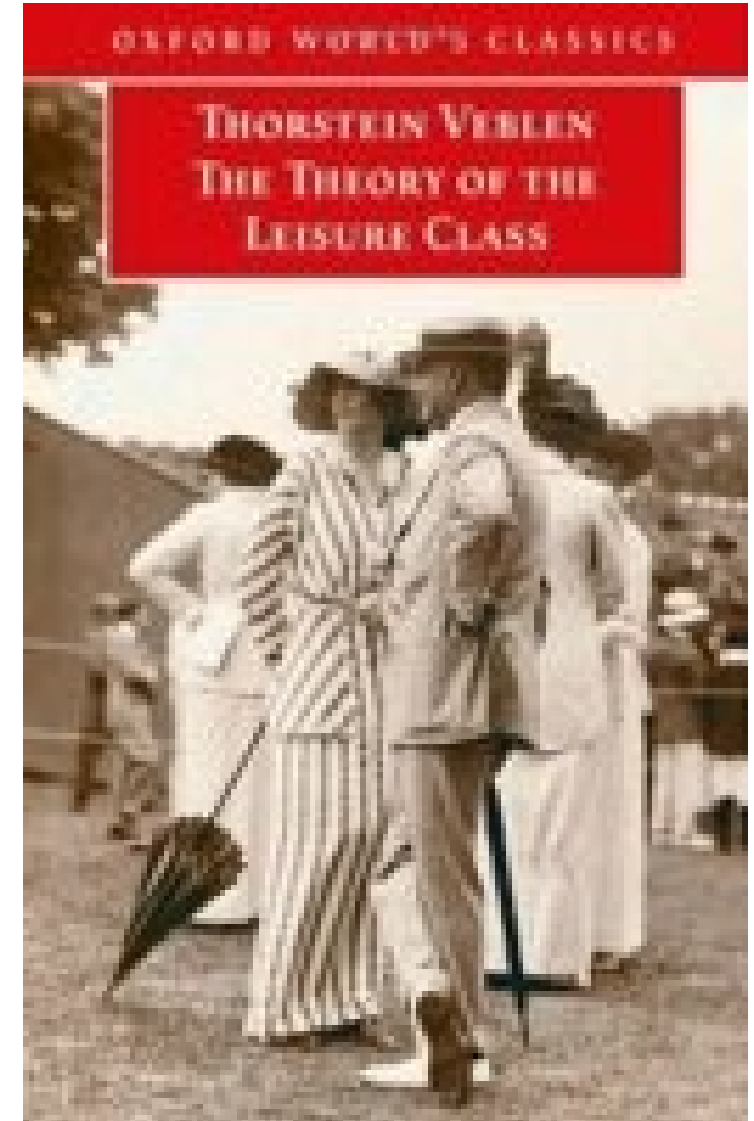
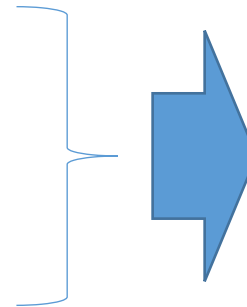
Cover pages of Veblen's *The Theory of Leisure Class* (1899)



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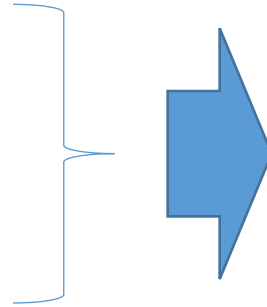
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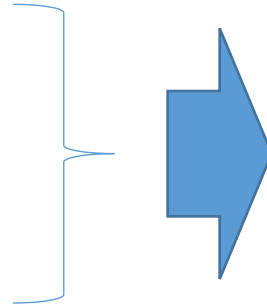
Further representations



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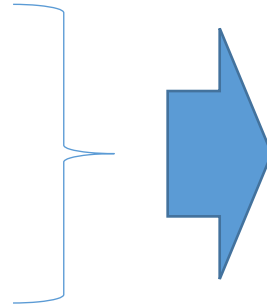
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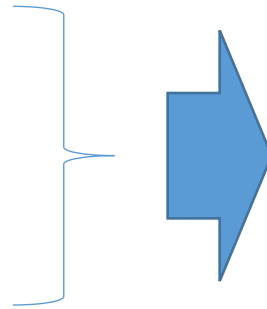
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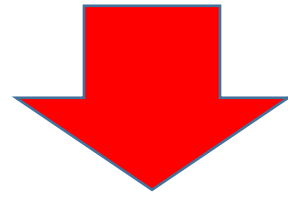
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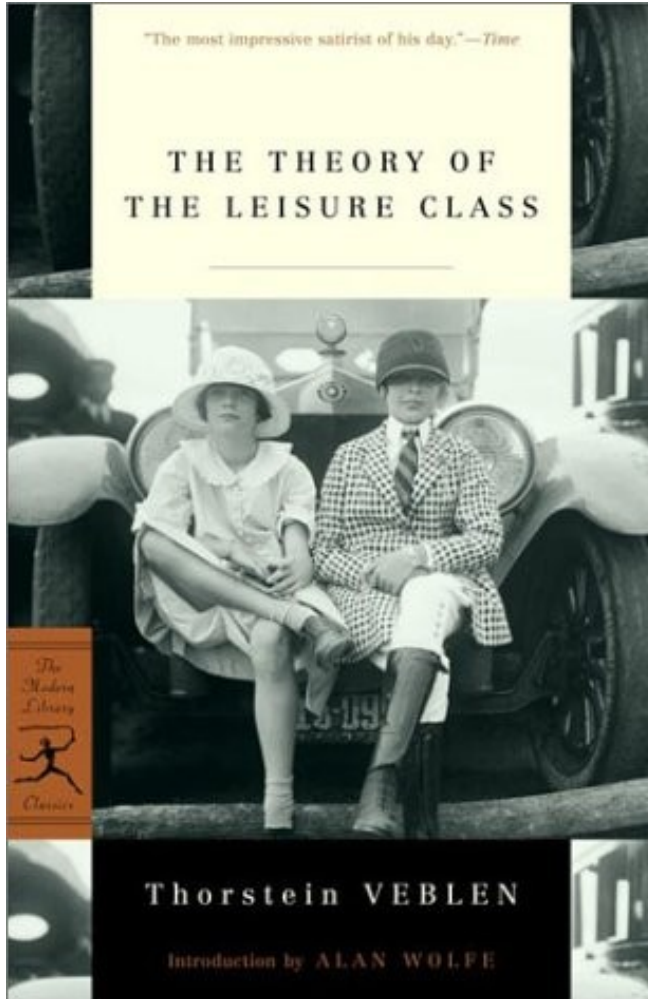
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Shopping Malls



Centres of consumerism

The Theory of the Leisure Class



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