

# THORSTEIN VEBLER'S HISTORY OF ECONOMIC THOUGHT

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## ABSTRACT

This article draws attention to Veblen's comments on three strands of economic thought. At first, attention will be given to the neoclassicals, specifically the criticisms that Veblen wove to Alfred Marshall and John Bates Clark. In a second moment, attention is paid to the understanding of Veblen's comments on German historicism, specifically on the contributions of Gustav Schmoller. In a third moment of analysis, Veblen's point about the writings of Karl Marx and his followers, the Marxists, are discussed. In the end, we see a significant disconnection of Veblen's ideas with the economic writings of his time, which, to a large extent, justifies him as one of the founders of a new economic current, the institutional economics. Among these disconnections, important epistemic issues emerge, especially in relation to the non-identification of Veblen with the animistic and teleological aspects of the theory of the above-mentioned thinkers, as well as the incompatibility of an evolutionary perspective in the bases of economic thought consolidated at that moment.

**Key-Words:** Thorstein Veblen, Economic Thought, Institutional Economics

## RESUMO

Este artigo chama a atenção para os comentários de Veblen sobre três vertentes do pensamento econômico. Inicialmente, será dada atenção aos neoclássicos, especificamente às críticas que Veblen fez a Alfred Marshall e John Bates Clark. Num segundo momento, é dada atenção ao entendimento dos comentários de Veblen sobre o historicismo alemão, especificamente sobre as contribuições de Gustav Schmoller. Em um terceiro momento de análise, o ponto de vista de Veblen sobre os escritos de Karl Marx e seus seguidores, os marxistas, é discutido. No final, vemos uma significativa desconexão das idéias de Veblen com os escritos econômicos de sua época, o que, em grande parte, o justifica como um dos fundadores de uma nova corrente econômica, a economia institucional. Dentre essas desconexões, emergem importantes questões epistêmicas, principalmente em relação à não identificação de Veblen com os aspectos animistas e teleológicos da teoria dos pensadores mencionados, bem como a incompatibilidade de uma perspectiva evolutiva nas bases do pensamento econômico consolidado naquele momento.

**Palavras-chave:** Thorstein Veblen, Pensamento Econômico, Economia Institucional

## Area 1 – História do Pensamento Econômico e Metodologia

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## 1. INTRODUCTION

Veblen presents his contributions to economic thought by proposing a new epistemic approach. For Thorstein Veblen, observe economic science as non-procedural (non-evolutionary) would be a mistake. According to the institutionalist, such a misunderstanding would, to a large extent, be result from the perpetuation of an obsolete logic in the way of doing science (Veblen 1899a). After all, according to Veblen ([1908] 1919), science would be the result of habituations of the scientists of the past who instituted an optics and logic on how to think and make knowledge. By specifically addressing contributions to the individual and their social character, for example, Veblen (1898) highlighted the non-support of animistic and teleological characteristics. Both elements would be distancing element from human aspects, such as the behaviors resulting from socialization and the human psyche, which in his time still had few and incipient studies.

Camic & Hodgson (2011) comment that in a critical construction based on his influences, Veblen pointed to the most diverse theoretical inconsistencies of neoclassical writings that already gained strength and space in economic thinking in a predominant way. Based on classical pragmatic philosophy, Veblen was directly opposed to the positivist notion on which neoclassicism was based. For adherence to positivism meant the rejection of "metaphysics" through the perception that science operates through the collection of evidence for prediction rather than causal explanation (Comte, 1853; Lenzer 1998 apud Camic & Hodgson, 2011; Costa, 1950). Thus, contrary to the Comtian notion, Veblen saw in metaphysics (ontologically speaking) premises that would be inevitable when studying individuals and their relationships in society. To this end, Veblen was guided by the scientific need to take into account the most diverse causal relations (Camic and Hodgson 2011). In other words, Veblen saw the need to better observe the "hidden" factors among observable events. To this end, the psychological-pragmatic elements of his foundations would be of paramount importance, highlighting the role of institutions and socially shared habits in society

Another rather recurring criticism is also noted in Veblen's writings concerning the moral values involved in the work of economic theory and in other areas of knowledge, at least from that time. For Veblen, it would be of fundamental importance to distinguish factual questions from moral questions clearly and whenever possible, because according to the author, often could saw the mixture of what would be cultural values and moral content. This observation is quite convergent with John Dewey's perspective — Veblen's great influencer — on the "pragmatic truth" (Dugger 1979). Veblen constantly argued that in the social sciences both analysis and explanation should take priority under any moral pronouncements. This criticism of Veblen was made visible in mention of Schmoller and Clark; in relation to the German Historicist, Veblen criticized the excessive concentration on what would be "the most desirable" according to that author; and in relation to the neoclassical, Veblen points to the presence of normative "natural order" arguments in purely psychological and social objects of analysis, such as the decision-making of the individual from the perspective of maximization (Camic and Hodgson 2011).

Karl Marx was also criticized by Veblen, especially for his concentration on the individual as a sociable being, which often left him as a bias of overly deterministic destiny and action. About this Veblen (1906) made clear the rejection that the individual is exclusively a social being and that his cognitive and behavioral process is only determined by the environment in which he is inserted (historical materialism). At this point, according to Camic & Hodgson (2011), we can observe two critical concentrations:

the first is related to the aspect of how this dependence acts in the process of individual behavior (given that there is no explanation of habits or instincts in Marxist theory); and the second was related to the incompleteness of this notion of dependence on individual behavior in relation to collective behavior, because according to Veblen, although it is fundamental to recognize the role of the collective in individual perception, an internal criterion is also present in the notion of the individual (Camic and Hodgson 2011). Thus, habits and instincts are important factors in establishing a differentiation in the writings of Veblen and Marx.

These and other criticisms of Veblen appear systematically and properly grounded in his publications. Thus, aiming at completeness and precision, this paper will analyze Veblen's comments and considerations on some of the leading names in contemporary or immediately preceding economic science. At first, attention will be given to Veblen's critiques and considerations about neoclassical economics, specifically Alfred Marshall and John Bates Clark; In the following, will be analyzed Veblen's comments on Gustav Schmoller's work, focusing on Veblen's opinion on German historicism; and last but not least, Veblen's comments on Karl Marx's contributions and developments as a Marxist theory will be analyzed.

## **2. VEBLLEN ON NEOCLASSICAL ECONOMICS: THE CASE OF ALFRED MARSHALL AND JOHN BATES CLARK**

Both Hodgson (2004) and Rutherford (2011) converge with the reading that the late nineteenth and early twentieth centuries were of intense dispute in economic thought, especially for the desire for domain of the mainstream of this science. On the one hand were those who had identification with the old classical economics and are now known as neoclassical, such as Alfred Marshall and John Bates Clark. On the other hand were those of institutional-evolutionary identification, such as Thorstein Veblen and John Commons.

As already mentioned, this dispute was primarily based in epistemic differences, related to the look on which these scientific bases were supported. While was observable the bias of cumulative causation in psychological and social attributes by those who advocated an institutional-evolutionary economic science, could also be observed the maintenance of mechanistic features in the economic discourse of those who proposed the generalist observation of social characteristics. Obviously, such divergence could not, even theoretically, present summative explanatory capacity between the different perspectives. Thus, a rupture and dispute proved necessary (Rutherford 2011).

Veblen (1899a), emphasizing the perspective of the construction of science over time, makes considerations about the inertial character of scientific perspectives through the sharing of thinking habits among different "generations" of scientists. Exactly with this fact in mind, the institutionalist stresses the existence of contemporary theoretical approaches of his time presenting pre-evolutionary characteristics, even if in speech they called themselves proponents of an evolutionary method (Veblen 1899a). Ultimately, as shall see below, such features would result from a non-Darwinian preconception of the evolutionary process.

In specifically addressing Alfred Marshall's contributions, Veblen is emphatic in demonstrate the perpetuation of pre-evolutionary science of taxonomic features. Veblen (1900) recognizes Marshall's desire to establish a study aimed at understanding human behavior in a modern logic, based on economic attributes. But even with that goal in mind, Marshall has not developed work, or even further explanation, on aspects related to

human conduct, such as the cultural and institutional elements (Veblen 1900). In fact, from Veblen's (1900) perspective, Marshall attributed human behavior to determinants of the conditions under which equilibrium would occur in markets. That is, he assumed as true the existence of elements of teleological origin in human behavior.

Thus, Veblen's (1900) critique of Marshall's contributions to the understanding of the individual as an economic agent is clear when the institutionalist denounces the Marshallian view as inattentive to the processes of cumulative causation. Rather, in Veblen's interpretation, Marshall would have held stuck to the old taxonomic and teleological assumptions that implied self-balanced developments in economic phenomena.

Veblen (1900) still admits in Marshall's works the treatment of economics as a developmental process, which is one of the recurrent elements in the works of the neoclassical author. However, Veblen reaffirms Marshall's theoretical inadequacy in linking aspects of human behavior to taxonomic and teleological elements. Such convergence of approaches was possible in Marshall's works due to the Spencerian interpretation of evolutionism (Luz and Fracalanza 2012). Such process would be coined in teleological perspectives of pre-established purposes. In the case of Herbert Spencer's biology this would be through the generation of species heterogeneity. In the case of Marshall's economic theory, however, such an element would correspond to the characteristics of self-balance derived from the classic inheritance of hedonism and utilitarianism (Veblen 1900).

Precisely based on these arguments, Veblen (1900) establishes the anachronistic profile of the economic theory developed by Alfred Marshall. After all, from the Veblenian perspective, any post-Darwinian economic theory that did not have features of cumulative causation through evolutionary aspects would be an obsolete theory. In Veblen's case, these elements were remedied through his institutional perspective, based on instincts and habits of thought and behavior. Already in the neoclassical case of Marshall, there was a lack of greater interpretations of human behavior and cumulative triggers from the social and economic perspective.

Usually, in the form of linking thinkers and ideas, Veblen presented neoclassicals as marginal utility theorists, given the importance of this theoretical element in the development of ideas derived from this group of economists. Thus, by making criticisms of postulates and epistemic elements, Veblen raised his criticism from the theoretical to the plane of the organization of ideas. Since, according to Veblen himself (1909, 620), John Bates Clark would be “[t]he most ingenious and the most promising of such attempts [...]”, because his works marked the extreme effort of establishing the postulates among them the marginal utility itself.

From the identification of the limiting elements of neoclassical theories, mainly from Marshall and Clark, Veblen (1908; 1909) bases his critiques on the static aspect of the analysis of essentially dynamic and mutable elements, such as socioeconomic behavior. Veblen (1909) points out that as much as neoclassical economists made use of dynamically related terms, they were never, in any way, able to contribute to any theory of change or process. Or, in the Veblen's words (1909, p. 620):

For all their use of the term “dynamics”, neither Mr. Clark nor any of his associates in this line of research have yet contributed anything at all appreciable to a theory of genesis, growth, sequence, change, process, or the like, in economic life.

Thus, through the limited scope of the perspective of marginal utility theory, proposed by Clark and followed by the other neoclassicals, those who proposed this approach would

related to a science of static characteristics, and, as already commented, “stuck” to the teleological prerogatives concerning the individual and society (Veblen 1909).

Veblen (1908) presents even more weakening arguments of Clark's theoretical construct when he concurrently elaborates the demanding characteristics of an industrial society, and the assumptions and objectives of this theory. After all, according to the author, such theory is not concerned with the understanding of the functioning of the market and consumption characteristics that economic science proposes. Even more incisively, Veblen (1908; 1909) comments that the hedonistic prerogative - one of the great teleological pillars of neoclassical theory - besides not being self-sufficient in clarifying its object of study, proves to be a debilitating scientific inquiry in an evolutionary economic science.

Veblen points out that the generalizations necessary for the factual plausibility of neoclassical arguments demand postulates confined to teleology and deductivism. Exactly this characteristic, according to the author, would be the main difference between marginal utility (neoclassical) economists and classical economists. After all, in the first case there is much more significant evidence and adherence of postulates, as well as their limitations are further exposed through recurring generalizations and deductions (Veblen 1909). Given that in such generalizations and deductions, there is a rather optimistic character about human behavior and its hedonism traversed by "rationality." This last criticism is stressed by Veblen (1908) mainly in his studies of Clark's theoretical proposals.

Thus, Veblen (1908) notes that all elements of cultural origin, with their human relations and institutions, are considered to be guaranteed and pre-existing, being expunged from the objectives of inquiry from this economic perspective. In this way, widespread and hedonistic human behavior is deduced through normalization among the individuals of society. For Veblen, this feature seems to be a source of criticism not only for Marshall and Clark, but also for all economists sympathetic to this current of economic thought, such as Jevons and Menger.

Based on these arguments, Veblen comments on the existence of a disconnection between contemporary scientific inquiry at the time, and that proposed by the neoclassical approach (Veblen 1898). After all, contrary to what is observed in the scientific yearnings of other areas of knowledge, in the neoclassical case, the elements of cumulative order are already set aside in the genesis of their theories. Thus, according to Veblen (1909), institutions are undoubtedly fundamental for explaining the scheme of life, but they are not represented in the personification of the neoclassical (individual) economic agent.

Such institutional elements would be of fundamental relevance not only because they explain the human psyche considerably, taking into account the decision-making process, among other attributes, but also because they represent the most precious thing in human creation, from the anthropological point of view (Veblen, 1908; 1909). After all, only through institutionalization was the human being able to develop systemic characteristics in relation to his history and organization. Languages, money, law and conduct are all elements that undoubtedly are fundamental in explaining the socioeconomic system. So how could a theory propose to explain economic science by disregarding such attributes? Another even more relevant question: How could a theory that disregards such attributes propose the measurement and prediction of economic phenomena? (Veblen, 1908; 1909)

Thus, Veblen (1909) refines his critique of the distortion of scientific neoclassical inquiry by stating that these authors would be concerned with attributes of allocation, or else distribution of goods (Camic and Hodgson 2011). However, they would have neglected aspects related to consumption and production, which at their core have very

marked and determining cumulative characteristics in the allocation and distribution processes. Through such comment by Veblen (1909), even if not explicitly, the normative view of neoclassical economics on its object of study is outlined.

Veblen (1909) also points out that even if the simplistic elements linked to neoclassicism turned out to be non-compromising of the scientific development of the economics, there would still be other problems related to the observation and triggering of human conduct. After all, according to Veblen, it would not be possible to explain human socialization only from an individualistic perspective, even through the acceptance of hedonistic preconceptions. Such consideration is justified in Veblen through the inhibitory or expander character of certain actions against collective scenarios - obviously, through the institutional perspective. Thus, even if one accepts the neoclassical premises related to hedonism and its triggering in marginal utility as true, there would still be a huge theoretical gap waiting for a solution in the field of human socialization and collectivization of socioeconomic elements.

As a simple example of the above passage, Veblen (1908; 1909) cites the decision making process. Through this, the individual is often led to various desires and purposes, but due to the complex and broad institutional framework in which he is inserted, an element ignored by neoclassical theory, often these primary elements of desire and purpose are distorted aiming at a wide acceptance of their collective scenario. According to Veblen, such an argument would give the individual's behavior a naturally unstable characteristic of unsustainable measurement and prediction. Thus, according to Veblen (1909, 630):

The postulates of marginal utility, and the hedonistic preconceptions generally, fail at this point in that they confine the attention to such bearings of economic conduct as are conceived not to be conditioned by habitual standards and ideals and to have no effect in the way of habituation

It is worth remembering that Veblen's critiques of Marshall and Clark's contributions correspond to an even broader theoretical framework. However, as can be observed, it is assumed that there is a great epistemic difference that underlies and disseminates the most divergent differences. Since this element would become the source of one of the main discussions of economic science at that time (Hodgson, 2004; Rutherford, 2011).

Aiming at finalizing the Veblenian perspectives on neoclassical economics, which focused here mainly on Marshall and Clark, there is a relevant consideration to be made. As Camic & Hodgson (2011) point out, there was an attempt by Veblen to approach the neoclassical economists and those who would later be known as Austrians. According to Veblen, both neoclassical and Austrian economists were responsible for adopting a passive and substantially inert human nature. However, the authors comment that such an attempt would have been the result of Veblen's hasty and inaccurate reading, especially given the work that was later developed by the Austrian school (Camic and Hodgson 2011).

### **3. VEBLEN AND THE CRITICISM OF THE SCIENTIFIC APPROACH PROPOSED BY GUSTAV SCHMOLLER**

When Veblen (1898) makes his point about economics not being an evolutionary science, he also makes clear his position that "realism" - though necessary - is not a

sufficient attribute for the formation of a theoretical-evolutionary science. Such commentary emerges as a criticism of the contributions of German historicism that presented works with extensive data loads (empiricism) and historical description of events related to industrialization, however, without presenting the necessary theoretical body for the development of economic science focused on cumulative causation. Thus, Veblen (1898, 375) comments that "[...] and yet no economics is farther from being an evolutionary science than the received economics of the Historical School."

Based on the notion described above, Veblen (1898) comments on the fact that German historicism has broken down from taxonomic perspectives but failed to disentangle preconceptions of pre-evolutionary order. Thus, having never been able to develop a modern scientific theory, according to the author. This would have been the first phase of German historicism, according to Veblen. Being followed by the second phase, having as main exponent Gustav Schmoller, in his search for the theoretical-scientific establishment of the historical method.

Veblen (1901) argues that there are two historicist currents that, according to the author, can also be divided temporally. In the first case, the "old" historicists would be responsible for developing a descriptive perspective of historical advances in relation to German industrialization, focusing mainly on the collection and presentation of data on the subject. The second generation, the "new" historicists, would be the proponents of a theorization of the historical method. In this second case, as already commented, a prominent role is given to Gustav Schmoller, author to whom Veblen (1901) devoted special attention in dealing with historicist contributions.

Veblen (1901) comments that Schmoller enters the academic world and is very critical of the way in which economic science is being worked, being mostly confined to elements of narrative, static and description. At the same time he also expresses his new theoretical ideals for the scientific advance of economics. However, Veblen (1901) points out that no substantial contribution has been made in this regard, including, for much of his criticism, Veblen comments on Schmoller's role of disservice to scientific advance in economic theory.

Justifying this reading, Veblen stresses again the aspect of sharing scientific insight, as well as the reflection characteristic of the environment in which it is inserted. From this justifying presentation of the scientific construct, Veblen (1901) points out that Schmoller's perception was directly influenced by his historicist predecessors, as well as by the German philosophical and literary view, which at that time had fundamentally novelist and Hegelian characteristics. For the most part, Veblen's criticism would be based on those same elements.

Veblen points out that there is the possibility of observing this "romantic-historical" method through a developmental or evolutionary perspective. However, the institutionalist is emphatic in saying that this notion cannot be confused with Darwinian or Spencerian notions. After all, the permeating Hegelian character of this scientific basis makes generalization of affiliation, according to Veblen, more or less arbitrary (Veblen 1901).

This critical element of Veblen makes his comments turn to the normative and generalist character of Schmoller's theory. Undoubtedly, the biggest nuisance presented by Veblen in his reading of the historicist would be the author's notion of the prospect of improving tendency in the cultural course of events. Thus, Veblen proves to be severely critical and contrary to the normative character that this scientific perception results from. After all, recurrently, Schmoller presents moral judgment on observational issues that should be free from any kind of value judgment, for example by presenting specific forms of social and family organization as intrinsically better and desirable than others (Veblen

1901). This normative aspect related to the value judgments presented by Schmoller was a source of criticism of Veblen (1901) for much of his comments. They are probably mostly tissues about the changes in the patriarchal pattern of family constitution and gender equality, which according to Veblen, needs further explanation as to its causes and consequences.

Exactly about this, Veblen comments on the ability of Schmoller to have presented a more critical scientific inquiry, given its formation and accumulated knowledge. In the words of Veblen (1901, p. 90):

Professor Schmoller could have done with better effect than any of his colleagues in the science; for he is, as already noticed above, possessed of necessary qualification in the way of psychological training, broad knowledge of the play of cause and effect in cultural growth, and an ability to take a scientific point of view.

Thus, Veblen stresses his dissatisfaction with the proposal of theorizing historical aspects from his perspective. After all, in the desire to theorize historical processes, Schmoller would have lost his main source of argument: the cumulative causation. In addition, it would have presented judgments derived from value judgment, creating a normative theorizing in relation to its “best” and “worst” criteria.

As seen in Schmoller's improved search for historical triggers, they are largely through his influences, both novelists and historians, and of a Hegelian order which, according to Veblen (1901), would be the result of his time and place, but damning in the scientific construction from the post-Darwinian point of view. After all, such a Hegelian aspect gives spiritual nature the central space in his theory. Through this, life presents itself as an essentially active process, blinded by internal needs, presenting cultural attributes as external and secondary to the human spirit. Thus, according to Veblen (1901, p.78): “the environment, in this view, if it is not simply to be conceived as a function of the spiritual force at work, is, at the most, of subsidiary and transient consequence only”.

This critical aspect in relation to Hegelian philosophy is an attribute of recurring criticism in Veblen, especially with regard to contributions of German origin. As we shall see, and even more emphatically, Veblen also makes severe criticisms of Karl Marx's economic science.

#### **4. VEBLLEN'S CRITICISM TO KARL MARX'S HEGELIAN DIALECTIC**

When Veblen directs his attention to Marx's contributions, he makes clear the separation between two provenances: one that is in fact Marx's contributions, and one that acts as an outgrowth of the contributions of this author, the Marxists. Such a separation is evidenced in Veblen's production in two sequential texts of the same name, *The Socialist Economics of Karl Marx and His Followers*, 1906 and 1907. In the first text, Veblen (1906) presents his reading and commentary on Karl Marx's theoretical contributions to economic thought. Already in the second text, Veblen (1907) presents his perception and interpretation of the unfolding of Marx's theory through his followers, the self-titled Marxists.

Veblen (1906) begins his considerations about Marx's theories by stressing the existence of great boldness in his conception, as well as a noticeable logical consistency. He also comments on the original character, a rare initiative in the sciences when dealing with any phase of human culture, and makes clear his perception that Marx's contributions

characteristically differ from any theoretical system that preceded him, both in premises and in objectives. (Veblen 1906).

By not belonging to any philosophical school and not presenting a perpetuation of studies already begun, according to Veblen (1906), Marx stands out for being the originator of his own school of thought, as well as leader of a movement directed towards a practice purpose. Such an end, as is evident from the reading of Marx's works, emerges as a response to the capitalist system through a revolutionary movement arising from the class struggle. And exactly on this point, Veblen (1906) comments that, despite starting his work through an analysis of economic phenomena and their organizations through a scientific system of knowledge, Marx recurrently discoursed under a biased perception of progress associated with his principal propaganda, socialism.

According to Veblen (1906), such a biased perception is evident when Marx, though the originator of his own theory, develops it in two distinct lines: Hegelian materialism, and the English system of natural rights. The former would make Marx adept at a method of speculation (scientific inquiry) related to the Hegelian metaphysics of development, and the second exposes an English influence on Marx's theoretical development which, according to Veblen (1906), also has utilitarian and hedonistic features. That is, Marx enables the ideals of his propaganda to be ideals of natural rights, even if his theory acts in the course of history through the Hegelian perspective of progress. Thus, according to Veblen (1906) and as understood contemporaneously, his method of inquiry and theoretical construction is given through Hegelian dialectic and historical materialism.

Veblen (1906) still points to the fact that one of Marx's main theoretical contributions is also one of the main fuels for his propaganda: the theory of value. After all, according to Veblen (1906), the corollaries of this would be: (i) the doctrine of the exploitation of labor by capital; and (ii) the workers' claim for the total product of their work. Thus, Veblen (1906) argues that the theory of value can be observed much more as contained in the center of the Marxist system's main postulates than derived from them. Since this, from the perspective of the institutionalist, would play a role of similarity, at least partially, between Marx and Ricardo's contributions:

Marx identifies this doctrine, in its elements, with the labor-value theory of Ricardo, but the relationship between the two is that of a superficial coincidence in their main propositions rather than a substantial identity of theoretic contents (Veblen 1906, 587).

These findings made about Marx's theoretical construction serve to enable Veblen to better explore his philosophical and theoretical-scientific foundations and inclinations. In this regard, Veblen (1906) comments that the Marxist system of analysis would be a schema of materialist conception of history, as we have seen, specifically of Hegelian character. However, Veblen points out that this scheme would come from a left Hegelianism, affiliated with Feuerbach (1804-1872). In this way, Veblen (1906) denounces the distinction between the materialistic Hegelian perspective, and that which would be the orthodox Hegelian perspective. Such a distinction is of fundamental importance given the contrast generated with Darwinism or the post-Darwinian perspectives, which are of interest and purpose to Veblen.

According to Veblen (1906) in the conception of materialist Hegelianism, the spirit of the individual - the way he thinks - presents itself as a reflection of material origin. In the orthodox Hegelian perspective, this triggering would be contrary, coming from the spirit and triggering into materiality (Veblen 1906). In both, the dominant norm of speculation and theoretical formulation is in the conception of movement,

development, and 'evolution', as Veblen (1906) points out. Despite the materialistic differentiation, it is noted that the triggering of the process still ends, however, in the purpose of progress; aiming at an objective or specificity. That is, once again, Veblen reports the teleological perception related to the attributes of the scientific inquiry related to Hegelianism. As already briefly addressed in Veblen's analysis of Schmoller's critique, in the Hegelian case, the movement attributed to evolution and change has a teleological role in which there is a desired and/or expected end.

Such a teleological aspect can be better understood in the Hegelian dialectic through the perception of the conflict of ideas that would consist of a process of three phases: the thesis, the antithesis and the synthesis. Since the thesis would be the already existing and consolidated idea, which is opposed by an antithesis contrary to the established thought. And the synthesis would be the result (new thesis) of the struggle between thesis and antithesis. From this perspective, synthesis would always result in a more appropriate and better "polite" answer to the problem at hand.

Thus, Veblen (1906) argues that, through historical materialism and Hegelian dialectics, Marx would devote a fundamental role to class struggle as a triggering of material reality. In this sense, Veblen explains that the material attribute resulting from this class struggle would not necessarily be physical, not even psychological, but economic. Thus, it is evident that the Hegelian dialectic, armed with a progressive movement, would be glimpsed through a human plan, in the words of Veblen (1906), of "desire and passion" - through the already commented human spirit -, not performing triggers literally materials (Veblen 1906). Based on this argument, Veblen (1906) highlights the inconceivable aspect of cause and effect attributed to this process of evolution in Marx's theory. After all, based on this, the class struggle would merely be the result of a perception of the individual, as a response of the human spirit, to his imposed materiality, which for Veblen would be as a reflex response, beyond instincts and tropisms, and lacking of further explanation.

Exactly from the point described above, Veblen (1906) presents the teleological inconsistency of dialectic used by Marx's theory. According to Veblen, because of the characteristics of his scientific inquiry, Marx had been unable to realize that the responses of the human spirit (consciousness) would be through cumulative historical and psychological attributes. After all, by contrast, Marx would have attributed them to metaphysical responses associated with the Hegelian dialectic. Armed with this critique, Veblen (1906) does not hesitate to point out that such a perspective not only proves to be detrimental to evolutionary scientific inquiry, but also disharmonious to what was then emerging in psychologist studies.

Must be remembered that the institutional-evolutionary perspective does not aim (and in a way does not encourage) any kind of prediction about future socioeconomic events, nor the evolutionary perspective in biology. After all, such a process would blindly take place in a cumulative sequence of events. But even if this scientific inquiry into Marx's theory were to be attempted, individuals would most likely be unable to idealize a class struggle. Veblen (1906) explains this reasoning by arguing that habits and institutions are in fact the result of human materiality, such as history, culture, and the prevailing economic system. But their validity and reinforcement are in the same intensity as the one who lives them. Thus, even though not aiming for predictions, the institutional-evolutionary perspective is able to analyze ways and possibilities. In the case of the class struggle of Marx's theory, it would most likely be unfeasible and improbable because of the institutional character in which the capitalist system would involve the historical, cultural and psychological attributes of humanity. Thus, according to Veblen (1906), class

struggle would be something counter-sensitive to both material reality and the human psyche.

In the final stages, Veblen also points out that one of the developments attributed to the Hegelian dialectic in Marx's theory would be the continuation of population increase even in the face of extended periods of crisis, such as the formation and expansion of the Reserve Industrial Army. According to Veblen (1906) this would be one of the main elements of antithesis composition, leading the capitalist system to a collapse of unemployment and misery below subsistence. Thus, this point ends up being another element of criticism of the institutionalist. Regarding this one, Veblen (1906) comments on the anti-revolutionary aspect of the idea of increasing a population without adequate subsistence capacity. In addition, it also points to the lack of evidence on this statement.

Thus, by reading Veblen (1906) it is observed that Marx established a theory focused on economic analysis, pointing to the progressive development of the course of history. This progress would be related to Hegel's dialectical perspective and culminate in the revolutionary process of the working class, seeking to maintain their natural rights and dominate the means of production. Revolution, then, would be the answer to the eminently flawed capitalist system (antithesis), and would have as its result (synthesis) socialism. In the words of Veblen (1906, p.595):

This goal or end, which controls the process of human development, is the complete realization of life in all its fullness, and the realization is to be reached by a process of analogous to the three-phase dialectic, of thesis, antithesis, and synthesis, into which scheme the capitalist system, with its overflowing measure of misery and degradation, fits as the last and most dreadful phase of antithesis. Marx, as a Hegelian – that is to say, a romantic philosopher – is necessarily an optimist, and the evil (antithetical element) in life is to him a logically necessary evil, as the antithesis is a necessary phase of the dialectic; and it is a means to the consummation, as the antithesis is a means to the synthesis.

Veblen (1906) still comments on a number of other elements pertaining to Marx's theory, before beginning his considerations of its unfolding through Marxist followers. However, the criticism constantly renews itself around the points already presented referring to the Hegelian dialectic and, therefore, to its scientific inquiry.

In seeking to establish an analysis of the unfolding of Marx's theory, Veblen (1907) stresses his sovereign role in the scientific perspective of socialism. According to Veblen, no other socialist movement was taken seriously as the Marxist movement, especially in intensifying criticism and adherence, which, according to the author, once again underlines the importance and relevance of Marx's writings to economic thought.

Such movements, both of criticism and adherence, led Marxist theory to undergo processes of change and adaptation. Veblen comments that the "maintainers" of socialist doctrines acted in a great convergence tone with the main positions and principles proposed by Marx, but also, to a large extent, there was adaptation and modernization of positions aimed at meeting the recent demands of the scientific construct. Exactly for this reason, Veblen (1907) argues that there is no precision in the idea of considering the same theoretical body the contributions of Marx and the contributions of his (Marxist) followers. Still on this issue, Veblen (1907) points out that, even with the evidence of purpose modifications such as those described above, some of the more orthodox contributors maintained a conservative stance on the successions of Marx's ideas, noting that no substantial change had taken place since the theory left the hands of its creator.

Moreover, Veblen (1907) introduces us to a series of problems arising from the rapid rise of Darwinian thought which, as already pointed out here, would be at odds with

the central core of Marx's theoretical perspective. This would even have been one of the main motivating elements of “revisionist” Marxists about scientific socialism. After all, his theories were in need of better elaborated elaborations when objectifying the description and the triggering of events in Marx's theory. Veblen (1907) comments that historical materialism, if applied from the evolutionary point of view, could have unfolded much more fruitfully in the annals of science, for in this case materiality would be represented by the process of evolution of thinking habits. But to glimpse Marx's theory in these parameters would mean abdicating the conclusions and predictions from traditional historical materialism in addition to the Hegelian dialectic.

Thus, Veblen (1907) explains the clear need for adaptation that scientific socialism has been suffering with the advance of the course of history, facing the new demands of science and contemporary modern industry at the time of the author. Veblen (1907) comments that not all adaptations have yet been made and may never be made.

The material and tactical exigencies that have grown out of changes in the industrial system and in the political situation, then, have brought on far-reaching changes of adaptation in the position of the socialists. The change may not be extremely large at any one point, so far as regards the specific articles of the program, but, taken as a whole, the resulting modification of the socialistic position is a very substantial one. The process of change is, of course, not yet completed – whether or not ever will be – but it is already evident that what is taking place is not so much a change in amount or degree of conviction on certain given points as a change in kind – a change in the current socialistic habit of mind (Veblen 1907, 321).

Thus, Veblen (1907) stresses the inability of full adaptation in Marxist theorizing to the evolutionary perspective. After all, the evolutionary yearning is not absent from it - as can be inferred from the interpretation of historical materialism - but the necessary changes are presented in the epistemic field and not in the theoretical field. Precisely because of this impossibility of rectification, Veblen (1907) bases his lack of faith in Marxist adaptations.

## 5. CONCLUDING REMARKS

As Veblen makes his criticisms of contemporary economists at the time, the repetition of the elements of aversion in their epistemic tones is evident, especially with regard to teleological adherences. Thus, it is evident that Veblen bases his criticisms on fundamental pillars of archaic characteristics of scientific formation, which results in the impossibility of constructing an evolutionary discourse based on the process of cumulative causation. As could be observed, according to Veblen, this assertion is true in Marshall, Clark, Schmoller and Marx. In order to summarize the discussion of the sections above, follows a chart.

Chart 1 – Summary of Veblen’s Criticisms of His Contemporary

THINKERS		CENTRAL POINTS OF CRITICISM
2	Alfred Marshall e John B. Clark	<ul style="list-style-type: none"> <li>• Epistemic differences</li> <li>• Pre-evolutionary theoretical elements               <ul style="list-style-type: none"> <li>○ Mechanistic characteristics</li> </ul> </li> </ul>

		<ul style="list-style-type: none"> <li>• Teleology in human behavior (Spencerian evolutionism)</li> <li>• Disconnection with the cumulative causation process</li> <li>• Excessive focus on taxonomic elements</li> <li>• Idea of marginal utility <ul style="list-style-type: none"> <li>○ Auto balance features</li> </ul> </li> <li>• Anachronistic profile of hedonism and utilitarianism <ul style="list-style-type: none"> <li>○ The debilitating scientific survey of evolutionary economics</li> </ul> </li> <li>• Presence of generalizations and deductions <ul style="list-style-type: none"> <li>○ The assumption of “rationality”</li> </ul> </li> <li>• Presentation of a normative view about its object of study</li> <li>• Theoretical gap of elements related to socialization</li> </ul>
<b>3</b>	<b>Gustav Schmoller</b>	<ul style="list-style-type: none"> <li>• Excessive empiricism and disconnected from theory</li> <li>• Pre-evolutionary preconceptions <ul style="list-style-type: none"> <li>○ Fundamentally romancist and Hegelian imprint</li> </ul> </li> <li>• Arbitrary generalizations <ul style="list-style-type: none"> <li>○ Presence of moral judgments</li> </ul> </li> <li>• Presence of normativity and teleology</li> <li>• Historical analysis with no presentation of a cumulative causation process</li> <li>• Improvement trend perspective <ul style="list-style-type: none"> <li>○ Judgment of value</li> </ul> </li> </ul>
<b>4</b>	<b>Karl Marx</b>	<ul style="list-style-type: none"> <li>• Presents a perspective of progress</li> <li>• Adherence to teleology <ul style="list-style-type: none"> <li>○ Identification of and final result (class struggle)</li> </ul> </li> <li>• Hegelian adhesion <ul style="list-style-type: none"> <li>○ Dialectics based on thesis, antithesis and synthesis</li> </ul> </li> <li>• Theoretical lack of the causation process <ul style="list-style-type: none"> <li>○ Class struggle as unlikely</li> </ul> </li> <li>• Disconnection in theoretical continuity <ul style="list-style-type: none"> <li>○ Marx x Marxists</li> <li>○ Search for epistemic adaptation for an evolutionary approach</li> <li>○ Theoretical convulsion against epistemic adjustments</li> </ul> </li> </ul>

Analyzing Veblen’s ideas about the economic science of his time, the scope of emergence of a new economic approach is understood. More specifically, through Veblen’s explanations, the idea of a new theorization based on evolutionary principles is justified by the absence of such approach. With that in mind, Veblen whole in economic thought is crucial not just for introduce an institutional perspective about the economic phenomena, but also to point out the limitations of the economic science.

In conclusion, three other comments still need to be made: (i) the role of the incorporation of Veblen's ideas in the mainstream economy throughout the 20th century; (ii) Veblen's apparent discontent with individualist and collectivist methods and their motives; and, (iii) the potential overlap between ideas of Veblen and Marx. Each of these concluding comments are expressed below:

First, the partial absorption of Veblen's theorizations to mainstream discourse is abundantly highlighted. This phenomenon occurs in a period subsequent to that listed in this work, mainly from the middle of the 20th century, in papers such as Duesenberry (1949) on “demonstration effects” and in Leibenstein (1950) on “Veblen Effect”. It must be stressed that such absorptions reflect the “kidnapping” and sterilization of the Veblenian theory, distancing from its original basic conceptions about the evolutionary principle. Thus, this phenomenon also does not seem to represent the proper understanding of the institutionalist's concerns, as demonstrated in this paper.

Second, Veblen's considerations worked on in this text about the methods of scientific inference should also be commented, for a few reasons. As noted in the neoclassical case, Veblen highlights the incompleteness of deductive and individualistic inference. And, in the same sense, in the German historicist case, he highlights the incompleteness of inductivist and historical inference. Through his comments on the “Kant's critiques of judgment”, Veblen (1884) stresses the absence of an abductive foundation in the scientific logic of both forms of inference. Through this characteristic of his criticisms, Veblen seems to bring to light one of his most fundamental influences, Classical Pragmatism, mainly through the teachings of Charles Sanders Peirce.

Third, and finally, the commonalities and peculiarities of Veblen and Marx's theory must also be stressed. After all, Marx's critical perspective on the capitalist system and the establishment of concepts aimed at understanding society in its productive structure, also seem to be recurrent elements in Veblen's writings. Therefore, the criticisms of the institutionalist should not be confused with total aversion, but rather with occasional incompatibility. It should be noted the existence, in both authors, of theoretical elements linked to conflict, alienation and, mainly, capitalism as a historical phenomenon.

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