

*Veblen and Marx*

THE study of Thorstein Veblen can be intellectually stimulating, yet very frustrating. His writings abound in playful skepticism, bitter irony, and thinly veiled social criticism. He moralized even when he claimed to be ethically aloof or neutral. He dealt in large generalizations which were at various times sweeping ethical pronouncements, deductions from basic postulates, or broad descriptive statements based on wide observation and factual evidence which he neglected to cite. He did not try to distinguish between his ethical and analytical propositions or his deductive and inductive statements. His readers need not be reminded of his flamboyant, discursive, repetitious style of writing.

Seldom is Veblen's argument subject to precise, unambiguous interpretation. He defined his basic concepts in the most general terms. He resorted to the use of emotionally loaded terms or catchwords, which for him often had ulterior meanings at odds with customary usage. He borrowed concepts, principles, and evidence freely and sometimes indiscriminately from psychology, anthropology, sociology, economic history, and even biology. Using these varied materials, he advanced his argument slowly and cumbersonely, often proceeding on several levels of meaning. Consequently, his analysis is usually subject to misunderstanding and conflicting interpretations.

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Veblen's work, however, poses many challenging problems for analysis in economics and related social sciences. These issues pro-

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vide rich opportunities for fundamental inquiry, despite his often puzzling treatment of them. We may roughly group into four categories the major problems involved in evaluating Veblen or using his type of analysis. These classes of issues pertain to the general approach of economic theory, the analysis of economic development, the making of value judgments about economic institutions, and the charting of future institutional change.<sup>1</sup>

In Veblen's view economics has to be an evolutionary science devoted to the study of process and change in economic life.<sup>2</sup> He insisted that the chief task of economics is analysis of the evolution and performance of economic institutions. This analysis required the study of human nature and social behavior, in which Veblen employed such concepts as instincts, habits, cultural lag, and also institutions. Technological advance was the most dynamic force in institutional change, and he dichotomized between technology and institutions. For our own culture this dichotomy took the form of industry versus business, the machine process versus business enterprise. When we examine Veblen or attempt to work in his broad field of inquiry, we must assess the relevance and usefulness of his approach, postulates, and analytical concepts.

Veblen designed his general approach so as to analyze economic development and institutional change. We need to know whether he had an adequate theory of change. Issues of technological determinism are involved; and we must ask whether technological advance governs cultural change, whether institutions merely retard change, whether psychological and cultural factors play an important part in the process of change. Questions also arise as to the role of the state, national patriotism, religion, class conflict, and reason. In one way or another, Veblen exposes us to all these issues of a theory of economic change.

<sup>1</sup> Useful reviews of Veblen's theoretical position are found in Allan G. Cruchy, *Modern Economic Thought: The American Contribution* (New York: Prentice-Hall, 1947), pp. 31-132; John A. Hobson, *Veblen* (London: Chapman and Hall, 1936); and Paul T. Homan, *Contemporary Economic Thought* (New York: Harper, 1928), pp. 107-192.

<sup>2</sup> Veblen's leading theoretical essay is "Why Is Economics Not an Evolutionary Science?" (1898), reprinted in his *The Place of Science in Modern Civilization and Other Essays* (New York: Huebsch, 1919), pp. 56-81. This volume contains most of his theoretical papers.

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These problems require, or else readily permit, value judgments about economic institutions and their functioning. Veblen often made veiled or barbed ethical judgments about the prevailing economic order. He apparently regarded all economic institutions—at least all those he chose to discuss—as inhibitory of progress, and therefore ethically objectionable. Much uncertainty prevails regarding his attitude toward socialism, democracy, and, in his terms, desirable institutional changes. He used maximum production or industrial efficiency as his normative yardstick and injected ethical norms into his instinct categories. As he used it, his analysis appears necessarily to involve ethical judgments; consequently, the issue arises whether this is inevitable with his type of analysis.

The charting of future economic change or social reconstruction involves a dual problem. There is the task of predicting what will likely happen, or what can realistically be achieved or expected through concerted action. If appropriate for this task, Veblen's evolutionary approach and theory of social change should permit answers to the analytical and factual questions of what can be predicted to be probable or workable. There is also the normative question of the desirability of these predicted developments. There are thus issues of how capitalism will change, and how it should be changed. Such questions also arise with respect to monopoly, state intervention, nationalism, imperialism, class conflict, and socialism.

The four groups or types of problems are directly or implicitly posed in all of Veblen's writings,<sup>3</sup> particularly in his evaluation of Karl Marx and later Marxian socialists. Veblen's analysis of Marx throws light on these problems and should help us to understand his own work. There is no question that he was greatly interested in Marx. We need to determine the extent to which he borrowed directly from Marx, the degree to which he was—as both Marxists and non-Marxists sometimes claim—a cleverly camouflaged Marxian theorist himself, and the degree to which he only pretended to adopt Marxian doctrines. To examine Veblen's ideas about Marxism should help provide a cross-sectional view of his whole intellectual position.

<sup>3</sup> Veblen's writings, activities, and interests are well described in Joseph Dorfman, *Thorstein Veblen and His America* (New York: Viking, 1935).



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## II

The major reason for Veblen's interest in Marx is not far to seek. Veblen's main objective was the critical evaluation of American capitalism.<sup>4</sup> For this purpose he needed a theory of capitalism which would explain its evolution and functioning. In attempting to lay the basis for an evolutionary economics, he elaborated a critique of orthodox theory and also Marxian theory. He regarded Marx as an important original thinker who had asked essentially the right questions. Marx had studied the evolution of economic institutions, stressing the role of economic forces in their evolution. He had attempted to predict the future of capitalism and to pass ethical judgments on capitalism. Veblen was readily attracted by these elements in Marx's system, and he had a continuing interest in Marxian doctrines and socialist programs.

Efforts to compare Veblen and Marx have been many in number and strikingly varied in results.<sup>5</sup> Such comparison is apparently as treacherous as it is challenging. Veblen has been variously described as Marxist, utopian-socialist, agrarian-populist, and anarchist in his orientation. His social philosophy has been termed nihilistic, totalitarian, technocratic, and democratic. His basic ideas have been deemed

<sup>4</sup> Gruchy, *op. cit.*, p. 80.

<sup>5</sup> Veblen and Marx are compared in Arthur K. Davis, "Sociological Elements in Veblen's Economic Theory," *Jour. Pol. Econ.*, LIII (June, 1945), 132-149; Dorfman, *op. cit.*; Gruchy, *op. cit.*; Abram L. Harris, "Types of Institutionalism" and "Economic Evolution: Dialectical and Darwinian," *Jour. Pol. Econ.*, XI (Dec., 1932), 721-749 and XLII (Feb., 1934), 34-79; Hobson, *op. cit.*; Max Lerner, ed., *The Portable Veblen* (New York: Viking, 1948), "Editor's Introduction," pp. 1-49; R. M. MacIver, *Society: A Textbook of Sociology* (New York: Farrar & Rinehart, 1937), pp. 438-461; Wesley C. Mitchell, *Lecture Notes on Types of Economic Theory* (mimeo.; New York: Augustus M. Kelley, 1949), II, 218-221, 229-231, 246; Wesley C. Mitchell, ed., *What Veblen Taught* (New York: Viking, 1945), pp. xlvii-xlviii; *Monthly Review*, IX (July-Aug., 1957), series of articles on Veblen—see especially those by Solomon Adler, Paul A. Baran, Arthur K. Davis, and Paul M. Sweezy; David Riesman, *Thorstein Veblen, A Critical Interpretation* (New York: Scribner, 1953); Eric Roll, *A History of Economic Thought* (rev. ed.; New York: Prentice-Hall, 1942), pp. 483-500; Bernard Rosenberg, *The Values of Veblen* (Washington, D.C.: Public Affairs Press, 1956); and Paul M. Sweezy, "The Influence of Marxian Economics on American Thought and Practice," in Donald Drew Egbert and Stow Persons, eds., *Socialism and American Life* (Princeton: Princeton University Press, 1952), I, 473-477.

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both original and borrowed, largely from Marx. He has been depicted as an economic determinist of the Marxian variety, and his views on class conflict and the role of the state have been called essentially Marxian; he has been claimed, tolerated, amended, and rejected by writers of a Marxian outlook.<sup>6</sup> It would seem that Veblen is often believed to be turning to the left in his grave. Marxists who put Veblen in a favorable light typically seek for outward similarities in the writings of Veblen and Marx. They stress the similar descriptions and predictions made by Marx and Veblen but often ignore differences in approach and postulates. If they take notice of the latter, they distinguish between Veblen's dubious analysis and penetrating insights, which are then selectively correlated with those of Marx.<sup>7</sup>

In comparing these two theorists, however, it is essential to give precedence to their basic approaches and premises. Veblen's own theoretical position and his criticism of orthodox theory should be kept in mind when his evaluation of Marx's postulates and doctrines is examined. Furthermore, Veblen's explicit critique of Marx should obviously be given proper weight in any comparison of the two men.

Veblen urged that economics be made an evolutionary science of behavior.<sup>8</sup> It should explain the evolution and performance of economic institutions. He explicitly adopted Darwinian postulates of evolutionary change and tolerated no concepts of teleology, inevitability, normality, or natural law. But he was no social Darwinian in the accepted sense of this term, for he brooked no assumption of beneficent tendencies or inevitable improvement in social evolution. Instead he stressed cumulative change, brute causation, and blind drift, no doubt with a touch of dialectical polemic.

For Veblen the study of human nature was essential to economic theory. He envisaged institutions as changing slowly but incessantly by a process of habituation under the dual impact of material circumstances and human nature. To analyze the role of human nature,

<sup>6</sup> See the shading of opinion found in the series on Veblen in the *Monthly Review*, IX (July-Aug., 1957).

<sup>7</sup> Cf. the treatment of Veblen in Roll, *op. cit.*, pp. 483-500. Roll says that Veblen was concerned mainly with the ideological or psychological "superstructure" of the pecuniary culture, or the "epiphenomena of capitalism," that his analysis is weak and misguided, but that his historical insights are often valuable. See also the articles in the *Monthly Review* cited above.

<sup>8</sup> See Veblen's "Why Is Economics Not an Evolutionary Science?" in *Place of Science*, pp. 56-81.

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he used the concepts of habits and instincts. He often spoke of the habits of thought and action which condition immediate behavior and coalesce into institutions controlling mass behavior. He may have oversimplified when he conceived of institutions merely as collective habits and of habituation as the process by which institutions evolve.

The concept of instincts has attracted more criticism than any other aspect of Veblen's work. He seemed to conceive of the instincts he employed—the parental bent, workmanship, emulation, and idle curiosity—as biological in essence and part of the "Darwinian" scheme of things. However, he distinguished instincts from tropisms or sheer physiological reflexes; and his instincts took on a surprisingly social and even rational character. He asserted that these instincts define the basic or generic ends of human behavior and that they involve a rational choice of means to satisfy these ends.<sup>9</sup> His instinct scheme permitted the clash of ends and the confusion of means and ends. For instance, the ends set by the parental bent or desire to promote community welfare could conflict with those defined by emulation or the self-regarding instinct. Further, since the instinct of workmanship served only proximate ends, the latter could take on the significance of ends in themselves at the expense of "generically human" ends. Of course, workmanship could also become the servant of emulation rather than of the parental bent.

Veblen clearly conceived that the instincts motivated behavior in an institutional context. Existing institutions regulated social behavior, often imposing ends divergent from the instinctive ends. Veblen used the term "imbecile institutions" to designate those social institutions, typically private property and nationalism, which thwarted generically human ends. In a sense, institutions ceased being means and became ends in themselves—and repressive, absurd ends at that.

The instincts used by Veblen constituted, together with the role of habits, his conception of human nature. He believed that basic human nature was unchanging or at least had been stable for centuries. Nevertheless, human nature was pliable in the context of shifting social conditions. Changing institutions and material circumstances could indefinitely deflect human nature, or the set of instinctive drives, without permanently altering it. Although institutions could thus

<sup>9</sup> For Veblen's analysis of instincts, see especially *The Instinct of Workmanship and the State of the Industrial Arts* (New York: Macmillan, 1914).

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frustrate or overrule generically human ends for a time, this state of things might be unstable or temporary; man's basic nature might reassert itself, though not inevitably in any given period.

Sociologists in particular have asserted that Veblen used his instincts as ethical norms, or at least read social values into them.<sup>10</sup> This charge is no doubt warranted, for he used these "instincts" as the basis for criticizing institutions, even for terming them "imbecile." He often employed workmanship as a norm, judging the functioning of economic institutions by the criterion of industrial efficiency. At other times he used the parental bent and idle curiosity as norms. By idle curiosity he usually meant intellectual freedom, pure research, or unfettered experimentation and inventiveness—values he undoubtedly cherished.

Veblen's instincts seem to involve a compounded ambivalence. They make up a fixed or stable human nature, and yet they are flexible and are conditioned by institutions. They are apparently biological, but they also set the ends of human action and even serve as ethical norms. Despite their ostensibly physiological nature, they involve an intellectual element in the form of rational choice of means. Such instincts as the parental bent and emulation come into conflict with each other in an institutional context, and workmanship can become subservient to either of them. There is conflict not only among instincts but also between them and prevailing institutions. Veblen's analysis often ran primarily in terms of the institutions themselves, with the instincts left in the background as his formal conception of human nature and brought to the forefront only as criteria for evaluating institutions. All in all, his social psychology seems to be less akin to that of William McDougall than to that of William James or John Dewey.<sup>11</sup>

Veblen clearly needed a theory of human nature, or a set of as-

<sup>10</sup> Cf. Stanley M. Daugert, *The Philosophy of Thorstein Veblen* (New York: King's Crown, 1950), pp. 71-72; Davis, *op. cit.*; Homan, *op. cit.*, pp. 135-139; Talcott Parsons, "Sociological Elements in Economic Thought," *Quar. Jour. of Econ.*, XLIX (May, 1935), 414-453; Rosenberg, *op. cit.*, pp. 44-51; and Louis Schneider, *The Freudian Psychology and Veblen's Social Theory* (New York: King's Crown, 1948), pp. 65-89, 114-123, 131-138. With respect to the comparison of Veblen and Freud made by Schneider, see also John S. Gams, *Beyond Supply and Demand: A Reappraisal of Institutional Economics* (New York: Columbia University Press, 1946).

<sup>11</sup> Cf. Homan, *op. cit.*, p. 189, and Mitchell, *What Veblen Taught*, p. xxxiv.



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assumptions about it. However, he did not need, and probably did not have, a theory of instincts in the accepted sense of the term. Perhaps he seized upon a then-popular theory as a means of gaining attention—a not-uncommon practice of his—and redefined the theory for his own purpose. His "instincts" became more social, more rational, more normative in character than the usual instinct categories. By this pedagogical maneuver, he was able to attract notice, analyze institutional change, and even evaluate institutions. He could thus seemingly avoid the need to formulate his own ethical norms and make his value judgments explicit. Further, he could proceed without inquiring more deeply into human motives and the process of habituation. Although he by-passed these problems by manipulating the "instinct" concept, the value and clarity of his analysis thereby suffered.

These postulates of evolutionary change and human nature permitted Veblen to analyze the process of economic development. Central to his analysis was the evolution of economic institutions under the influence of human nature and material circumstances. The chief material force affecting economic change was technology, defined broadly to include accumulated scientific knowledge, industrial techniques, and acquired skills. With human nature assumed stable, the primary factors playing upon economic change were technology and institutions. These constituted Veblen's fundamental dichotomy, which he often phrased as the machine process and business enterprise, or industrial and pecuniary employments. Spurred on by workmanship and idle curiosity, technological advance was the dynamic factor in social change. Influenced by the emulative instinct, institutions played a permissive or restrictive role. Guided by the parental bent, technological advance could improve material welfare were it not for the change-resisting character of institutions.

Veblen adapted this basic dichotomy to the analysis of economic change by developing a theory of occupational disciplines. Here lay the significance of his contrast between pecuniary and industrial employments, or "business" and "industry." Although his theory of economic change is often interpreted as technological determinism, he strove for a psychological explanation. Instead of accepting a doctrine of economic determinism, he elaborated the psychological nexus which mediated between material forces and institutional change. He stressed the influence of occupation or type of employment upon

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the formation of habits of thought which crystallized into institutions. In an age of machine industry and giant corporations, most occupations were becoming predominantly industrial or pecuniary, with markedly different disciplining influences upon attitudes. Men in business pursuits habitually thought in terms of ownership and pecuniary gain; they readily accepted the institutional *status quo* and its value system. Men in industrial pursuits, however, were subjected to a radically different mental discipline. The thinking of industrial workers and technicians ran more in terms of mechanical sequence and material cause-and-effect terms. They gradually lost comprehension of pecuniary values; their loyalty to prevailing institutions declined as their conceptual scheme became indifferent or hostile to ownership and profit.<sup>12</sup>

The role of occupational disciplines in Veblen's theory of change becomes clearer when we examine his critique of Marx. It was a psychological theory conforming to Veblen's basic dichotomy and designed to explain institutional change. The theory illustrates his emphasis upon the essential place of psychological assumptions in economic theory. He ridiculed the "economic man" of orthodox theory with its outmoded or pre-Darwinian assumptions about human nature. He regarded men as active or dynamic by nature, with their wants and motives, or habits of thought and action, shaped by the changing material and psychological environment. He therefore rejected the assumptions of hedonism, that men passively seek pleasure and avoid pain, and of rational calculation, that men carefully measure utility and disutility in a rational effort to maximize satisfaction.

Veblen's criticisms of orthodox psychological assumptions demonstrate his method of evaluating economic theory. His technique was to attack a theory's basic postulates. He probed for its unstated preconceptions as well as its explicit premises. Although he sometimes selectively evaluated predictions derived from a theory, he was usually content to destroy its premises. His critique of orthodox theory should be noted, for it illustrates the method and even the substance of his criticism of Marx.

Veblen was content to lump together classical and neoclassical theorists in his sweeping attack on orthodox theory. Although this

<sup>12</sup> See his "Industrial and Pecuniary Employments," *Place of Science*, pp. 279-323, and *The Vested Interests and the Common Man* (New York: Huebsch, 1920).

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procedure tended to blur individual differences among theorists, particularly some of the neoclassicists, Veblen deemed it sufficient for his purpose. His objective was of course to develop an evolutionary economics explaining institutional change. With this purpose in view, he rejected the preconceptions and postulates of traditional theory, especially its static approach and hedonistic assumptions. As noted above, he opposed all concepts of natural law and normality in economic theory, describing such theory as taxonomic and static. He likewise rejected its psychological assumptions of hedonism and rational calculation, charging that they were based on Benthamite utilitarianism and other pre-Darwinian psychological views.

## III

When Veblen turned to an evaluation of Marxian theory, he followed the same method of attack.<sup>13</sup> He first criticized its basic postulates and then examined some of its specific doctrines. He expressed high regard for Marx as a theorist possessing an original, logical, powerful mind and a keen interest in change and institutions. He recognized that Marx was both theorist and propagandist, thereby contrasting Marx's logical grasp and polemics. He distinguished between Marx's theory of value and theory of development, rejecting the former much more completely than the latter. He concluded that Marx's conceptual system was pre-Darwinian and had to be revised along Darwinian lines.

*Crit. del finalismo*  
 In Veblen's view, Marx's preconceptions were derived from two chief sources, German Hegelian philosophy and English liberal-utilitarian thought. Marx's conception of social change was one of neo-Hegelianism or Hegelian materialism with romantic overtones that Veblen termed "sublimated materialism." The materialistic interpretation of history presupposed a dialectical process of development or progress—an unfolding process moving in terms of "inner necessity" toward a final goal. The class struggle constituted the dialectic, and the final term was socialism or the classless society. Veblen rejected the teleological concept of a final goal as pre-Darwinian.

Marx drew other major preconceptions from the Benthamite utili-

<sup>13</sup> "The Socialist Economics of Karl Marx and His Followers: I. The Theories of Karl Marx. II. The Later Marxism" (1906, 1907), *Place of Science*, pp. 409-456.

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tarians and classical economists, including Ricardo and the Ricardian socialists. In Veblen's opinion, Marx uncritically adopted natural rights and natural law preconceptions and a hedonistic psychology of rational self-interest. On these bases Marx elaborated his labor theory of value, with labor the source and measure of value, and the corollary doctrines of labor's right to its full product, of surplus value, and of exploitation of labor. He attributed rational self-interest not only to individuals but to entire classes, thereby explaining their asserted solidarity and motivation in the class struggle. Veblen rejected the concept of rational class interest and the labor theory of value, along with its corollaries and natural rights basis.

*Crit. del autointerés racional*

In sum, Veblen renounced Marx's basic preconceptions. Marx's Hegelian conception of social change and classical assumptions about human behavior had to be eliminated. Although Veblen rejected its foundations, he did not claim that he had demolished Marx's system. Instead, he sought to make it "Darwinian" by inserting new premises. He also wanted to retain something of Marx's approach, problems, and emphasis. He may have felt that Marx's theory of economic development could be salvaged if its foundations were adequately revised. Some students assert that he used Darwinism as a guise for his own implicit or attenuated Marxism. It may be, however, that he used an ostensibly revised Marxism as a vehicle for his "Darwinism," his own theory of economic development. He clearly asserted his own conceptual scheme in his "revision" of Marxian theory: This revision may have been a clever pedagogical device for presenting his own theoretical scheme and drawing attention to it as somehow smacking of Marxism. If Veblen had this design, it should be discernible in his treatment of individual Marxian doctrines and later Marxian socialists.

Veblen individually assessed a number of Marxian doctrines.<sup>14</sup> The labor theory of value Marx took from the liberal-utilitarian school. Marx treated it as implicit, or simply postulated it. Although it was merely tautological, he gave it a normative role in his larger theory. Veblen regarded the labor theory of value as irrelevant to Marx's main problems, the explanation of economic change and the creation of a functioning socialist order.

The doctrine of the right of labor to its full product was a corollary of the labor theory of value. It, too, was from the natural rights tra-

<sup>14</sup> *Ibid.*



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dition and had a normative function. Veblen disputed the premise that labor had a natural right to its product. Instead, he suggested that the real issue was a distribution of income which would enable the industrial system to function.

The theories of surplus value and exploitation were further corollaries and likewise had a normative meaning for Marx. Veblen reasoned that these theories must be rejected in the form stated by Marx. The relevant problems could be analyzed in terms of surplus product instead of surplus value. Surplus product could be used as a tool to study exploitation, with emphasis centered on the relations between the serviceability, cost, and price of commodities. Serviceability typically exceeded cost but fell short of price. Veblen deemed this type of analysis adequate for the problem Marx had posed.

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Marx's theory of accumulation was tied to the theories of surplus value and the reserve army of the unemployed, possessing the weaknesses of both. Marx related these theories in such a way that, as capital increased, wages and demand and employment fell. Veblen considered the theory of the reserve army quite vulnerable, since it implied continual population growth regardless of economic conditions, a view which was highly doubtful and certainly contrary to Darwinian principles.

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Veblen asserted that the theory of increasing misery was not factually true. Over the decades, wages had not tended to fall below subsistence; absolute misery had not increased. The issue was one of relative instead of absolute misery, for dissatisfaction increased along with the growing inequality of wealth and income. He insisted that problems of labor's material welfare and unrest be analyzed in such terms as standards of living, pecuniary emulation, and "economic success."

The theory of the class struggle, Veblen argued, was a teleological Hegelian conception manifesting the drive of "inner necessity." It also had a strong hedonistic bias, since it presupposed rational calculation and equated self-interest and class interest. The class struggle would not inevitably result in socialism, nor could it be viewed as a rational process. It was more a "psychological" than a "materialist" process, for sentiment entered into it as well as reason and material circumstances. The chief "sentiments" that Veblen stressed were politics, nationalism, imperialism, and religion. He granted with Marx

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that the class struggle centered on private property. Even here, however, he questioned the line of class cleavage; potential conflict lay not between the "haves" and "have nots" but between the vested interests or absentee owners and the underlying population or "common man." In the latter category were the industrial workers, the technicians, and presumably the farmers, once they had suffered enough economic adversity. He thus replaced the Marxian class struggle with his theory of occupational disciplines, which he felt provided the necessary psychological link between changing material forces and shifting class attitudes.

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Veblen did not explicitly assess other Marxian doctrines such as increasing concentration and monopoly, the tendency of profit rates to decline, crises and depression, the role of the state, and imperialism. His silence might suggest that he accepted them, at least in part. He certainly considered these phenomena important, for he gave enormous attention to them in his other writings. They actually constituted the core of his theoretical and historical analysis.<sup>19</sup> He perhaps felt that these doctrines were less tranneled by Marx's Hegelian and hedonistic preconceptions and were subject to empirical inquiry on their own merits. In his *Theory of Business Enterprise* Veblen dealt extensively with crises and depression along lines quite unlike Marxian theory. His theories of the state and imperialism showed outward resemblance to Marxian theory; in fact, he is often accused of taking them from Marxian sources. Although he was well acquainted with socialist literature on these subjects, he treated them in a somewhat different way. He gave as much or more stress to national sentiment than to purely economic factors--hardly the view of a confirmed economic determinist. As a result, Marxian writers have objected to his excessive concern with political and psychological factors in his analysis of imperialism and the state.<sup>10</sup>

The way Veblen evaluated Marxian doctrines would suggest that he "revised" Marxism for his own purpose. In his own words he made it "Darwinian," substituting cumulative causation for Hegelian dialectics in explaining economic change. He freed it from its classical,

<sup>19</sup> See especially *The Theory of Business Enterprise* (New York: Scribner, 1904), *Imperial Germany and the Industrial Revolution* (New York: Macmillan, 1915), *Vested Interests; and Absentee Ownership and Business Enterprise in Recent Times* (New York: Huebsch, 1923).

<sup>10</sup> This criticism is also made by Hobson, *op. cit.*, pp. 138-145.

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hedonistic bias and abandoned the labor theory of value and related doctrines. In a real sense, Marxism became Veblenism; Marx's problems were given Veblen's solutions through use of Veblen's approach, postulates, and conclusions. Marxian insights no doubt lived on, but they took root in Veblenian ground and flowered in Veblenian splendor.

## IV

Veblen maintained a large and apparently sympathetic interest in later Marxian socialist writers.<sup>17</sup> He indicated some approval of the revisionists, at least on the analytical side. He felt that they were getting away from the entangling, irrelevant labor theory of value, taking a more realistic view of the class struggle, and moderating their determinism. In Veblenian fashion, he suggested that environmental factors were impinging on Marxism. He grasped the paradox that changing material conditions were altering the deterministic Marxian theory of change along with the whole ideological superstructure of changing society. The environmental changes bearing most heavily on Marxist thought were the changing postulates of knowledge, the exigencies of Marxism as a political platform ensnared in party politics, and major shifts in the industrial scene. He saw socialism becoming more Darwinian under these influences. He seemingly approved of this change; he was probably engaging in wishful thinking by injecting his own views into conjectures about the evolution of socialist thought.

Toward the German Social Democrats, however, Veblen showed definite hostility.<sup>18</sup> He described how they were caught up in a process of adaptation and compromise. They had compromised with the labor movement by embracing business unionism and ameliorative programs, with the agricultural population by accepting peasant ownership, and with nationalism by tolerating chauvinism, jingoism, and imperialist policy. As a party of reform, they had yielded to the exigencies of the industrial and political situation, and their socialist outlook had deteriorated. He pointedly asked whether this represented

<sup>17</sup> "The Socialist Economies of Karl Marx and His Followers: II. The Later Marxism," in *Place of Science*, pp. 431-456.

<sup>18</sup> *Ibid.*, pp. 447-456.

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a sterilization of socialist thought and how widespread it might be even outside Germany.

The question has been widely debated whether Veblen was at heart a socialist. Although he sometimes implied that he was, he never answered the question—perhaps in part for pedagogical reasons. He had some sympathy with new trends in socialist thought but remained suspicious of socialist movements. As for the pedagogical aspect of the question, he took delight in the "shock effect" of discussing socialism. This device effectively attracted attention, and Veblen was not above manipulating the issue of socialism so as to convey his own criticisms of capitalist institutions. He always expressed sympathy for the underdog, especially when the underdog stirred widespread interest which served as a springboard for launching his critical ideas about capitalism. He thus spoke up for the feminists, the farmers, Coxey's Army, and the Industrial Workers of the World; each of these topics served his purpose well. He also wrote with apparent sympathy about the Russian Revolution and Bolshevism.<sup>19</sup> Many writers have taken his seemingly favorable remarks about Bolshevism to signify his covert if not outright approval. Here was another ready opportunity to defend the unpopular underdog and thereby attract greater attention to his own views. His writings on such controversial topics as the I.W.W., the Russian Revolution, and Bolshevism dealt mainly with the problems and prospects of American capitalism. With more than his usual subterfuge and irony, Veblen used socialism as an opportune and effective attention-getter.

Those who insist that Veblen was really a socialist base their case primarily upon "A Memorandum on a Practicable Soviet of Technicians," an article he published in *The Dial* in 1919.<sup>20</sup> In it he seemed to predict, or even advocate, that a soviet of engineers backed by the industrial workers might take over the industrial system in this country. He used his theory of occupational disciplines to make this de-

<sup>19</sup> See various essays reprinted in Veblen's *Essays in Our Changing Order*, ed. by Leon Ardzroni (New York: Viking, 1934), especially "The Barbarian Status of Women" (1899), pp. 50-64; "The Army of the Commonwealth" (1894), pp. 97-103; "Farm Labor and the I.W.W." (1918), pp. 319-333; "Bolshevism Is a Menace—to Whom?" (1919), pp. 399-414; and "Between Bolshevism and War" (1921), pp. 437-449.

<sup>20</sup> Reprinted in *The Engineers and the Price System* (New York: Huebsch, 1921), pp. 138-169.



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velopment seem plausible and worthy of contemplation. Virtually all students and critics of Veblen have taken this essay literally, although both groups have regarded it as an unrealistic, if not absurd, piece of analysis. There is no reason to suppose that he deemed this seemingly socialistic program to be practical. Indeed, he said, somewhat inconspicuously, that a soviet of technicians was most unlikely in this country in the foreseeable future. The engineers and workers were far too conservative and uncritically loyal to business principles for this development to be imminent. At no time did he either aid or disavow the early Technocracy movement.

Veblen's soviet or technicians idea may have been essentially a clever expository device for surveying the waste, conflicts, and frustrations of modern industrial capitalism. He used this device as a formal yardstick or null hypothesis for assessing and displaying these deficiencies, especially the waste caused by the restrictive practices of modern business enterprise and business unionism. This essay was a provocative way of summing up the implications of a series of essays collected together in *The Engineers and the Price System*.<sup>21</sup> By elaborating an ostensibly straightforward but controversial and probably outlandish "socialistic" scheme, Veblen effectively reiterated his critical appraisal of capitalistic institutions.

The nature of Veblen's value system is continually at issue in any examination of his writings. Although he was not an admitted reformer, he evinced some anxiety for reform in his wartime and postwar essays, written mainly between 1917 and 1920.<sup>22</sup> He was typically too pessimistic or cynical to avow specific reform proposals, and he eschewed the making of formal value judgments. He was temperamentally inclined to express judgments by indirection or suggestion, and he delighted in declaring that he intended no moral overtones when he employed such terms as "waste" and "sabotage." His ethical views have been described as either populist, utopian, or utopian socialist in nature. He used the term "industrial republic" to indicate an eco-

<sup>21</sup> The earlier essays in this collection are entitled: "On the Nature and Use of Sabotage," "The Industrial System and the Captains of Industry," "The Captains of Finance and the Engineers," "On the Nature of a Revolutionary Overturn," and "On the Circumstances Which Make for a Change."

<sup>22</sup> For these articles, see *Essays in Our Changing Order*. The essays collected in *The Engineers and the Price System* and *The Vested Interests* were also written in this period.

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nomie order devoted to making goods instead of profits, to creating serviceability rather than pecuniary values. He never did make the nature of his "industrial republic" very clear. It has been interpreted as a socialist order, and he sometimes appeared to suggest this himself.

Veblen wrote most explicitly about his "industrial republic" in "Some Neglected Points in the Theory of Socialism,"<sup>23</sup> his first article in economics (which dates back to his year at Cornell University in 1891-1892). In this essay he contemplated extensive government ownership and control of industry. He spoke vaguely of the nationalization of industries under modern constitutional forms such as eminent domain and the power to tax. He apparently envisaged the merging of government and industry along constitutional lines of organization, so that the country's industry and political system would both be organized and regulated according to accepted principles of a constitutional republic. What he actually contemplated perhaps resembled outright socialism as then understood less than it resembles the current concept of the mixed economy or welfare state.

Little more can be said about Veblen's value system. As noted above, he used industrial efficiency and maximum production as norms, while his "instincts" no doubt served as ethical norms. He criticized the "imbecile institutions" which functioned at variance with these stated or implied norms. All the economic institutions he stressed apparently fell within this category. He characterized all institutions, at least all those he criticized, as regressive or only permissive of change. He has been criticized, even called an anarchist, for failing to see that institutions have a necessary regulatory function and are essential to society. He was far from clear on this issue and may have been misunderstood. He nowhere explicitly stated that institutions per se were unnecessary or undesirable, nor did he deny that his "industrial republic" constituted an institutional pattern. In any case, Veblen had little to say about the specific kind of institutional reorganization he regarded as feasible and desirable. It is significant that his close students and followers have been greatly interested in social control and reform along democratic lines. The question arises whether Veblen intended to have this influence. He must have been aware of it, but he did not bother to endorse or disavow it.

<sup>23</sup> Reprinted in *The Place of Science*, pp. 387-408.

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The frequent efforts to compare Marx and Veblen are clearly appropriate in view of the significance and influence of their theoretical systems. Such comparisons are challenging and instructive, even though they vary widely and are incapable of being made precise and definitive. This brief survey of Veblen's evaluation of Marx permits a few tentative comparisons of their strengths and weaknesses. It should be noted that the strengths indicated are relative and far from self-sufficient, while the weaknesses are often troublesome and debilitating. There are areas in which both men were strong, in which Marx was strong and Veblen weak, in which Veblen was strong but Marx weak, and in which both were weak.

On several points both Marx and Veblen showed strength. They chose as their central problem the analysis of capitalism and institutional change. They bravely originated comprehensive theories of economic development, with emphasis upon process, evolution, and the causal forces involved. They achieved a great breadth of analysis which included social change, economic history, analytical principles from other disciplines, and a huge body of factual materials. They had a strong theoretical interest in crises and depressions at a time when these subjects were neglected and little understood. In addition, they were quite willing, each in his own way, to criticize economic institutions and conditions. They felt, indeed, that it was their moral or intellectual duty to pass judgment upon the economic order.

Within the present context, there are certain areas in which Marx showed strength and Veblen weakness. Marx made his value judgments explicit, while Veblen typically did not. Marx was more forthright than Veblen, despite the fact that a careful examination of Veblen's writings substantially reveals his ethical norms. As already noted, Veblen produced confusion by implanting norms in his uncertain "instincts" and by characterizing institutions in such a way that all institutions seemed absurd and unnecessary. As with value judgments, Marx gave overt attention to policy, which Veblen almost never did. Marx used his theory and norms to formulate firm predictions and policies. Veblen made only highly qualified predictions, and on only a few brief occasions during and just after World War I

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did he discuss policy issues in terms of his own analysis and preferences. These broad differences between the two men largely reflected Marx's strong optimism and sense of mission and Veblen's pessimism.

Relatively speaking, Marx was weak and Veblen strong in certain significant respects. Veblen was much more willing and able than Marx to study the psychological processes involved in economic development. Veblen of course had the advantage of access to later psychological knowledge, while Marx had the disadvantage of his Hegelian and classical-utilitarian preconceptions. Marx assumed that individuals and classes were motivated by rational interest, whereas Veblen did not. While Marx was constrained by his economic determinism to stress the role of rationality and material forces in economic change, Veblen was able to devote attention to habits and sentiments. Marx oversimplified class divisions and motivation, while Veblen recognized the complexity of class phenomena.

Veblen's framework of occupational disciplines was more flexible than Marx's doctrine of class struggle based upon rational class interests. Veblen redrew the lines of class cleavage, which he saw as gradually shifting. He was more realistic in grasping the tendencies of modern trade unionism, the role of "sentiment," and the significance of special classes such as farmers, financiers, technicians, and craft unionists. In addition, Veblen's analysis was more open-minded and his predictions much more tentative and guarded than was possible in Marx's system of analysis, with its determinism and inevitability. Writing later with the benefit of greater knowledge, Veblen devoted more attention than Marx did to the changing structure and performance of industry, including monopoly tendencies, separation of ownership and control, and the role of credit and corporation finance.<sup>21</sup> (\*)

Both Marx and Veblen showed similar weaknesses in several areas of analysis. Each was addicted to the speculative method and the use of sweeping generalizations. They indulged in a good deal of speculative history, especially about the "stages" of economic development. Both were somewhat averse to the use of statistics and quantitative theorizing. A high degree of determinism is found in their theoretical analyses, especially in Marx. The choice here is between dialectical causation and "brute causation," between rational class

<sup>21</sup> Veblen's *Theory of Business Enterprise* is now a classic in this area, and his *Absentee Ownership* is written along the same lines.



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interest and occupational disciplines, between economic determinism and technological determinism. Veblen overstressed the role of technology in social change, though not as much as is commonly supposed; and he compensated for this by analyzing the psychological processes involved. His theory of occupational disciplines, however, has never been considered very realistic. Although his critique of Marx's psychological premises was essentially valid, he raised doubts by his analysis of instincts and the habituation process by which institutions change. Both men built norms into their analytical postulates, Marx in his labor theory of value and Veblen in his "instincts" and in concepts such as industrial efficiency, serviceability, waste, and sabotage. Although Veblen was more indirect and cautious than Marx in making value judgments, neither, unfortunately, was willing or patient enough to distinguish properly between his positive and normative analyses.

As might be expected in the light of recent advances in the theory of employment and business cycles, both Marx and Veblen were deficient as regards the process of income determination implied in their theories of economic development. Their analyses of capital accumulation, underconsumption, and inequality of income were thus inadequate. This lack of a proper conception of income determination weakened their theories of development and especially their theories of crises and depression.<sup>25</sup> Their analyses contributed, however, to theoretical interest and progress in these fields. Veblen's writings influenced Wesley Mitchell's business cycle analysis, and they also contained elements which were later systematized in the Keynesian theory of income determination.<sup>26</sup>

Both Marx and Veblen developed one-sided theories of the state. Marx did not foresee, and Veblen barely acknowledged, the possibility that social legislation and social control of industry might greatly meliorate the defects of capitalism. They chose to view the state as the defender of the *status quo*, without granting that government intervention might perpetuate capitalism indefinitely by improving its performance. Neither of them foresaw, in other words, that the state could become a powerful instrument of reform within a still

<sup>25</sup> Concerning this problem in Marx, see Joan Robinson, *An Essay on Marxian Economics* (London: Macmillan, 1952).

<sup>26</sup> Cf. Rutledge Vining, "Suggestions of Keynes in the Writings of Veblen," *Jour. of Pol. Econ.*, XLVII (Oct., 1939), 692-704.

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predominantly capitalist economy. As a consequence, they showed little concern for immediate policy of a meliorative nature. In a similar vein, Marx failed to see that trade unions would become a major force in improving wages and working conditions, while Veblen regarded trade unions as restrictive and of little consequence for economic progress. This negative and inadequate treatment of the state, reform, immediate policy, and labor unions shows that both men failed to design and apply their theories to meet the task of formulating needed changes within the institutional framework prevailing in their day.<sup>27</sup> This failure, which reflected their normative as well as their theoretical orientation, was undoubtedly their greatest weakness.

<sup>27</sup> C. E. Ayres, *The Theory of Economic Progress* (Chapel Hill: University of North Carolina Press, 1944), p. 278; Gruchy, *op. cit.*, pp. 103, 129-130; Hobson, *op. cit.*, pp. 131-136; Homan, *op. cit.*, pp. 167-168, 176, 178; Max Lerner, *Ideas Are Weapons: The History and Use of Ideas* (New York: Viking, 1939), pp. 136-138; and Leo Rogin, *The Meaning and Validity of Economic Theory* (New York: Harper, 1956), pp. 361-369, 400-410.