



# **COMPREHENDING VEBLEN'S THEORY OF THE LEISURE CLASS AND ITS CONTEMPORARY RELEVANCE**

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**Abstract:** There is much that Thorstein Veblen's Theory of Leisure Class can contribute to today's understanding of evolving management ideas – be it perceiving consumer behaviour or pricing products or even making sensitive advertising. The heart of Veblen's Theory was that people were not always rational. Alternatively, homo economicus is a myth. Every individual responds – positively or negatively – to changes within and outside him / her. It is this ability of Veblen to broadcast to the world the play of non-economic factors that makes his work relevant the present day situation. And, there is still a lot to learn for economists and managers from Veblen's highly mis-read book: *The Theory of the Leisure Class*.

**Index Terms:** Institutions, Leisure Class, Conspicuous Consumption, Pecuniary Emulation, Veblenian Dichotomy

## **Introduction**

"One hundred years ago this year, one of the most provocative and damning books in the history of American ideas appeared, jarring the nation's upper class and electrifying its intelligentsia. The book was "*The Theory of the Leisure Class*", written by an eccentric and then-unknown economics instructor named Thorstein Veblen. In a droll, withering critique, Veblen deconstructed the galloping consumer culture of the Gilded Age and came to an unpopular conclusion. America's money lust, its "if you got it, flaunt it" mentality. All could be explained by

one simple rule of human behaviour: Man has an unslackable thirst for status", noted the Seattle Times<sup>1</sup>. Thorstein Bunde Veblen (1857 – 1929), the unquestioned and the undisputed forerunner of 'Institutional Economics', made his debut into the little-discovered arena of the impact of institutions (habits, motives, tastes) on economic behaviour of man, with his path-breaking book '*The Theory of Leisure Class*' in the year 1899. With a sound background in social psychology, anthropology and human behaviourism, the *Theory* has postulated the effects of institutions on human behaviour and decision making, principally in economic and social aspects. Covering a variety of areas, the *Theory* lays a significant emphasis on the area of wealth and its consequent repercussions on human related activities – reflected explicitly in the choice of occupation, consumption and expenditure pattern.

Veblen's preoccupation was not with 'pure economic' analysis, but rather on the human factors that decide and affect the activities of man in an economic set-up. As a politico-economic scientist and a fanatical observer of human society, Veblen's contribution to the sphere of economic study began with his first and highly mis-read book *The Theory of Leisure Class*. Despite his often caustic remarks on the rich sections of the society, his works reflect a well-intentioned view that, unlike Marx<sup>2</sup>, he witnesses that people belonging to

lower economic sections aspired to become a member on the rich-club. This, he remarked, was a natural intention towards securing the luxuries of the leisure class. His works reflect the innate objectives of a society and its members' striving for a well-paying job. Hence his works mirror more matter-of-fact observations, rather than any obscure utopian idea of society and its behaviour. It can be said to the ultimate satisfaction of Veblen's followers (called institutionalists) that of all the political economists from Adam Smith to Karl Marx, only Veblenian economic theories have never been discredited<sup>3</sup>.

## The Book

What was started in the year 1892<sup>4</sup> as a major work on dissection of the highly materialistic ways of the wealthy saw its birth in the form of the book *Theory of Leisure Class* only in the year 1899, after innumerable alterations and modifications. Thorstein Veblen was then an assistant-professor in the newly founded University of Chicago, funded by the Rockefeller Foundation. In general, the book is on the snobbery and pretence of the wealthy, during the Gilded Age of America (1890s), though very much relevant to modern affluence.<sup>5</sup> Consisting of fourteen chapters, the *Theory* addressed two main issues:

- The Veblenian Dichotomy - relation between production and predation, and
- The impact and the reasons for the explicit nature of exhibiting conspicuous consumption patterns.

A peculiar feature of the *Theory* is the total lack of footnotes. Veblen explains that the method has been employed for convenience, and also for the fact that citing such references is not needed as they are 'readily traceable to their sources by fairly well-read persons'.<sup>6</sup> Another noteworthy aspect of this book is the seemingly dispassionate and impersonal style of the author.<sup>7</sup> *The Theory of Leisure Class* is one of the only two book that have been written by nineteenth century economists, which is still read, points out J.K. Galbraith.

The surveillance of the society documented by Veblen in his magnum opus *The Theory of Leisure Class* concretizes the natural habits and conceivable outcomes of humans in a society. What he has dealt with is not something that evaporates with time. The promulgations made by him in his book remain to be timeless, as they do not forge a rigid casing for scrutinizing the human society and economic behaviour, but has developed an eternal framework for identifying the cause and effect relationship in human economic functioning. The continuing relevance of the *Theory* rests on two main facets underscored by Veblen:

- The causal determinant of use/misuse of human and material resources, and
- The need to bring in public purposes in policy initiatives.

Thus, *The Theory of Leisure Class* provides a pragmatic view of the society and evolves a problem-solving approach. Its bearing on modern economic investigation rests further on its ability to provoke questioning through its analytical examination of the social and economic life of people.<sup>8</sup>

## Assessing the *Theory*:

"Though Veblen makes for an interesting biographical sketch, what in economics he will be remembered for is his work: the Theory of the Leisure Class".<sup>9</sup> It is an impractical task to assess and reassess every concept that Veblen has brought to light in his book *The Theory of Leisure Class*. Besides, attempting to endeavour upon such an exercise would entail many intriguing issues, because the concepts that Veblen put forward in his book, cannot be taken up individually and inspected in isolation. This would bring about a highly disjointed composition. The *Theory*'s basic tenet proposed to underscore the dominant idea that bodily toil was became déclassé and that economic abundance was shortcut to achieving social superiority.<sup>10</sup> In this paper, it is proposed to examine the general facets of the book, before understanding the five main concepts explored in the *Theory*.

Galbraith states that Veblen's *Theory of Leisure Class* is about the affectation and pretentiousness of the wealthy. It would be unambiguous to discuss the direct impact of the *Theory of Leisure Class* on the economic behaviour of the people and the macro-economic echelon first. In this regard, some important implications of the *Theory* are enumerated below:

1. *Social Change and Institutions*: Veblen makes it very clear that institutions (habits, likes and dislikes, tastes, motivations) are subject to change and revision. The alterations in the social structure of any nation would engender changes in the behaviour of the people. This change in the behaviour of the people affects the socio-politico-economic agenda of a nation. Veblen arrives at two reasons for the this behavioural change:
  - a. Pecuniary Emulation, and
  - b. Pecuniary Exigencies.

It is this form of continuous change that would make the life of the people lively and vivacious. The change catalyst could take any form - internal or external: Change in mind-set of the people, Change in Cultural Dimensions, Change in traditional magnitudes, or Change in social structure.

2. *The Dimensions of Analysis:* Anyone who reads his *Theory of Leisure Class* would unthinkingly opt to brand the book as an unreasoned explication of the author's observations. What many would lose to consider is that his efforts in the book reflect many aspects of his systematic and methodological strain of writing. There are four aspects for branding the book as a logical work of a consecrated social observer:

- a. His focus on the historical aspects of man's early life lends itself to analyse the past behaviour of the leisure class, and also for sketching an evolutionary schema of the conspicuous consumers. The historical framework consists not of haphazardly chosen illustrations that mislead the readers, but highly relevant and often appropriate images that the readers could relate with ease. The examples he gave were not of the exotic and exceptionable kind.
  - b. There are references to his anthropological gradations with reference to his discussion of man as an outcome of the evolutionary process of the primitive segment of mankind. His anthropocentric approach is seen more when he elaborates on the need and the significance of devout practices and the concomitant rituals. This anthropocentric approach is a definitive method to highlight the basic behaviour of mankind and to understand the sequence of cultural progression.
  - c. The analytical representation of the institutions and their effects on the continuity of the community is documented by Veblen in a highly questioning manner, thus proving his work to be a labour towards comprehending the cause-effect relationships. This aspect of exploring the hidden grounds of communities, has unearthed many significant ground rules explaining the economic behaviour of man.
  - d. Veblen's highly non-committal investigation of the behavioural indices of man, and the attendant manifestations of his behaviour in the economy and the society would render one to place the *Theory* in the realm of positive economic analysis. It is with such a reflection that many of his critics abound with gesticulate disapproval that Veblen's *Theory of Leisure Class* is but a vague and sardonic documentation of the exploits of the leisure class alone, and it is inappropriate to deem it as an authorized textbook of economics. The intent in such a positive analysis was to throw light on the aspects of inquiry, rather than on subjective interpretations.
3. *Characterization of Human Agency:* Veblen's underlying design of man is not one of a rigidly prearranged scheme. Veblen indelibly imprints with observatory discretion that humans are not to be classed into belonging to the leisure-class or the non-leisure class. The existence of leisure class behaviour is but a stage in one's life that is characterized by unproductiveness, verging on a seemingly extolled lethargy. Though Veblen demonstrates through historical incidents of persons belonging to the wealthy families who follow the tradition, and are by default members of the leisure class, there is no check on the membership to the leisure class, as all humans aspire to be its much-desired members. A direct repercussion of this acceptance is the unqualified and class ordained rejection of all forms of physical labour. Veblen asserts that in characterizing the leisure class, a highly unpredictable and an extremely erratic structure arises. This structure is an indication that the leisure class members are but a result of the social evolutionary development. The leisure class is not an unbending assemblage of limited people. Humans enter and exit the group with pertinent necessitation.

## Documenting Satire

It was not in vain that John Kenneth Galbraith called the *Theory of Leisure Class* a marvellous book<sup>11</sup>. Its bearing on the modern global and local changes can be witnessed with increasing degree. Observations documented in the *Theory of Leisure Class* by Veblen did not consist of a passing over of the behaviour of humans. They acknowledge the underlying instincts of man and his external demonstrations, with respect to one's social and material standing. It is an enduring examination of the central motives of man and their inscrutable influence on his / her economic activities. Prof. Galbraith is all praise for Veblen's style and his impact on the reader, when he remarks with shocking legitimacy: "*No one who has read this book (Theory of Leisure Class) ever again sees the consumption of goods by the rich in the same light.*" Veblen's *Theory* is indeed difficult for an economic or management academician to read and assimilate, for it consists nothing of the standard paraphernalia that academic analysis is adored with - footnotes, references, graphs, charts, diagrams or data. It does make reading his *Theory* difficult, but the aim of the book was not to make a mark in

the academic circle, but to articulate the distinctive characteristics that typify the leisure class. And in this plot, make the reader enlightened about the underlying rationales for such an ostentatious life. Mark Blaug is right when he states: “*As we read him, we have the feeling that something is being explained. And yet in the end the ambiguity of the message remains.....perhaps the desire to pin him down precisely misses the point: it is, after all, satire and is designed to open your eyes, not to close your mind.*”<sup>12</sup>

## The Power of Ideas

With regard to Veblen’s contribution to economics and the far-reaching upshots of the Theory of Leisure Class, it is more of a problem of accepting Veblen’s style of researching and examining that remains a hitch for full-fledged acknowledgement and recognition. More than his satirical, yet true, portrayal of the defining class of people (the leisure class) and their fad and conjures, the hallmark of Veblen lies in his ability to draw up a scheme that would reek of no time-bound analysis, and would not suggest a blind affirmation of the actuality depicted. Veblen changed the manner of reflecting on economic issues. David Riesman, an acclaimed biographer of Thorstein Veblen had this to say of the ironist: “*Whatever our debt to the theories Veblen developed, I think we are all in his debt for his way of thinking. Irreverent and catty to the very end, he avoided becoming a substantial citizen, which he defined as one who owns much property. He died insolvent. But the intangible assets that have come down to us, his books and his personal style, have still the power over us that Veblen was all too inclined to disparage: the power of ideas and of personality.*”<sup>13</sup>

## Notes

<sup>1</sup> Solomon, Chris (1999), “‘Leisure Class’ author/critic may have been on money”, Seattle Times, November 22. <http://www.wright.edu/~tdung/veblen.htm>. Italics added.

<sup>2</sup> It was Marx’s contention that an inevitable historical outcome would be the violent overthrow of the upper classes. <http://www.blupete.com/Literature/Biographies/Philosophy/BiosEcon.htm>

<sup>3</sup> Larson, Jonathan, “A Prophet Without Honor” (1993). <http://villa.lakes.com/eltechno/TVpwohon.html>.

<sup>4</sup> <http://villa.lakes.com/eltechno/TVtMisFt.html>

<sup>5</sup> Galbraith, John Kenneth, “Thorstein Veblen and The Theory of Leisure Class”, Introduction, Theory of Leisure Class, Houghton Mifflin Company, Boston, 1973.

<sup>6</sup> Theory of Leisure Class, Houghton Mifflin Company, Boston, 1973, p.xxix

<sup>7</sup> The University of Chicago Faculty - A Centennial View. [http://www.lib.uchicago.edu/projects/centcat/centcats/fac/facch09\\_01.html](http://www.lib.uchicago.edu/projects/centcat/centcats/fac/facch09_01.html) -

<sup>8</sup> Tool, Marc.T. “A neo-institutional theory of social change in Veblen’s ‘The Theory of the Leisure Class’”, <http://villa.lakes.com/eltechno/TVAtool.html>

<sup>9</sup> Biographies. <http://www.blupete.com/Links/bksecon.htm>. Italics added.

<sup>10</sup> According to Solomon, Chris (1999), ‘The day's marauding captains of industry - the Morgans, Rockefellers and Vanderbilts - had their roots in prehistory. In the earliest societies man worked in groups to survive. Class distinction didn't exist. Work was shared and not frowned upon. Men strove to outdo each other in activities such as hunting. Those who (literally) brought home the bacon were held in high esteem by others. Their prowess granted them privileges, women and other rewards’.

<sup>11</sup> Quoted in the front jacket of Veblen’s Theory of Leisure Class, Houghton Mifflin Company, Boston, 1973.

<sup>12</sup> Blaug, Mark (1986), Great Economists Before Keynes: An Introduction to the Lives and Works of One Hundred Great Economists of the Past, Brighton: Wheatsheaf. <http://qed.econ.queensu.ca/walras/bios/veblen.html>

<sup>13</sup> Riesman, David (1953), Thorstein Veblen :A Critical Interpretation, Charles Scribner's Sons, New York, p.208 quoted in Breit, William and Ransom, Roger L (1971), The Academic Scribblers, Holt, Rinehart and Winston Inc., New York.

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