

# Thorstein Veblen and "The Theory of the Leisure Class"

by John August

I've long been a fan of Veblen, who had some *very* interesting economic perspectives - I've read *The Theory of the Leisure Class* (TOTLC), and also an anarchist commentary, *Thorstein Veblen and the American Way of Life* by Louis Patsouras.

You can look at the ruling class (what Veblen called the "Leisure" class) in power with their injustice and abuses. But, for TOTLC, Veblen had a different emphasis. While the wealthy justify themselves through the energy and initiative they show, which supposedly benefits us all, Veblen looked at what it *meant* to be wealthy.

Rather than being the "enterprising", worthy, noble people they claimed to be, they were a hybrid of the "upper class twit" from the UK, together with the vain superficial elements of the French Royal Court. They were portrayed as a bunch of inane, superficial, stupidly competitive idiots.

Veblen came up with "conspicuous consumption". They were consuming for show, not use, in competition with others who were doing the same. This sort of commodity has become known as a "positional good". Rather than fist waving against the injustice, his analysis was more anthropological, with a moderate amount of distance and some wry amusement. Because it was not "fist waving", and a bit subtle, it had all the more impact.

It undermined some ideas about consumption. For example, the more you have of something, the less you want more. Diminishing returns and all that. But, if you're putting together a collection, or trying to show off, more is better. Having 100 prestige cars is a significant improvement over just 99.

The leisure class also made a show of distancing themselves from manual labour. Women were ornaments, and it was important that they consume for show, reflecting the status of the husband. Veblen called it "vicarious consumption". Importantly, women should not do anything

useful, for that would look too much like work.

These matters of taste - the wealthy looking down on workers with an "oohh - yuk" attitude spread further. Violent crimes of the working class were looked upon more harshly than financial crimes of the upper class, and capitalism itself was seen as "more worthy".

The effort in *selling* as compared to *making* also undermined the "productive economy". This echoes Galbraith, where the economy is about making and selling useless stuff people don't actually need in order to keep people employed.

You have "planned obsolescence". Sure, things can stop working before they need to, needing replacement. But, you can still replace something *before* it has stopped working, because the replacement is more "modern" ... or perhaps even, just "more trendy". In using something better, you've thrown the old one away. Have you *really* progressed that much?

Veblen undermined many economic principles. A first was that commodities were *useful* and *worthwhile*, produced - and consumed - because of this. Marx did talk about "use-value". However, when something is only socially appreciated rather than "useful" - how "useful" is it, really? Was it *really* worth making in the first place?

Of course, you can abstract away from this and emphasise that people *perceive* something to be worth consuming. The sovereignty of the individual - their wants and desires - trumping all other considerations. However, you really are denying an underlying promise - that objectively we are doing something worthwhile. It underlies a look of economic hand-wringing. I mean, if the economy is just churning out a lot of fairy floss, why bother getting emotional about it?

But, looking at other issues, Veblen considered the push towards standardisation and mass pro-



## Conspicuous consumption of valuable goods is a means of reputability to the gentleman of leisure.

Thorstein Veblen

quoteancy

duction, in pursuit of greater profitability, would eventually be self-defeating. This is to be contrasted with today's emphasis on "customisation".

The pursuit of profits meant the development of better production machines and squeezing competitors out of business. Monopolies would form, and then ultimately depressions. Production does not necessarily generate its own demand - here there's an echo of Keynes as against Say's law.

From a very broad view, you could say the economy is not "productive" - it does not live up to its promise of providing people with useful goods. Given this underlying waste, there's a certain muddle headedness in trying to make the economy more "productive". You're not generating more happiness - just more waste.

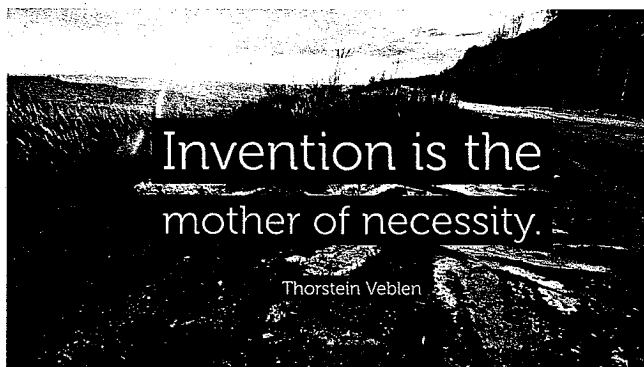
Of course, even with this in the foreground, people still live in poverty, and there's a concentration of wealth. Nevertheless this "underlying waste" does discount efforts to "reform" the economy in pursuit of "greater productivity".

Just as we might argue that "potential" virtuous growth in society is "absorbed" into land values, Veblen tells us that "production" is wasted in useless stuff that doesn't really make much of a difference. So, Georgist reforms will be "wasted"

in this "useless" part of the economy, much as reforms in other areas might be "wasted" in Georgist absorption into land values.

There are of course other aspects. Some economic developments do benefit us objectively, like better medical technology and more affordable restaurants and holidays. And I certainly endorse Georgist reforms - I can see the benefits. Still, the reforms assume that if we fix \*this\* part of the economy, the rest of the economy will operate smoothly and deliver a proportionate benefit. But, because of the Veblen inefficiencies, Georgist reforms would be diluted. Not useless mind you, but not as effective as they would otherwise be, either.

Still, Veblen was concerned about land ownership; George's writings were an inspiration for him and he defended George during his career, in particular against claims land ownership was "sacred", unions an anathema, and so forth. He said land possession arose through military conquest; in agreement with George, there was really no such thing as a "right" to land. Veblen did write about the bounty of the land being captured : "the 'free income' derived by the leisure class that privatised through its 'absentee ownership' the natural resources of the nation, like 'gold and other precious metals, timber, coal ... petroleum, natural gas, water power, irrigation' and of their wasteful expenditure.



For Veblen, absentee ownership and forcing others to labour for you were bad things, though it was reasonable for you to own land which you directly worked and occupied. Catholicism developed the idea of "distributivism" - that lots of people would own stuff, but it would be the place they worked and lived as a network of artisans/farmers, with no \*concentrations\* of ownership, a different intellectual thrust, but railing against people owning "too much".

Now, we might take a look at Patsouras' commentary in "*Thorstein Veblen and the American Way of Life*".

While the book does consider Veblen, Patsouras seems to use it as an excuse to delve into his favourite passions in US economic history and other areas. You had the whole "robber barons" thing, there's Veblen's contemporaries, and intellectual, political, economic and world developments since. There's also a review of US imperialism, and its pursuit of economic interests with military force, along with a consideration of ideas about human nature.

I don't want to complain too much - I suppose it was going to be an anarchic commentary, that was the whole point. At times these excursions are interesting. In many cases there was something that was new to me, but I could imagine it being tedious and familiar for some readers. Then at other times it became a daze, with a string of one such-and-such thinker after another. These discursions can be interesting in their way, but Patsouras does seem to struggle to link them to Veblen's original ideas, and struggles to put Veblen in an anarchic context.

Patsouras does note the worth of Henry George's perspective, where the privilege of ownership would form a tax base, so "absentee ownership",

would at least mean the absentee owners were paying it. The tax was levied on owner/worker/occupiers as well for consistency, but all land ownership was a privilege. But the point seemed to be that absentee owners would be more strongly hit.

George was considering an "injustice" - of people reaping an undeserved - an unearned - bonus, and the worth of fixing this. However, into the bargain, there were other hoped for outcomes - workers would obtain higher wages, enabling them to assume cooperative style ownership of industries. If this is true, it was an aspect of George I was not previously aware of.

Patsouras is skeptical about taxing land, preferring to think that "capital" and "profits" should be taxed similarly. Still, I side more strongly with George. An issue is how much "central" and "different to other capital" land is. Much as a concentration of ownership of wealth - something that includes more than just land - is an issue, land is used for both production and living, and because people need a place to live, land-owners have relative power. Yes, concentration of wealth is not good, but owning capital does not stop other people from having their own capital in the same way as occupying land stops others from living there. It is also easier for competition to keep the use of capital in check - land is not made any more, so there's less competition in its supply.

In any case, I hope I've persuaded you that Veblen has some worthwhile perspectives. There's many ways in which our economy is "inefficient", broadly defined. Veblen shines a light on some of that. I've always reacted strongly to stuff being bought for show, the nature of advertising, and things being thrown out before they need to be - with the interest of people selling stuff perhaps not being the interests of the whole economy, while one promise that of course, people left to themselves in a market will mean it all works out. But Veblen's approach did resonate with me. I hope you can see why, and perhaps it will also resonate with you.

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