Thorstein Veblen is now more likely to be read by sociologists than economists. His work is certainly sociologically inspired in a way that would be very unusual amongst economists today, but he was adamant that he was writing economics. Indeed, he hoped to rewrite it by using evolving capitalist lifestyles rather than the abstraction of homo economicus as his underlying frame of reference. The Theory of the Leisure Class, published in 1899, most clearly reflects this focus. His cutting, yet witty critique of the frivolous Great Gatsby-esque lifestyles of America’s turn-of-the-century nouveau riche was a bestseller in the US during its day, proving its popularity and allure even to those caught up in its line of fire. Through a discussion with PAIS scholars, Professor Matthew Watson, Dr Chris Clarke and Dr Simon Glaze, we explore the roots of Veblen’s critique, hoping to learn lessons for today by gaining a better understanding of his attempts to politicise the economic theory of his own day.

Try to read Thorstein Veblen’s Theory of the Leisure Class without a smile on your face. It is difficult to do, but this should not detract from the serious nature of his overall undertaking. When read on its own it is the lampooning style that jumps most readily from the page. When read in tandem with the remainder of his work, however, it is clear that the satire is
used merely to point to those trends within modern capitalist society that Veblen believed kept the vast majority of people subordinated. The leisure class was joined in his line of sight in later books by business owners, the ‘captains of industry’ and politicians. Taken together the resulting critique of capitalism is that it generates a highly unequal society, one which too often persuades people to work against one another in pursuit of exclusive rights to enjoy material privileges rather than with one another in pursuit of a better life for all. Veblen thought that there was a cultural glue holding society together despite its inequalities. A basic pecuniary culture, whereby both possessions and people were measured in terms of their monetary worth, allowed the lower classes a fairly easy way of visualising what it might mean to live life like their social superiors. This in turn meant that the desire to emulate the nouveau riche became a stronger influence on behaviour than the desire to politically overthrow them.

Who was Thorstein Veblen?

Veblen was born in 1857 to Norwegian parents in Wisconsin. Even though he held all the relevant papers to suggest that he was a bona fide American, it is often claimed that, by instinct, he was a citizen of nowhere. As Matthew suggests, “certainly he embraced this outsider status in his relationship with the economics profession in the US, and it is also readily imprinted throughout his economic theory. He was adamant that the marginalist theories of the 1870s represented a spectacular wrong turn for economics, and he set himself the task of establishing brand new foundations for the subject field.” He took no aspect of modern life for granted, finding peculiarities of relevance for economic theory in the most everyday objects and in some of the most unexpected places. Matthew again: “Veblen is perhaps most famous for his ability to paint delightful pictures with his prose and come up with the most electrifying examples which instil a real sense of life into the way we think about the economy.” The combination that underpins all of his work is that of raw insight and imaginative reconstruction to allow his readers to question the cultural meaning of all those things they see around them.

Veblen on Pecuniary Culture

The Theory of the Leisure Class was written during an industrial boom-time in which the United States supplanted Britain as both the most productive
and the richest country in the world. Matthew suggests that the book is an attempt to “hold up a mirror to expose to people the socially useless aspects not only of other people’s consumption but, crucially, also of their own”. The new wealth was used primarily so that it could be flaunted as a social marker. In turn-of-the-century America, everyone who was unable to find work but needed to do so was condemned to abject poverty and abandonment by society. However, everyone who did not work because they had private means that made it unnecessary for them to do so had an incentive to make visible the unrestricted amount of leisure time on their hands. What better way to signal the social effects of that leisure time, moreover, than to show it off decadently?

Veblen argued that these lavish behaviours were not merely passive and meaningless acts of flashing the cash. The very rationale for acting out leisure class lifestyles was to send deliberate and easily decodable messages for the rest of society. Simon confirms that the excesses of what Veblen called ‘conspicuous consumption’ were carried out in a highly self-aware and predatory way in order to demarcate the social hierarchies of the day. These were statements by the leisure class of who “they were and who the rest of society was not”. Conspicuous consumption could therefore occupy an entirely ambiguous position of being undeniably socially meaningful in differentiating one group of people from another but simultaneously entirely socially useless in wasting scarce resources that could have been put to better use.

Veblen did not buy into the prettified marginalist explanation that society was held nice and neatly together by the collectively rational pursuit of individual self-interest. Indeed, he poured ridicule on the marginalist depiction of homo economicus as ‘a homogeneous globule of desire of happiness’, seeing society as a much more sinister and predatory entity. The themes of predation and...
barbarity run throughout Veblen’s text in a historical narrative that questions the idea that economic progress necessarily comes complete with civilising impulses. As Simon points out, for Veblen the act of conspicuously demonstrating one’s social status reflects a modern version of the primitive act of taking possessions through aggressive force rather than through productive work. In The Theory of the Leisure Class Veblen argues that this invidious distinction is reflected in the ‘indignity’ that is associated with labouring for a living and the ‘honour’ that is conferred upon ‘the killing of formidable competitors’ in business. As Simon suggests, “this understanding can be employed to explain the social esteem and pecuniary rewards that are afforded successful tycoons and the comparably limited status and salaries that are awarded key workers who arguably make far more useful contributions to society”.

There is a direct counterpoint to the wasteful consumption behaviours described in The Theory of the Leisure Class in the wasteful production behaviours described in The Theory of Business Enterprise. The key finding of this latter book, first published in 1904, was that to act on the business logic of making as much money as possible the owners of modern industrial machinery had to deliberately underplay its potential. A clear dividing line was thus drawn. On the one side were the workers who could see how many more basic needs could be met if their machines were switched to their full potential. On the other side were the owners who sent out the instructions for the machines to be set at something less than optimal capacity so that they could strategically disrupt the flow of supply to create the sorts of market shortages from which they could profit. Veblen argued that the manipulation of such shortages was the primary entrepreneurial function in an economic system that responded to business logic. The leisure class phenomenon therefore had a direct analogue in the robber baron phenomenon, with modern capitalist society and its in-built pecuniary culture emerging at the intersection of the two.

Veblen’s aim was not merely to shame those who affronted his principles as the self-anointed arch enemy of waste, but to promote a theory of social change predicated on weakening the influence of the leisure class and the robber barons. Chris draws our attention to the pioneering status of this theory: “Veblen was the first to see technology as the ‘great equaliser’, helping to provide an economic solution to the question of how to produce everything that a society would need.” Matthew notes that private ownership, from Veblen’s perspective, “infers a legal right of sabotage”, and that where private ownership was tolerated the cost would always be a diversion of resources to service profit rather than need. Marginalist economic theory, he concluded, provided a post hoc rationalisation for the fact that economic institutions were already oriented towards
servicing profit, and that to service need instead required both brand new economic institutions and a brand new economic theory with which to make sense of them. As Simon explains, Veblen develops a socio-economic psychology in order to provide this theory, which draws upon the insights of contemporary pragmatists and evolutionary psychologists among other influences. This enables Veblen to criticise Austrian and neoclassical economists’ accounts of individuals as atomised, self-interested hedonists, and to argue that the social acceptability of such behaviour can only occur in the ‘predatory’ phase of society that discourages the instinct of workmanship which was developed in the ‘peaceable’ phase that Veblen argues existed before the institutionalisation of private ownership. Veblen further argues that classical and neoclassical economists’ acceptance of the natural-rights theory of property encourages our understanding of individuals as isolated and self-sufficient, which obscures the inherently social basis of production and wealth that he attempts to expose in his economic theorising.
Contemporary Manifestations of Veblenian Themes

Much has changed, of course, since the beginning of the twentieth century. Our consumption today is in different categories to that of Veblen’s leisure class, and therefore we think differently, act differently and look differently in and as a result of consumption. Yet the social purpose of the signalling effects of conspicuous consumption might remain very similar.

Chris highlights how it is necessary to do little else today other than switch on the TV to observe how celebrity culture dominates mass media, whereby we are invited to watch famous people live out their lives for no reason other than that they are famous. Whenever we see programmes such as Made in Chelsea, Keeping Up with the Kardashians, The Only Way is Essex or Celebrity Big Brother, we might benefit from bringing Veblen’s critique of the leisure class to mind. Perhaps the defining traits of this new celebrity class are the vulgarity of their consumption and their appeals to the camera that hideously priced goods are now indispensable necessities. This new normal is also reflected in the rise in popularity of celebrity magazines such as Hello!, which create their own markets through encouraging their readers to be impressed with the lifestyles of the rich and famous.

Given the realities of the economic system we inhabit, however, Chris adds that “vicarious consumption is probably the closest that most of us will get to emulating celebrity behaviours.”

As to the effect that this has on us emotionally, Simon notes that consumption behaviour still serves to set one group of people apart from others who cannot afford to consume in such a way. Even if it is done subtly, we can still be guilty of projecting feelings of inferiority onto anyone who is unable to consume at the same level as we have proved ourselves capable of. This again reflects Veblen’s account of invidious emulation, in which displays of wealth through conspicuous consumption do not just demonstrate our own success but, crucially, reflects our predatory power over others. As Simon points out, “in Veblen’s terms, to be without the latest versions of ‘must-have’ consumer goods today publicly demonstrates individuals’ lack of relative social power, which is arguably encouraged by the exclusionary nature of constantly-
changing fashions.” This makes it important to understand consumer cultures as an integral part of the web which binds together the economic system not only despite of its inequalities but through them. In true Veblenian style, Simon identifies the advertising industry as the lifeblood of the fetish of consumerism that has taken society in its grip. Veblen described advertising as a parasitic industry that produces nothing other than social feelings of inadequacy amongst those who are disenfranchised by a pecuniary culture in which the dollar bill rules. Brand fetishism is almost certainly the most notable modern-day manifestation of Veblen’s conspicuous consumption. To be seen wearing the right brand name is today as important as walking canes, pocket watches and physically prohibitive clothing were to the leisure classes at the turn of the twentieth century. The former is a signal of being the expert consumer who is happy to live by societal expectations, whereas the latter was a signal of not having to work but still being able to consume. Two examples serve to highlight the power of the brand. (i) The looting that occurred during the English city centre riots in the summer of 2011 reflected in general attempts by those who had been left behind by others’ overall levels of consumption to make good such gaps. More particularly, though, the shops that sold the ‘must have’ brands for modern life were specifically targeted. (ii) Matthew recalls his confusion when lecturing on consumption to undergraduates a number of years ago and finding that a number of his students were wearing identical ‘No Logo’ t-shirts. This was the name of Naomi Klein’s book that had attempted to shine a light on the dark side of brand-based consumption, but the students’ behaviour had shown how ‘No Logo’ had itself become a brand to be
consumed conspicuously.

Many of the best known brands of the modern economy, however, have suffered dents to their reputations in recent times. Much of this has had to do with outbreaks of new robber baron characteristics as the urge to make money in whatever way possible has begun to take new forms. The poster children of the internet age, firms such as Google, Apple, Starbucks and Amazon, have all experienced PR setbacks when their tax activities have come under scrutiny. Their brands have become popular because of their associations with particular types of socially-networked, permanently-online lifestyles, but how much damage has been done to them through recent investigations into their use of complex accounting techniques to separate where they make their money from where they pay their taxes? Will consumers continue to be in thrall to the idea of emulating the lifestyles these brands offer and so overlook the companies’ tax activities? Or as austerity continues to bite will they punish every firm that is not seen to be paying its fair share?

More generally, with the US and the EU trying to sign a Transatlantic Trade and Investment Partnership whose contents have been decried by its detractors as a mere corporate charter, Veblen’s view of business logic continues to stalk the present. Multinational corporations seem to represent the new Veblenian captains of industry and, to whatever extent they are guilty of industrial sabotage in the way that Veblen described it, there can be little doubt that they are guilty of fiscal sabotage. They have perfected the technique of transfer pricing to create the impression that the greatest value-added in their economic activities is aligned with where they have to pay least tax. This is evidence of the pecuniary culture in gratuitous form, and it will be accentuated even further if the Transatlantic Trade and Investment Partnership is eventually enacted to mimic its current draft form. At present it is designed to provide legal redress to corporations who believe that governments have deliberately stood in the way of them maximising their profits. The whole sphere of social policy could therefore become inoperative if firms are able to legally challenge governments’ right to tax them.

Enduring Relevance

The world that Veblen wrote about with such flair is not one that we could ever experience again today. It is a historical relic of a particular phase in the evolution of the capitalist economy. However, its underlying principles and modus operandi appear to be alive and well today, albeit suitably reinflected to reflect a very different age. Veblen’s work remains as valuable for people who want to understand the cultural drivers of today’s economy as it ever was in the past. It also represents a challenge for all of us to think about our own behaviour and to ask how far we are complicit in the reproduction of a status quo that

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operates against the interests of the majority. Veblen’s work tells us how to begin imagining that things might be different, as well as giving us cause to believe that in our own emulatory practices we are likely to have to change ourselves first if we want those differences to be realised.

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