



Nature and Roles of Popular Discontent in Institutional Dynamics: from the *Early* to the *Later* Veblen

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Abstract.

The present work sets out to re-read Veblen on the nature and effect of popular opinion in the process of institutional evolution. We mainly want to show – contrary to much of the interpretative literature – that machine discipline is just one way, and not even the main one, that Veblen uses to explain how popular discontent is generated, and that the economic grounds underlying the process of modification of institutions can work only if it is free from any counteracting force and modification therefore does not necessarily derive from machine discipline. In these terms the technocratic reading of the role of the population in the process of institutional change is only partially convincing. In order to achieve this general goal we will show how and where Veblen actually deals with the question of popular discontent in his works and what role it plays.

1. Introduction

Veblen's studies dealt with various phenomena: human behaviour, production, consumption, distribution, growth, development, the cycle etc., and he was so innovative in his methodology and his theories that modern economists – such as Sweezy (1957, p.112) – recognize that: “[scholars of modern capitalism] will find more inspiration and guidance in [Veblen's ideas] than in all the rest of American social science put together” (see also Mitchell, 1936; Hobson, 1937).

The theory of institutions, and their evolution, is certainly the main point investigated by Veblen, and it is constantly studied in a great deal of historical, sociological and economic literature (see e. g. Edgell, 1975; 2001; Hodgson, 1994; Sanderson, 1994). Interpretative literature often relates the change of institutions to the discipline of the ‘material means of life’, which in the context of the ‘modern’ machine era assumes the particular form of “machine discipline” (see e.g. Harris, 1953; Mayberry, 1969, Spengler, 1972; Walker, 1977; Stabile, 1987, 1988; Rutherford, 1984, 1992; Waller,

1988; Tilman, 1999; recently Patsouras, 2004)¹. This line of interpretation is distinguished by at least two aspects: *a*) it always subordinates popular discontent to machine discipline, *b*) it overstates its effect of machine discipline in the process of institutional evolution. There are, on the other hand, clear arguments in Veblen showing that popular discontent moves independently from machine discipline and that it may have little effect.

As Veblen was deeply bewitched by the nature and effect of popular opinion in the process of reforming the institutions, the present work intends to critically confront the interpretative literature which constantly presents a technocratic reading of the population's role in the process of institutional evolution. We mainly want to show that machine discipline is just one way, and not even the main one, that Veblen uses to explain how popular discontent is generated, and to show that the economic grounds underlying the process of modification of institutions can work only if they are free from any counteracting force and modification therefore does not necessarily derive from machine discipline. In these terms the technocratic reading of the population's role in the process of institutional change is only partially convincing. In order to achieve this general goal we will show how and where Veblen actually deals with the question of popular discontent in his works and what role it plays.

The paper is organized as follows. Section 2 briefly shows the essential features of Veblenian institutions and the general theoretical mechanism of their modification. In Section 3 we present brief considerations on the historical and cultural frame within which his theories of popular discontent are set. Section 4 and 5 show the nature and role of popular discontent in the process of institutional evolution, while in Section 6 we present those forces that are in conflict with the population's reformist attitude. Finally, Section 7 presents the conclusions.

2. Institutions and their evolution: some brief considerations

Veblen defines institutions as “habitual methods of carrying on the life process of the community in contact with the material environment in which it lives” (Veblen, 1975 [1899a], p.190). More specifically, institutions are the outcome of minds – not necessarily rational or reasonable² – that are embodied in tools, behaviours and styles (see Weed, 1972; Rutherford, 1992, p.126)³. Not all habits

¹ However some authors recently seem to be interested in following a different line of interpretation. Forges Davanzati (2006), for example, relates the evolution of institutions to distribution dynamics while Hodgson (2007) relates it to morality.

² On the non ‘rational’ nature of institutions Veblen writes: “[...] Under the Darwinian norm it must be held that men's reasoning is largely controlled by other than logical, intellectual forces; that the conclusion reached by public or class opinion is as much, or more, a matter of sentiment than of logical inference; and that the sentiment which animates men, singly or collectively, is as much, or more, an outcome of habit and native propensity as of calculated material interest” (Veblen, 1907, p.441).

³ Think for instance of the social habits of dressing, playing, drinking, praying or of economic habits of business, ownership, industry, income, credit and money. The methods of livelihood are those managed and affected by material,

however become institutions, but only those able to discipline collective behaviour, whether by coercion or otherwise (see Harris, 1953; Edgell, 1975).

Institutional evolution is the result *–not foreseeable a priori–* of conflict between divergent institutions no longer compatible with the social and material environment (see Veblen, 1975 [1899a], p.213)^{4,5}. According to him:

“[The] evolution of society is substantially a process of mental adaptation on the part of individuals under the stress of circumstances which will no longer tolerate habits of thought formed under and conforming to a different set of circumstances in the past” (Veblen, 1975 [1899a], p.192).

And also:

“[...] *The law of natural selection*, as applied to human institutions, gives the axiom: “*Whatever is, is wrong*”. Not that the institutions of to-day are wholly wrong for the purposes of the life of to-day, but they are, always and in the nature of things, wrong to some extent. They are the result of a more or less inadequate adjustment of the methods of living to a

technological and economic matters (see Rutherford, 1984). Notice that on the nature of instincts Veblen writes: “a genetic inquiry into institutions will address itself to the [cumulative] growth of habits and conventions, as conditioned [...] by the innate and persistent propensities of human nature; and for these propensities [...] no better designation than the time-worn “instinct” is available” (Veblen, 1922 [1914], pp.2-3). On the other hand Veblen also argues that institutions are “habitual methods of carrying on the life process of the community in contact with the material environment in which it lives” (Veblen, 1975 [1899a], p.193).

⁴ It is well-known that Veblen wrote his theories in a time characterized by a profound reflection on the nature and evolution of species. The evolution of species was a characteristic trait both of the natural sciences – think for instance of Jean-Baptiste Lamarck’s *Histoire naturelle des Animaux sans vertèbres* (1815) and Charles Darwin’s *On the origin of species* (1859) – and of social science, e. g. Herbert Spencer’s *First Principles* (1862). For a long time naturalists thought that each species was immutable, being a divine creation. Lamarck started to present a different perception on the nature of species arguing that each present organism is the result of a continuous process of transformation that started in the past and is under the pressure of environmental conditions. Lamarck’s ideas were further investigated by Darwin who stressed that populations of organisms, rather than the single organism, are subject to evolution by a process of natural selection. As we know, according to Darwin the environment ‘chooses’ the species that adapts itself to the environment so nature selects those genes that are best suited to its characteristics, erasing those that are useless for this purpose (cf. the Veblenian theory on “good” and “bad” instincts). Unlike Lamarck and Darwin, Spencer develops a theory of the evolution of social organisms arguing that – like other organisms – social organization increases its size and interrelation amongst its single components, changes its structure and survives the death of its components. Different aspects of the above theories interested Veblen in his studies. The Lamarckian interpretation of hereditary characters and their transmission from generation to generation was borrowed by Veblen in his theory of ‘characters’ such as the character of creativity, excellence and docility of individuals (see e. g. Veblen, 1922 [1914]). The fact that Darwin entrusted evolution to the group, rather than to the single organism, is borrowed by Veblen in his theory of instincts – predation, salesmanship, pugnacity, workmanship, idle curiosity, survival, parental bent, solidarity and sympathy – as traits of social classes – leisure class, undertakers, engineers, workers – rather than traits of individuals (think for instance of his *The Theory of the Leisure Class*) (see also Edgell and Tilman, 1989). At the same time Spencer’s theory of the evolution of organizations is borrowed by Veblen in the *Theory of Business Enterprise* and in other works in which the author stresses the natural tendency of firms to increase their size by continuous processes of capitalization economically motivated by achieving “economies of production, superior management [and] economies of scale” (Veblen, 1905, p.463).

⁵ On the interpretation of the Veblenian process of modification of institutions via conflict see, amongst others, Harris (1953) and Jennings and Waller (1994).

situation which prevailed at some point in the past development; and they are therefore wrong by something more than the interval which separates the present situation from that of the past” (Veblen, 1975 [1899a], p.207; italics added)⁶.

Although in the Veblenian perspective the outcome of institutional conflict is not foreseeable, it is clear that in practice it depends on some mechanism for inducing change, and therefore on some new disciplining tool of thought and action. Below we will see such disciplining tools in detail and also look at the main reasons why institutional conflict is not foreseeable.

3. Some notes on the historical and cultural frame of popular discontent

As we know, Veblen devoted much of his writings to the mechanisms underlying institutional dynamics without however labelling a particular social class as a pre-eminently reformist class. At the same time however the growth of the populist movements of his times pushed him to look deeply at the role of the population and on the nature and effectiveness of its discontent with the *status quo* in the process of institutional evolution. In studying this, Veblen gets into a theoretical debate that we could define as *Marxist-Darwinist*, in a historical period characterized by deep economic changes (see also Vianello, 1961).

A) *The historical-economic circumstances.* Veblen lived in a time of great change in the United States. It was the age of the beginnings of what was to trigger mass production and consumption (see Edgell, 2001). Economic historians (see e.g. Cameron, 1993, ch.9-12) recognize the United States as an extraordinary example of the rapid economic growth of the 1800s. The population, for example, was about forty million in 1870 and about a hundred million in 1915. Such an increase was both the result of internal development and also of European immigration. Elements that attracted immigrants were the increase in wages due to the scarcity of the labour force compared to other resources, and the availability of land. More specifically, there are two main reasons for the rapid growth of the United States: *a)* technological development, *b)* regional specialization where the use of industrial equipment was greatly stimulated by the high cost of labour. The huge area of the United States – combined with the variety of climate and of resources – meant the country had a marked regional differentiation of

⁶ Cummings (1899, pp.437-438) in his famous critique on the evolutionary theory of institutions, stresses that Veblen is wrong when he writes “whatever is, is wrong”, stressing that it might be better to say “whatever is, is imperfect”. Cummings remarks that whatever is, is not wrong, it is just imperfect because if it were wrong then the whole cumulative process of development would be wrong too. So what is now right as regards what has been until now, is wrong – or rather, imperfect – as regards what will be from now onwards. The imperfection of current institutions is connected to the imperfection of knowledge and experience as regards current conditions; in other words, in Cummings, knowledge and experience are aimed at improving the present condition not at destroying it. So the protected institutions existing at a given time are the best result of what the society has known from the beginning of evolution until now, but they are imperfect as regards what society will know from now onwards.

production. These combined aspects allowed both industry and agriculture to be constantly involved in technological innovations and always market-oriented. As a result, the nation saw the development and spread of industrial activities and of industrial employment on the one hand and the spread and development of business activities and of business employment on the other. The result of the parallel development of industrial and business employment was the expansion of two parallel classes: workers and businessmen, the very social categories to which Veblen devoted his main studies. Note also that, contrary to what might be thought, the continuous technological progress, and therefore the continuous growth of income, did not lead to its fair distribution (see Vianello, 1961, p.23).

B) The technocratic debate on institutional development. Veblen developed his theories at a time of heated cultural debate on technological and institutional development. This fundamentally revolved around three points: *a)* technological progress theoretically belongs to the collectivity, *b)* there is no progress if technology does not concretely belong to the collectivity thus when it cannot remove the obstacles preventing the collectivity from administering it directly and *c)* when technological progress is concretely spread throughout the community then it becomes the standard of thought for judging the existing situation⁷. As Veblen was to remark in his works, technology is “an affair of the collectivity” (Veblen, 1922 [1914], p.103), “[it] is a joint stock of knowledge derived from past experience, and is held and passed on as an indivisible possession of the community at large” (Veblen 2001 [1921], p.19)⁸. In the Veblenian vision, technological development is dissociated from its control and the main obstacle to the concrete spread of technology is ownership, defined as the “conventional right or equitable claim [...] to extraneous things” (Veblen, 1975 [1899a], p.22-23; italics added; see also Veblen, 1898b)⁹.

C) The extension of Marxian materialism and the move towards the non teleological dynamics of capitalism. It is well-known that Veblen fundamentally criticises Marx on three matters: *a)* the natural right of workers to receive the full outcome of production, *a)* the hedonistic nature of workers’ claims and *b)* the teleological dynamics of capitalism (see Veblen, 1906; 1907)¹⁰. Generally speaking, Veblen accepts the Marxian idea that the material conditions of life affect institutions and he tries to expand Marx’s arguments. For this purpose – also referring to the general statements of social

⁷ On the reconstruction of the cultural debate in Veblen’s time see e.g. Vianello (1961).

⁸ The connection between technology and social knowledge in Veblen’s thought is also pointed out by Hodgson (2004, p.183) who writes “The individual and the social aspects of knowledge are connected, because the social environment and its ‘common stock’ of experience provide the means and stimulus to individual learning” (see also Lawson, 2006).

⁹ As we know, Veblen’s theory of ownership is the opposite of Locke’s. Veblen constantly explains that ownership is the tangible expression of the predatory culture which manifests itself by “infliction of injury by force and stratagem” (Veblen, 1975 [1899a], p.8; see also Veblen 1898b, Veblen, 1904, ch.4). On a recent reconstruction of Veblenian theory of ownership see Prash (2007).

¹⁰ See Hunt (1979), Edgell and Townshend (1993) O’Hara (2000) and recently Hodgson (2007) for a critical comparison of the two authors and for the clarifications of Veblen’s mistakes in interpreting Marx. Since the specific goal of the present work is not to understand how Veblen reads Marx and what interpretative mistakes he makes, we will limit our considerations to his original interpretation.

Darwinism – he argues that human thought and behaviour are not only trained by necessities of subsistence, but also, and more in particular by “hereditary bent, occupation, tradition, education, climate [...] and the like” (Veblen, 1907, p.437-438)¹¹.

4 The early Veblen: economic emulation as the first reason for popular discontent

Veblen looks at the nature of popular discontent on two particular economic grounds: *a)* economic emulation and *b)* machine discipline. In chronological terms Veblen was first interested in economic emulation, specifically in the last decade of the 1800s, and then in machine discipline, specifically in the first twenty years of the 1900s. We could identify the Veblen of economic emulation as the *early Veblen* and the Veblen of machine discipline as the *later Veblen*. Note that this temporal watershed is useful for organizing his thought on the arguments more clearly even though it is not so clearcut since both these economic grounds were analysed by him alternately or in parallel in the course of his works.

Veblen starts to develop his theory of economic emulation, the first economic reason for popular discontent, in his first essay on economics *Some Neglected Points in the Theory of Socialism* (1891). Here Veblen tries to explain the economic grounds for popular discontent by adapting his original idea to the political debate of the time¹². As he highlights in the introduction:

“Socialist agitators urge that the existing system is necessarily *wasteful* and *industrially inefficient*. That may be granted, but *it does not serve to explain popular discontent*, because the popular opinion, in which the discontent resides, does notoriously not favour that view” (Veblen, 1891, p.389; italics added)¹³.

In contrast to what he was to write afterwards (see Section 5 and 6) the early Veblen talks about popular discontent as being separate from machine discipline. He in fact simply recognizes economic emulation as the main economic principle underlying popular discontent. His theory of a causal link between machine discipline and popular dissatisfaction is therefore preceded by a theory of a casual

¹¹ On the methodological impact of social Darwinism on Veblen’s thought see e.g. Eisely (1958), Vianello (1961), Dugger (1979), Edgell and Tilman (1989), Edgell (2001).

¹² In this work the historical circumstances and the popular opinions of his times played an important role for the construction of his first theory of popular discontent (see Veblen, 1891, p.387). Note also that Veblen gave equal weight to economic and moral principles in expounding his theory of popular dissatisfaction both in the early and later works.

¹³ Note that Veblen does not want to analyse waste and efficiency in this work. These issues would be dealt with more extensively in the following years, particularly in 1898 when he published *The Instinct of Workmanship and the Irksomeness of Labor* and in 1899 when he published *The Theory of the Leisure Class*.

link between emulation and popular dissatisfaction. On the relation between emulation and popular discontent we read:

“The protest comes from those who do not habitually, or of necessity, suffer physical privation. The qualification “of necessity,” is to be noticed. There is a not inconsiderable amount of physical privation suffered by many people in this country, which is not physically necessary. The cause is very often that what might be the means of comfort is diverted to the purpose of maintaining a decent appearance, or even a show of luxury. Man as we find him to-day has much regard to his good fame – to his standing in the esteem of his fellowmen. This characteristic he always has had, and no doubt always will have. This regard for reputation may take the noble form of a striving after a good name; but the existing organisation of society does not in any way pre-eminently foster that line of development. Regard for one’s reputation means, in the average of cases, emulation” (Veblen, 1891, p.392)¹⁴.

In Veblen’s idea the movement of popular discontent is thus prompted by psychological privations, namely the lack of esteem deriving from economic failure, rather than by the privation of the means of subsistence¹⁵. The population’s material impoverishment is here an irrelevant matter – in spite of what he would say later (see e. g. Veblen, 1894) – and he tries to explain why in these terms: the machine era causes a substantial increase in the amount produced so the population cannot, at least in absolute terms, suffer physical privation since it has more goods at its disposal than previous generations; at the same time it constantly shows a state of dissatisfaction towards the existing order, why then? Because the modern era is not only the machine era, but also the era of “private property under free competition” (Veblen, 1891, p.391). Everyone is free to own and no formal constraint limits this freedom except for the amount of income possessed. So the population shows dissatisfaction when it sees the inadequacy of the income possessed to cover the necessities of life, mainly psychological, imposed by the prevailing institutions. The test of incongruity here is not objective and absolute. It is subjective because it depends on the prevailing institutions, and therefore on the behaviour of the dominant class, and it is relative since it results from comparison between incomes and institutional necessities¹⁶. Veblen constantly points out that the prevailing institutional

¹⁴ Veblen does not say that the ‘modern era’ is the only one in which emulation exists. As he remarks: “the modern system of industry has not invented emulation, nor has even this particular form of emulation originated under that system. But the system of free competition has accentuated this form of emulation, both by exalting the industrial activity of man [...] and by in great measure cutting off other forms of emulation from the chance of efficiently ministering to the craving for a good fame” (Veblen, 1891, p.395; italics added).

¹⁵ He constantly underlines this point, as the following quotations show: *a)* “the cause of discontent must be sought elsewhere than in any increased difficulty in obtaining the means of subsistence” (Veblen, 1891, p.393), *b)* “[the cause] is the craving of everybody to compare favourably with his neighbour (Veblen, 1891, p.397) *c)* [...] under modern conditions the struggle for existence has, in a very appreciable degree, been transformed into a struggle to keep up appearances” (Veblen, 1891, p.399).

¹⁶ As Veblen argues: “the existing system has not made, and does not tend to make, the industrious poor poorer as measured absolutely in means of livelihood; but it does tend to make them relatively poorer, in their own eyes, as measured in terms of comparative economic importance, and, curious as it may seem at first sight, that is what seems to count” (Veblen, 1891, p.392).

necessity is esteem. Esteem is obtained through economic success which does not exist without emulation. In fact, a person obtains economic success when he is able to own more than the next man and when he ostentatiously displays this greater wealth¹⁷. Note that the sense of economic success is always relative since it depends on the types, numbers and distribution of individuals with whom the economic comparison is made¹⁸.

While in this first work Veblen limits himself to generally applying the emulation factor to all social classes, in subsequent years he specifically labels the social class, namely the leisure class, which is the provider of canons of esteem, and therefore of the prevailing institutions, for the whole of society. Let us quote the author on this point:

“The leisure class stands at the head of the social structure in point of reputability; and its manner of life and its standards of worth therefore afford the norm of reputability for the community. The observance of these standards, in some degree of approximation, becomes incumbent upon all classes lower in the scale (Veblen, 1975 [1899a], p.84)”.

And then,

“The norm of reputation imposed by the upper class extends its coercive influence with but slight hindrance down through the social structure to the lowest strata. The result is that the members of each stratum accept as their ideal of decency the scheme of life in vogue in the next higher stratum, and bend their energies to live up to that ideal” (Veblen, 1975 [1899a], p.84).

As anticipated in Section 2, institutional evolution depends on disciplining tools and on mechanisms for inducing change. In this early Veblen, and in view of what has been said above, the disciplining tool that acts on the critical opinion of the institutions is that of emulation induced by ownership, which endogenizes the level of economic success reached, therefore the level of esteem obtained, therefore the level of psychological privation suffered and consequently the state of popular dissatisfaction. Moreover, the main change-inducing mechanism is social ‘contact’ – direct or indirect

¹⁷ As he argues: “to sustain one’s dignity – and to sustain one’s self-respect – under the eyes of people who are not socially one’s immediate neighbours, it is necessary to display the token of economic worth, which practically coincides pretty closely with economic success. A person may be well-born and virtuous, but those attributes will not bring respect to the bearer from people who are not aware of his possessing them, and these are ninety-nine out of every one hundred that one meets” (Veblen, 1891, p.393).

¹⁸ On this point the author writes: “the wider [...] the personal contact of each with his fellowmen, and the greater the opportunity of each to compare notes with his fellows, the greater will be the preponderance of economic success as a means of emulation and the greater the straining after economic respectability” (Veblen, 1891, p.396). Note that Veblen constantly points out the relativity of social well-being in his works and this goes in opposition to the contemporary Spencerian arguments on the importance of an absolute standard of living (see Spencer, 1891).

– of members of the collectivity with the leisure class¹⁹. The institutional order not conforming to the habit of emulation is subject to critical evaluation and, if necessary, to modification.

With reference to this particular mechanism of critical evaluation of the existing order, the goal of the income “levelling policy” – emblematic of popular movements which interested the early Veblen – is not that of the fair allocation of the goods produced to members of the community, but that of the ‘fair’ distribution of the possibilities of emulation among individuals. What is claimed by the population is the right to appropriate a part of the social income, as the upper classes do. As a result, the populace endogenize the fairness of exploitation. They want this not for the purpose of reclaiming the product of their labour unduly taken from them by the upper classes, but simply to obtain the means of payment owned by the upper classes, indispensable if they are to act like them²⁰. It is interesting to note that in this form of discontent Veblen does not link the reason underlying popular discontent to the people’s claim for a hypothetical and immutable natural right to own in full the product of labour. This is for two reasons, the first methodological and the second factual. On the methodological plane Veblen considers rights in institutional, not natural, terms. Since they are the product of institutions, and as institutions are in continuous evolution, the nature of a right claimed by the population is subject to modification in the course of time. Veblen himself modifies his theory of the nature of the rights claimed by the population in subsequent works, moving from emulation to machine discipline (see Section 5). On the factual plane, instead, Veblen observes that the contingent reason underlying popular discontent is simply the urge to emulate the upper classes, not the desire to reclaim something improperly removed by them. If the cultural weight of emulation is particularly felt by the collectivity, then the population could be pushed towards the modification of those institutions that do not allow a concrete growth of the money available to them, which improves their level of economic success, and in turn their self-esteem, thus decreasing their discontent²¹.

In conclusion, popular discontent, driven by economic emulation, takes the following logic chain: the higher the discrepancy between incomes, the lower the economic success of some individuals compared to others, so the lower the capacity to emulate, so the lower the esteem that some can receive. This in turn produces psychological privation and popular discontent. We could conclude by saying that if popular discontent accumulates in the community, institutions will be subject to modification, but since Veblen does not envisage automatism of results – either in the case of popular discontent prompted by emulation or in the case of popular discontent prompted by machine discipline (see Section 5) – we can only say that when popular discontent reaches a critical intensity

¹⁹ Note that this particular mechanism of contact would be expounded clearly by Veblen only in *The Theory of the Leisure Class*.

²⁰ On a recent reconstruction of the impact of income distribution on the social well-being in the Veblenian perspective see Knoedler (2007).

²¹ On the working of emulation in Veblen’s thought see amongst others Edgell (1992a), Edgell and Tilman, 1991.

and a wide distribution – not foreseeable, not measurable and above all free of counteracting forces (see Section 6) – only then can institutions change^{22,23}.

5 The *later* Veblen: machine discipline as second reason for popular discontent

In the previous section we saw that Veblen, in his early works, was interested in describing the first economic grounds of popular discontent. In the course of his studies – particularly in 1904 with *The Theory of Business Enterprise*, in 1914 with *The Instinct of Workmanship and The State of Industrial Arts* and in 1919 with *The Vested Interests and The State of Industrial Arts* – his attention shifted to another disciplining tool of mental habits opposed to emulation, namely machine discipline. We will call this the *later* Veblen. Machine discipline is manifested as a mental aptitude for problem-solving – as Bush (1987) and Samuels (1990) remark – oriented to efficiency, here intended by the author as the mental tendency towards the improvement of “human life on the whole” (Veblen, 1975 [1899a], p.99). It has the features of creativity and proficiency and facilitates the understanding of events in terms of evidence and “objective knowledge” (Veblen, 1922 [1914], p.55-56). Veblen depicts the internal structure of machine discipline as follows:

“[machine discipline] furnishes the new terms in which the revised scheme of economic life takes form. The revision of the scheme [...] runs, not in terms of natural liberty, individual property rights, individual discretion, but in terms of standardized livelihood and mechanical necessity, - it is formulated, not in terms of business expediency, but in terms of industrial, technological standard units and standard relations (Veblen, 1904, p.335).

The thought underlying machine discipline requires logic, that is a mental process that learns, evaluates and enhances facts in terms of measurable relations following a precise and standardized

²² Veblen explains the sense of the continuous search for the esteem of others via economic emulation by using a well-known saying: “when we say that a man is “worth” so many dollars, the expression does not convey the idea that moral or other personal excellence is to be measured in terms of money, but it does very distinctly convey the idea that the fact of his possessing many dollars is very much to his credit” (Veblen, 1891, p.394).

²³ Note that the concrete possibility of giving the working classes the chance to emulate depends on the modality by which income is produced and distributed. In his point of view, income is divided into three parts (rent, profits and wages) whose level and attribution to social classes does not reflect their contribution to production. Such categories are opponents and they are distributed merely on an institutional basis. As Veblen remarks, “the principles and practice of the distribution of wealth vary with [...] the [...] cultural changes [...]; but it is probably safe to assume that [...] the consensus of habitual opinion as to what is right and good in the distribution of product [...] have always been such as to give one person or class something of a settled preference above another” (Veblen 1908, p.113). Then he adds “principles (habits of thought) countenancing some forms of class or personal preference in the distribution of income are to be found incorporated in the moral code of all known civilizations and embodied in some form of institution” (Veblen, 1908, pp.112-113). Notice also that the author is particularly interested in the measurement of income categories in the following terms: *a*) income categories are in continuous evolution in terms of measurement and social awarding; *b*) the benchmark of each income category is measured in relative terms, comparing different categories at the time *t*, the same categories as regards different collectors, or variations of the same categories over time; finally and more importantly *c*) individuals quantify their target income on a moral basis.

process (see Veblen, 1904, ch.4). It calls for the existence of a pre-established system of impersonal sequential rules of cause and effect whatever the goal is. A rule working under the regime of machine discipline has an elementary structure based on the concatenation of dependent operations and “mechanical effects” (Veblen, 1905, p.310) of the following kind: ‘given *A*, do *B* if, to get *C*’. The elementary instruction can be additionally divided into two sequential sub-instructions: check and then act. In both cases, instruction needs time, since instructions are sequential, and information, since it is necessary to know what must be checked, how to check it and how to act.

In view of the above, machine discipline calls for two essential categories of rules: *a*) checking rules and *b*) action rules (cf. Waller, 1988). A mindset that works on this plane – and is widespread in society – is able to generate a cultural heritage based on elements of realism, scepticism and materialism (see Veblen, 1904, ch. 9). These elements, for the author, are useful in understanding facts for what they objectively are (*imputation*) or for what they will objectively become (*derivation*).

As can be seen, machine discipline channels mental habits towards a reasoning based on evidence and facts. Thus everything has a cause and an effect, thus every process of derivation of consequences is known *a priori*. Since machine discipline trains the mind to efficiency, people objectively value the aptitude of each institution to comply with it and those institutions not in line with the criterion of efficiency are subject to modification. Thus, and contrary to what he writes on the question of economic emulation (see Section 4), here Veblen clearly ascribes the reforming role to machine discipline (see Veblen, 1904, ch.9). This point is clearly expounded by Veblen in his *The Vested Interests and The State of Industrial Arts*:

“[...] the habits of thought engendered by the machine system in industry and by the mechanically standardised organisation of daily life under this new order [...] are of such a character as would incline the common man to rate all men and things in terms of tangible performance rather than in terms of legal title and ancient usage. And it may well come to pass, in time, that men will consider any income unearned which exceeds a fair return for tangible performance in the way of productive work on the part of the person to whom the income goes. The mechanistic logic of the new order of industry drives in that direction, and it may well be that the frame of mind engendered by this training in matter-of-fact ways of thinking will presently so shape popular sentiment that all income from property, simply on the basis of ownership, will be disallowed, whether the property is tangible or intangible. All that is a speculative question running into the future” (Veblen, 1919, p.170).

The interpretative literature has tried to interpret how machine discipline changes institutions by referring to the hypothetical effects that a universal ‘contagion’ of this institution could produce

on popular habits²⁴. Following this line, the contagion manifests itself on two levels: *a*) a direct effect, generated by the contact of industrial workers with technicians and *b*) the subsequent and indirect one generated by the contact of industrial workers with the rest of the population²⁵.

Accepting machine discipline as the basic Veblenian principle in institutional evolution, the automatic and hypothetical effect produced by machine discipline on the habits of people can be summed up in the following terms: technicians ‘naturally’ interiorize the method of thought based on efficiency, and technology becomes the tangible expression of their attitude. The constant use of new technology *necessarily* modulates the habits of those that are in contact with it²⁶. As a consequence, new institutions prevail over the older ones when the number of technology-users goes up, so a large part of the population absorbs the habits of technicians via technology first in the field of work and then by the use of its products. The universal ‘contagion’ of machine discipline necessarily has just one outcome, that is a new institution naturally conforming to efficiency and symmetrically contrary to any “economic and social enagements” opposed to it²⁷.

Note that the *later* Veblen shows a different nature and justification of the “levelling policy” of income distribution which can be explained as follows. People receive – directly or indirectly – training in machine discipline, which allows them to ‘rationalize’ the unfairness of income distribution. This ‘rational’ evaluation is formed in terms of relative comparison – as for emulation – of some form of ‘useful effort’ supplied – unlike emulation – in exchange for the income received. In schematic terms *B* considers the income received by *A* unfair if

$$\frac{\text{income}_A}{\text{income}_B} - \frac{\text{product of labour}_A}{\text{product of labour}_B} > X$$

²⁴ Recently this statement has been critically discussed by Knoedler (2007), who does not give much credence to the author’s intent to give the population the power to change institutions. He mainly reappraises the role of technicians. On the same line before him was Spengler (1972), Diggins (1977), Stabile (1987, 1988), Waller (1988).

²⁵ Accordingly to Walkers (1977, pp.230-231) for example: “[...] participation of workers [in mechanical operations] induces them by occupational conditioning to think in the impersonal terms of causal sequences, and leads them to adopt scientific impersonality and mechanistic criteria in evaluating propositions. [Like technicians] workers begin to question the traditional metaphysical basis of justification of economics institutions. They become critical of specific economic and social arrangements, such as the distribution of income, the existence of privileged classes, the economic and legal domination of businessmen, thrift and even the family. [So] economic conflict in the modern era is therefore generated between the workers, who have new habits of thought, and owners and businessmen, who have older habits of thought”.

²⁶ This argument has also been reconsidered by Bush (1987, p.1087) who remarks: “the problem-solving processes of the community generate innovations in the ways of bringing material things to account, thereby changing the industrial environment in which the community works and this changed environment produces further changes in prevalent habits of thought about how to conduct the community’s affairs”.

²⁷ Notice that on the economic plane, technological development also has a positive effect on economic growth in Veblen’s view. Accumulation of capital does not depend on the accumulation of saving nor on the variation of aggregate demand. Accumulation of capital is the accumulation of technical knowledge – “industrial art” (Veblen, 2001 [1921], p.19) – and the full utilization of industrial capital which is the expression of the materialization of technical knowledge. Since accumulation of technical knowledge is an expression of the evolution of the instinct of workmanship, then economic growth in concrete terms depends on technicians’ freedom to fully use industrial capital in production.

This shows the objective measure of popular discontent, since it is the comparison between gains obtained and efforts supplied, on the one hand, and objective limits of acceptability X – determined by the efficiency criterion – of the discrepancy between the relative level of income earned and the relative level of product supplied. In contrast to emulation, the goal of income “levelling policy” is the efficient allocation of the product within the community, whose members endogenize the sense of useful effort to social development. Note that, as for emulation, the reason that popular discontent continues has nothing to do with the unfair appropriation of output that hypothetically belongs to workers by nature. Here the discontent depends on the fact that some members of the collectivity obtain part of the social output without giving a useful contribution in exchange. As a result, but unlike emulation, the population endogenizes the unfairness of being exploited; moreover it does not claim a right as in the case of emulation, but a duty, and in particular the duty of everyone to sustain the life and development of society, with all the others. Here Veblen does not regard *possible* social conflict as a struggle with foreseeable outcomes between the capitalist and the working class, but, with unforeseeable outcomes, between “vested interests” and “common men”, that is to say between those (the minority) who, on the one hand, have the right to obtain an income without supplying any useful effort and the right to control society and, on the other hand, those (the majority) who have to work for a living. However, as for emulation, it is only if the community has taken the goal of efficiency particularly to heart that the population could be pushed towards modifying the institutions not complying with it. Actually, as for emulation, and contrary to the prevailing interpretative literature, we are not able to say if machine discipline necessarily generates institutional changes. As for emulation, Veblen’s thought does not envisage automatism of results in the case of machine discipline²⁸. So we can simply say that when popular discontent reaches a critical intensity and a wide distribution – not foreseeable, not measurable and above all free of counteracting forces (see Section 6) – only then will machine discipline produce changes in institutions.

6 The counteracting forces to institutional evolution

The later Veblen was not only interested in finding a different economic reason for popular discontent and the process of modification of institutions. He was also interested in highlighting the fact that neither emulation nor machine discipline may actually have the intensity needed to make real changes in institutions. Veblen thus starts to manifest a sceptical attitude to the automatism of results in the

²⁸ In 1907 for example he remarks: “there is [...] no warrant [...] for asserting a priori that the class interest of the working class will bring them to take a stand against the propertied class. It may as well be that their training in subservience to their employers will bring them again to realize the equity and excellence of the established system of subjection and unequal distribution of wealth” (Veblen, 1907, p.441).

field of evolution of mental habits (see Pluta and Leathers, 1978). This is present in several parts of his works such as in *The Theory of the Leisure Class*, in *The Theory of Business Enterprise* and in *The Vested Interests and The State of Industrial Arts*. In particular as Veblen remarked in 1919:

“It is to be recognised and taken account of that the immutable principles of law and equity, in matters of ownership and income as well as in other connections, are products of habit, and that habits are always liable to change in response to altered circumstances, and the drift of circumstances is now apparently setting in that direction. But popular sentiment has not yet reached that degree of emancipation from those good old principles of self-help and secure ownership that go to make up the modern (eighteenth-century) point of view in law and custom. The equity of income derived from the use of tangible property may presently become a moot question; but it is not so today, outside of certain classes in the population whom the law and the courts are endeavoring to discourage. It is the business of the law and the courts to discourage any change of insight or opinion” (Veblen, 1919, pp.170-171)²⁹.

The later Veblen was thus particularly interested in studying the reasons why institutional *inertia* prevails, giving a detailed explanation of the circumstances in which the pure and simple manifestation, spread and contact of mental habits does not give rise to the iconoclastic effect of institutional disciplines.

Note however that the early Veblen anticipates such arguments in *The Theory of the Leisure Class*, describing the economic mechanism leading to institutional inertia in the following way:

“The objectively poor and all those persons whose energies are entirely absorbed by the *struggle for daily sustenance* are *conservative* because they cannot afford the effort of taking thought for the day after to-morrow” (Veblen, 1975 [1899a], pp.203-204; italics added).

Here the population’s passivity is, first of all, a consequence of its lack of material assets: the lower its income the less critical its attitude. If income is low people have to work hard to cover their needs; so they do not have sufficient assets, time or energy to spend in any form of conflict against the existing institutional order.

However, a more detailed discussion of institutional inertia is offered by the author in *The Theory of Business Enterprise* where he more clearly traces the presence of other forces that limit the population’s power to change institutions. According to him:

²⁹ Even if it is impossible to know exactly *if* and *when* institutions change, in his studies Veblen also argues that a simple observation of the state of things could help a social scholar to understand if a process of modification of habits is in progress. Unfortunately according to the author, his times were still far from a possible institutional evolution. As he writes e.g. in *The Engineers and Price System* (1921): “this sentimental deference of the American people to the sagacity of its business men is massive, profound, and alert. So much so that it will take harsh and protracted experience to remove it, or to divert it sufficiently for the purpose of any revolutionary diversion” (Veblen, 2001 [1921], ch.VI).

“There is a *naive, unquestioning* persuasion abroad among *the body of the people* to the effect that, *in some occult way*, the material interests of the populace coincide with the pecuniary interests of those business men [..]. This persuasion is an *article of popular metaphysics*, in that it rests on an *uncritically* assumed solidarity of interests, rather than on an insight into the relation of business enterprise to the material welfare of those classes who are not primarily business men” (Veblen, 1904, pp.286-287; italics added).

According to the author, the main causes limiting the process of institutional change in the presence of popular discontent must be sought in the political, social and economic pressure of the leisure and business class which is manifested through *a*) the political control of the State (see Veblen, 1904, ch.8), *b*) philanthropic deeds (see Veblen, 1904, p.377) and *b*) “cultural discipline” (Veblen, 1904, p.391; see also Veblen, 1917, 1918). On the political control of the State let us quote Veblen:

“The government commonly works in the interest of the business men with a fairly consistent singleness of purpose. And in its solicitude for the business men's interests it is borne out by current public sentiment, for there is a naive, unquestioning persuasion abroad among the body of the people to the effect that, in some occult way, the material interests of the populace coincide with the pecuniary interests of those business men who live within the scope of the same set of governmental contrivances. This persuasion is an article of popular metaphysics, in that it rests on an uncritically assumed solidarity of interests, rather than on an insight into the relation of business enterprise to the material welfare of those classes who are not primarily business men. This persuasion is particularly secure among the more conservative portion of the community, the business men, superior and subordinate, together with the professional classes, as contrasted with those vulgar portions of the community who are tainted with socialistic or anarchistic notions. But since the conservative element comprises the citizens of substance and weight, and indeed the effective majority of law-abiding citizens, it follows that, with the sanction of the great body of the people, even including those who have no pecuniary interests to serve in the matter, constitutional government has, in the main, become a department of the business organization and is guided by the advice of the business men. The government has, of course, much else to do besides administering the general affairs of the business community; but in most of its work, even in what is not ostensibly directed to business ends, it is under the surveillance of the business interests. It seldom happens, if at all, that the government of a civilized nation will persist in a course of action detrimental or not ostensibly subservient to the interests of the more conspicuous body of the community's business men. The degree in which a government fails to adapt its policy to these business exigencies is the measure of its senility” (Veblen, 1904, pp.286-287).

On philanthropic deeds Veblen writes:

“Persons who are solicitous for the cultural future commonly turn to speculative advice as to what ought to be done toward holding fast that which is good in the cultural heritage, and what ought further to be done to increase the talent that has been intrusted to this generation. The practical remedy offered is commonly some proposal for palliative measures, some appeal to philanthropic, aesthetic, or religious sentiment, some endeavor to conjure with the name of one or another of the epiphenomena of modern culture. Something must be done, it is conceived, and this something takes the shape of charity organizations, clubs and societies for social “purity”, for amusement, education, and manual training of the indigent

classes, for colonization of the poor, for popularization of churches, for clean politics, for cultural missionary work by social settlements, and the like. These remedial measures whereby it is proposed to save or to rehabilitate certain praiseworthy but obsolescent habits of life and of thought are, all and several, beside the point so far as touches the question in hand. Not that it is hereby intended to cast a slur on these meritorious endeavors to save mankind by treating symptoms. The symptoms treated are no doubt evil, as they are said to be; or if they are not evil, the merits of that particular question do not concern the present inquiry. The endeavors in question are beside the point in that they do not fall into the shape of a business proposition. They are, on the whole, not so profitable a line of investment as certain other ventures that are open to modern enterprise. Hence, if they traverse the course of business enterprise and of industrial exigencies, they are nugatory, being in the same class with the labor of Sisyphus; whereas if they coincide in effect with the line along which business and industrial exigencies move, they are a work of supererogation, except so far as they may be conceived to accelerate a change that is already under way. Nothing can deflect the sweep of business enterprise, unless it be an outgrowth of this enterprise itself or of the industrial means by which business enterprise works” (Veblen, 1904, pp. 377-379).

Finally on cultural discipline, Veblen remarks:

“The largest and most promising factor of cultural discipline [...] over which business principles rule is national politics [...]. Business interests urge an aggressive national policy and business men direct it. Such a policy is warlike as well as patriotic. The direct cultural value of a warlike business policy is unequivocal. *It makes for a conservative animus on the part of the populace.* During war time, and within the military organization at all times, under martial law, *civil rights are in abeyance*; and the more warfare and armament, the more abeyance. Military training is a training in ceremonial precedence, arbitrary command, and *unquestioning obedience*. A military organization is essentially a *servile organization*. *Insubordination is the deadly sin.* The more consistent and the more comprehensive *this military training*, the more effectually will the members of the community be trained into habits of *subordination* and away from that growing propensity to make light of personal authority that is the chief infirmity of democracy. This applies first and most decidedly, of course, to the soldiery, but it applies only in a less degree to the rest of the population. They learn to think in warlike terms of *rank, authority, and subordination*, and so grow progressively *more patient* of encroachments upon their civil rights (Veblen, 1904, pp.391-392; italics added). [...] At the same [cultural discipline] direct[s] the popular interest to other, nobler, institutionally less hazardous matters than the *unequal distribution of wealth* or of creature comforts” (Veblen, 1904, p.393; italics added)³⁰.

There are thus factors able to mitigate popular discontent by the *indoctrination* of a sense of uncritical obedience and acceptance of the *status quo* or by the *impoverishment* of the population.

7 Conclusions

Contrary to much of the literature, we have shown that the technocratic reading of the role of the population in the process of institutional change is only partially convincing. More specifically, we

³⁰ See also Veblen, 1917, ch.7.

have seen that Veblenian popular discontent is not necessarily subordinated to machine discipline and that the presence of counteracting forces – namely indoctrination and impoverishment – limits the population’s reformist attitude, so the spread of a particular kind of institution amongst members of the collectivity does not necessarily lead to modification of the institutions. In brief, institutional evolution may not be the necessary consequence of machine discipline, or, if it is the necessary consequence of machine discipline it can encounter opposing forces that limit its reformist effectiveness. Concretely, Veblen finds the nature of popular discontent in two particular types of institutions: emulation and efficiency, whose economic grounds are to be found in the institutions of ownership and industry. Our arguments can be schematized and simplified in the following table in which we sum up our line of interpretation by a very simple comparison between the early and the later Veblen on the nature and role of popular discontent in the process of institutional change.

NATURE AND ROLE OF POPULAR DISCONTENT	ECONOMIC EMULATION	MACHINE DISCIPLINE
Time	The early Veblen: 1890-1900	The later Veblen: 1900-1920
Institutional mechanism of ‘contagion’	Contact with the leisure class	Contact with technicians
Predominant institutions	Ownership	Industry
Effect on institutional change	Not foreseeable	Not foreseeable
Counteracting forces to the change	Indoctrination and Impoverishment	Indoctrination and Impoverishment

Table 1: The Two Veblens compared

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The reappearance of interest in institutions in the early 1980s followed a familiar pattern: it was a reaction to dominant strands of thought that neglected institutions, historical context, and process in favour of general theorizing. Accordingly, institutionalism is frequently characterized by the attention it gives to history. Veblen theorized institutional persistence and developed several mechanisms of change, including conflict between institutions, exogenous shocks, and the interplay between routines and the variable and volatile action of agents. An anthropological version of economic institutionalism emerged later in the work of Karl Polanyi. The debate over nature and nurture predates psychology and goes back to the days of the ancient philosophers. In philosophy, this is often referred to as the nativism versus empiricism debate. What do these two terms mean and how do they relate to nature and nurture. Nativism. Inequality, discrimination, and lack of access play a role in shaping how well people perform on intelligence tests and other assessments of educational outcomes. Gender Differences and Education. The Contributions of Nature and Nurture. Few modern psychologists would take an extreme nature or nurture position. Rather than asking which one controls specific variables, researchers are more likely to wonder about the degree to which each of these forces play a role.