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The Aesthetics of Veblen's Business-Industry Dichotomy Revisited

Speech given to the International Thorstein Veblen Association
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Ladies and Gentlemen of the ITVA, Welcome to Rice County!

As one of the few assembled here who actually lives in the same county as the Veblen house, I should like to take this opportunity to thank Bill Melton for funding the restoration and to Peter McKinnon and his crew for doing such a great job. As you will discover tomorrow, both contributed significantly to the lives of all of us Veblen aficionados here today. But because I was close enough to visit during each phase of reconstruction, I probably benefited the most from this splendid effort. From the bottom of my heart, I thank all involved.

Watching and photographing this rehab project was, of course, great fun. But it was much more than fun. This project placed Veblen's writings in their proper context. We know Veblen was not much influenced by Carleton College—for he spent his adult life basically refuting everything he learned here. Nor was Yale much of an influence—for he devoted much of his energy to refuting the Social Darwinism he learned there.

No! Veblen learned most of what he would ever know right here in Rice County. Here, Veblen makes perfect sense. Here, because the echoes of the thinking that produced Veblen still resound, Veblen seems like one of the guys you might meet at a DFL caucus.

Do not misunderstand. I certainly do NOT want to spread the notion that the average guy on the street in Nerstrand or Northfield will sound like Veblen. Veblen was special—no one may ever again write with such clarity of insight. But if Veblen was the “man from Mars,” I must warn you that there are many Martians living around here.

For many years, I felt personally insulted by Dorfman's “man from Mars” characteriza-

tion of Veblen. Veblen's *abilities* may have been other-worldly, but for me, his perspective always seemed relentlessly “normal.” There are two reasons why I have finally concluded that it is all right to be “one of the Martians,”

1) I have discovered that in some instances, the “man from Mars” characterization was meant as a form of flattery. In such a usage, it means an ability as a social observer that is detached, uncontaminated, and highly scientific.

2) I finally got to meet Rick Tilman here in Minnesota. I drove him out to the house, the Big Woods, and the Valley Grove Church—all the while talking furiously in an attempt to demonstrate my contention that Veblen was not only a normal, but probably an inevitable, outcome of his youth. At one point, I decided to confess that I had not discovered Veblen's writings until I was in my 30s, had never formally studied him in any academic setting, and aside from his, Galbraith's, and Clarence Ayres' books, had not much read the secondary literature. Tilman turned to me and said kindly, “You should relax! It is obvious that you were a Veblenian long before you ever heard of the man.”

It is appropriate that Veblen's ideas are called Evolutionary. For that is what they are. Minnesota has brutal weather and few natural resources besides great soil, trees, and iron ore. Only the giants survived those early days of European settlement. And only the valid ideas of how the world works made it past the first winter. Winter drives a lot around here—from a scorn for anything that fails the tests of pragmatism to a notion of collective provision born of a need to keep good relations with those who may be called upon to jump-start your car or pull you from a ditch. Whatever Veblen learned while living in pio-

near Minnesota had already been subjected to stern evolutionary rigor.

When I wrote my book *Elegant Technology*, it was written from a relentlessly Minnesota perspective that was only Veblenian in the sense that he was by far, the greatest advocate of that perspective. I think Veblen himself would have appreciated this approach. He disdained footnotes because he believed ideas should stand on their merits—not because some great figure from history had lent his name to a given concept.

This is progressive thinking at its best—the notion that an idea can and should be judged on its own merits rather than by appeals to authorities is really quite radical. Combine this with the notion that all good ideas must continuously evolve and the result is that Veblen ceases to be an icon—an outcome that would have probably pleased him no end.

I like to think that I wrote in the spirit and traditions of Veblen—rather than try to produce a scholarly work that explains him. Nevertheless, I owe a huge debt to his work for *Elegant Technology* is utterly dependent on his explanation that Capitalism has two faces—business and industry. I may be able to place his notions about the business/ industry dichotomy in the larger movement of 19th century Minnesota Populism, but for me, no one described this idea better.

In the best Veblenian traditions, however, I decided that, for my book, his famous dichotomy deserved an evolutionary “upgrade.” Born of the confidence that as a fellow “man from Mars,” I understood Veblen’s intellectual roots, I did just that. Apparently, John Q. Adams, the former President of the Association For Evolutionary Economists (AFEE) agreed that this approach was perfectly satisfactory when he chose to edit and publish *Elegant Technology* in 1992.

For those who have not

read my book, this is as far as my thinking had evolved by 1992.

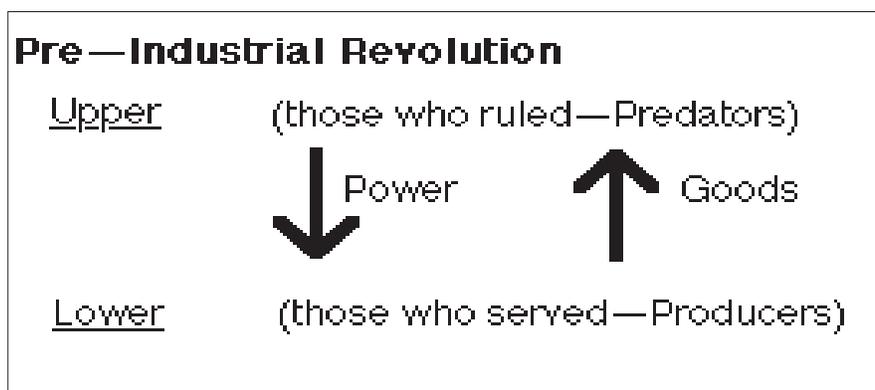
The Minnesota Populists taught that society was divided into producers and parasites. Producers, naturally, produced the goods necessary for human survival—such as food. The parasites, as Veblen would put it, fastened themselves upon the backs of working people for the sole purpose of getting something for nothing through force and fraud.

Veblen simply enlarged the notions of the producer/ parasite split into a conflict between the industrial classes and the leisure classes. Populist comparisons between banking or railroad interests to “rats in the corncrib” were colorful and apt descriptions of the loss of farm income but for Veblen, such comparisons were *biologically* insufficient. The vested interests were more dangerous than parasites, they were predatory.

Establishing the existence of producers and predators is simple enough, but as we shall see, many people are not clear examples of either one. Modern social scientists classify most occupations of advanced industrialization as service occupations.

The existence of service occupations does not destroy the producer-predator duality. Service, after all, implies an allegiance to another person or agenda. For most of recorded history, “service” was merely another name for producers. Societies were pretty simple—there were those who ruled and those who served.

There were layers of stratification within each group, but one thing was absolutely clear: the lowest member of the ruling classes



was above the highest member of the serving classes.

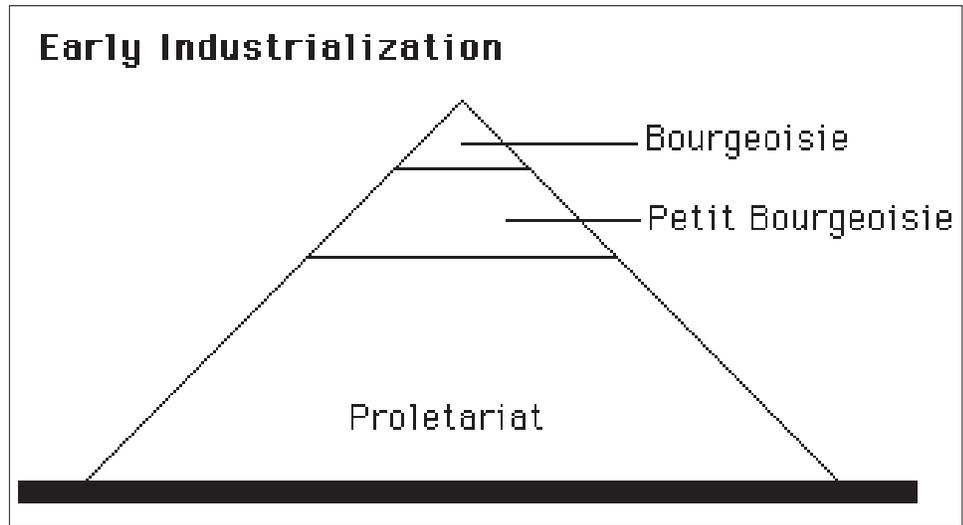
The industrial revolution ended this neat arrangement. For the first time, producers achieved real power, but because industrialization, especially in England, was grafted onto feudal stock, the social arrangements were only slightly modified. Rich and powerful producers acted much like the worst of the old predators. This was the world as Marx described it.

American Populist writers were not as critical of business enterprise as Marx. Going into business, after all, was the main element of the American dream. Though there was not much evidence, the Populists believed that producers could become successful and still maintain their producer attitudes. It was possible to reach the top without cheating anyone.

The graph below is meant to show that, though a few producers had become rich, most were to be found at the bottom of the social order in any meaningful sense.

The gap is meant to represent the emerging awareness of a separate agenda. Populists and progressives agreed to and organized around the notions of difference.

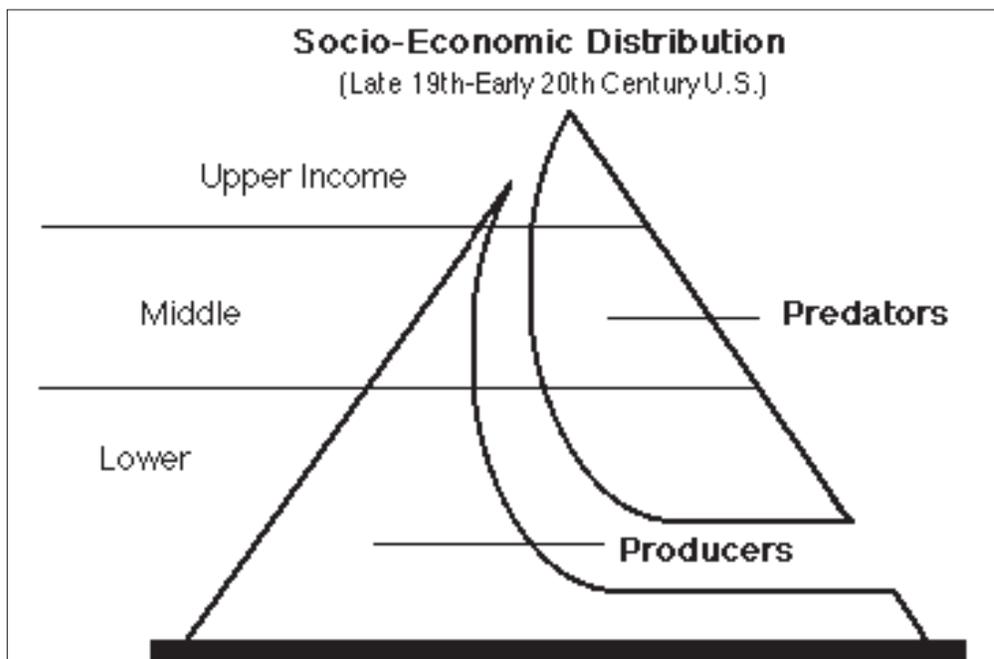
The world got its first populist-producer billionaire in Henry Ford. Social progressives were enchanted. Ford seemed to



Please note that Marx's petit bourgeoisie were the servants who did the dirty business of predation—not to be confused with the servants who cleaned the stalls. These latter were still lumped together with the producing peasants, builders, and mechanics to form the proletariat.

have found the magic formula. He made his

The late nineteenth-century



fortune producing something, paid his workers well, hired racial minorities, and embraced the 8-hour day. Better yet, when he made his fortune, he spent it on improving his product, opening a museum glorifying the history of the producing classes, and promoting causes like the end of World War I.

As might be imagined, Ford's "capitalist" peers were horrified. In spite of his incredible wealth and power, Ford was shunned by the wealthy and powerful for his ideas. As shown in the chart, the predators still held power and chose to make the 1920s miserable for both Ford and the class he championed. The idealism at Ford Motor lost its luster when the firm began to lose money.

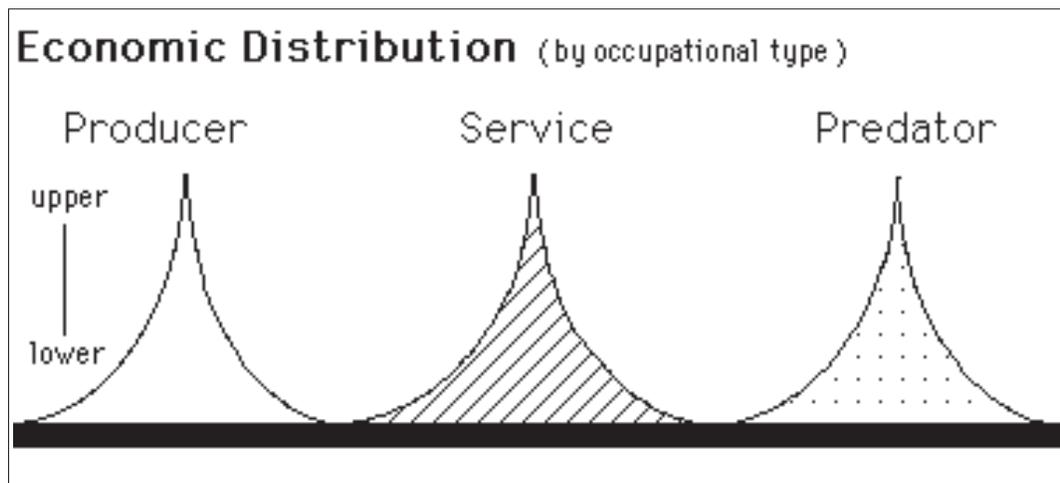
In the end, Ford was to become a tightfisted, union-busting tyrant. Even so, important producer legacies remain: producers have their own business-management-leadership style that is successful—there is no need to emulate the predators; and, clean fortunes are possible—class conflict need not be between the rich and poor but between the producers who believe everyone can be rich in every meaningful sense and the predators who believe only a few can be really rich.

The producers now had an economic agenda with a proven track record. This led to political success. It can be argued that, in the period between 1945 and 1970, the producer agenda dominated the political economy of the industrial states and the thinking of most of the rest.

Power, in all its forms, in the later stages of industrialization is far too fragmented to enable one to state clearly that the producers

are absolutely ascendant. (It seems as if most modern social science is dedicated to proving that no one has any power anymore. In a sense they are correct. No one seems to have real power because many persons and groups seem to have some. If a social scientist chooses to ignore the possibility of producer power, the fragmentation of power looks even more bewildering.)

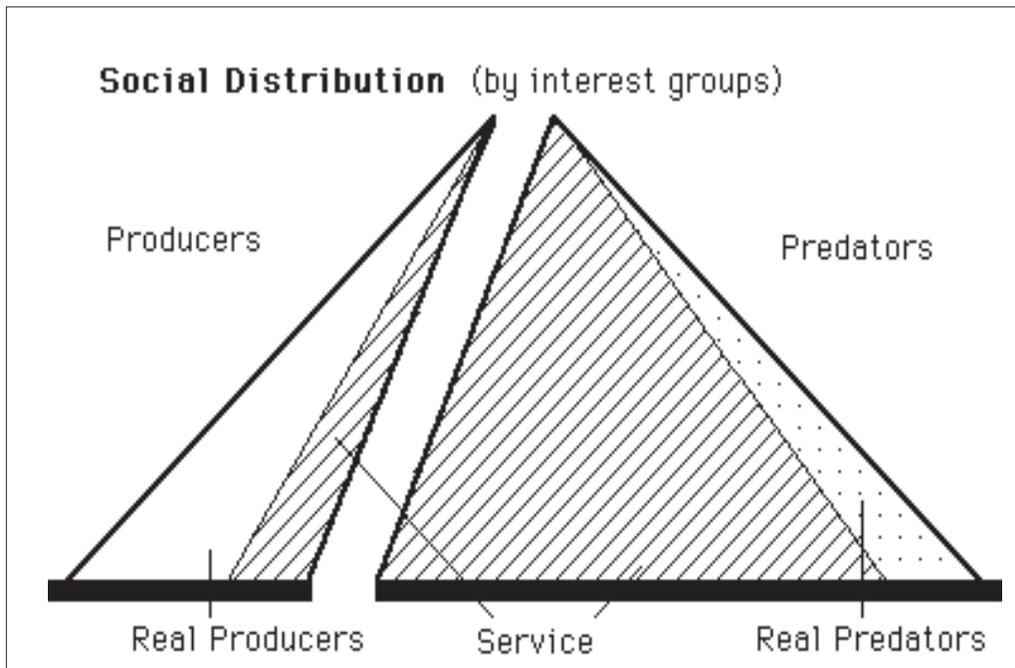
In fact, a chart of power—both economic and political—might look something like this.



This graph is probably misleading even if accurate. The newly significant service sector is, in reality, a convenient, but confusing, classification device because garbage collectors, bankers, and kings can be so classified.

There may be three basic occupational types but there remain only two agendas. Those who would serve are forced to choose between those who would produce and those who will not. It is possible for royalty and bankers, persons once considered the essence of predation, to serve the interests of producers. Kings and princes can be regularly seen pushing the products of their native countries worldwide. Bankers who live modest lives while promoting the economies of their communities are a regular fixture of the American midwest.

Such are exceptions. Most bankers are predators, think as predators, and if not, serve the interests of predators. It is rare for any royalty (or anyone else living off inherited wealth for that matter) to justify income with



Producers have appealed to the lower classes of the service sector through notions of class solidarity. This has not worked well. Trade unions look down on industrial unions and have joined forces only out of dire necessity. Producers can be awful snobs.

real service. An interesting picture emerges. It turns out that industrial societies do not need many real producers because they are so efficient. A single farmer can produce enough food to feed several hundred people. A punch press operator can make more parts in one year than he could "consume" in a century.

Producers find few natural allies in the service sector. The exception concerns those associated with industrial maintenance. The difference between building an automobile and repairing one is very small. If the goal is not merely an automobile but an automobile that runs, they are economically identical since an automobile that is inoperative has no (or negative) value.

Socially, maintenance and production people share an important similarity—both must understand and use tools. If the fundamental difference is between producers who use tools, and the predators who use weapons, then maintenance people are, in fact, Real Producers though they are usually classified as service workers.

If maintenance allies itself naturally with production, the rest of the service industries pose more problems for producer recruitment to their agenda. It seems the only certain way to create producers is to put tools in their hands and teach them to use them well.

The upper classes of the service sector produce a whole different set of problems for producer recruitment. Because upper class members of the service sector are unlikely to use tools to produce anything, the predisposition of history is toward the predator agenda.

Class Conflict

The rise to prominence and power of the producing classes would tend to mitigate, one would suppose, the conflicts of class. In fact, something of the sort has happened. Serious scholars have portrayed the United States as a classless society. People do not talk of America as a classless society any longer, but class conflict has grown exceedingly complex since the issue was last raised. Any simplistic description of class conflict in terms of rich versus poor is probably doomed to fail because it is irrelevant.

The fact that both major interest groups contain upper, middle, and lower economic classes does not end battles between these groups but, in fact, provides a wider assortment of possibilities for conflict. The conflicts are of four major types: predator against producer, predator against predator, producer against producer, and producer against predator.

One: Predator against Producer

This is the oldest conflict. One who does not produce food and shelter for oneself must get someone else to do it. The predators have been extremely inventive over the years. Their methods have included slavery, imperialism, usury, ground rents, tithes, and taxation.

Of course, since the very upper predator crust does not do anything productive at all, servants who share the predator mentality have always surrounded them to do the actual work of profit taking, tax gathering, and rent collection. The real work of predation has been done by sheriffs, IRS agents, lawyers, judges, and an army of bureaucrats. Overseeing all this activity is the clergy (or other moral leaders) whose job it is to see that everyone agrees this is the best possible arrangement

Two: Predator against Predator

This conflict is usually called war. History books are filled with the lurid accounts of these conflicts to which nothing can be added here. Within a given society, predator-predator conflicts are rare because loyalty is a big predator virtue while treason is a big predator sin. As a result, while tales of revolution and *coups d'état* are common, historically they are quite rare. There are also recorded instances of bankers ruining kings, but these are even more rare.

Three: Producer against Producer

Though widely misunderstood, producer-producer conflicts are common. They usually center around the issues of automation. The sophisticated tools associated with industrialization enable anyone with access to this tooling to copy exactly any product. The producer with the best original design and the best tooling will eliminate those producers

with inferior products.

In the beginning of the industrial revolution, these producer-producer conflicts boiled over in social revolt as artisans were displaced by factories. The Luddite movement saw these displaced artisans smash sophisticated factory tools. What finished the Luddite impulse was the realization that industrialization would also produce cheap, but sophisticated, tools. These tools would allow the small producer to fill the gaps in production left, deliberately or otherwise, by the large producer.

There are modern examples of new producers displacing old ones—such as when the \$5 quartz crystal-microchip watch proved to be more accurate than the \$5000 mechanical watch produced by the Swiss.

Four: Producer against Predator

When one thinks of attacks of producers on predators, strikes, boycotts, and sabotage are what come to mind. And in fact, these are about the only options available to lower class producers.

Upper class producers have an option that they have frequently exercised: simply make things so very complicated that only those who made them know how they work. This has been the strategy of choice as producers have sought to increase their power. It has been highly effective. The world that producers have created by the end of the twentieth century is so complex that it is a rare predator who has even the vaguest notion how the world works.

Even the specialist servants of predation have a hard time understanding the smallest slice of the world they pretend to govern, regulate, or defraud. Even so, the predators and their servants exhibit an odd trait that makes this process of obfuscation easy. This trait is best termed “fashionable ignorance” and it is on display every time you hear someone proudly proclaim they cannot program their VCR.

The Problem of Categorization

Determining whether a person or an occupation is productive or predatory is not always a simple matter. In *Elegant Technology*, I made a valiant attempt to summarize the personal traits of each, and while I am quite fond of the lists I produced, by themselves they solve nothing.

The problem is obvious—while a list might make perfect sense from a rational viewpoint, virtually everyone who looks at one finds they have preferences from both categories.

Differences Between Predators and Producers

Predators

Producers

Anthropological Roots

Hunting

Agriculture

Definition of Success

Will have to do no work at all

Work will have its effect on millions

Means to Power

Weapons

Tools

Violence

Mastery of physical processes

Laws

Increases in scientific knowledge

Religion

Manners

Favorite ways to Get Rich

Slavery

Inventions

Ground rents

Mega-projects

Tithes

Military supplies

Taxation

New businesses

Stock manipulation

Producer monopolies

Means to Personal Success

Who you know

What you know

Appearance

Ability

Heroes

Alexander the Great

Thomas Jefferson

Erwin Rommel

Benjamin Franklin

Marshall Zhukov

Thomas Edison

J. P. Morgan

Henry Ford

Donald Trump

Alfred Nobel

Favorite Governments

Royalty

Democracy

Dictatorships

Anarchy

Favorite Publications

Forbes

Business Week

Wall Street Journal

Inc. Magazine

Washington Post

Car and Driver

Monetary Theories

"Free" markets

Managed currency exchanges

Monetarism

Low interest rates

"Free" trade

Growth in money supply

What Validates Money

Shortage of currency

Excellent work

Basic Economic Theory

Market determines value

Design determines value

Wealth is gathered

Wealth is manufactured

Goal of Economics

Wealth is to be concentrated

Wealth should be widely spread

Truth Tellers

Scholars

Scientists

Theologians

Mathematicians

Gurus

Engineers

Mystics

Builders

Ideologues

Inventors

Means to Truth

Scholarly

Research

examination of previously defined "truths"

Experimentation

Discipline

Dedication

Obedience

Curiosity

Schools

Harvard University

Massachusetts

Oxford University

Inst. of Technology

Their imitators

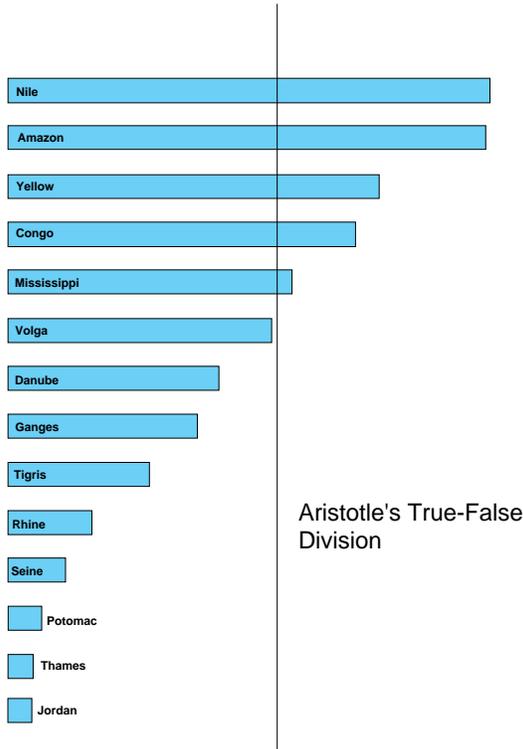
M.I.T.'s imitators

Get rich in real

Vocational Schools

estate courses

The River is Long (T-F)



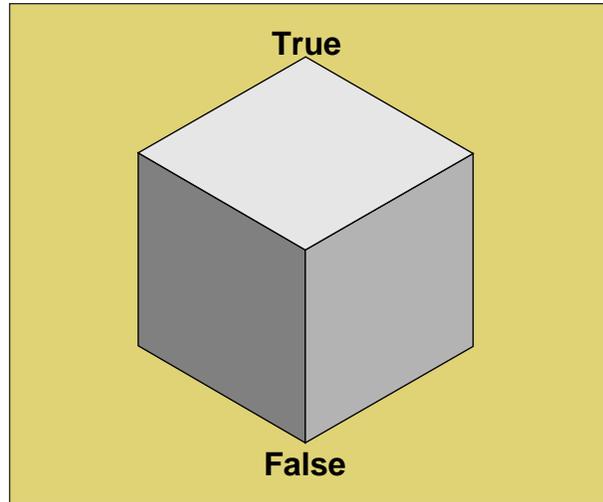
Not only does dividing statements into true-false categories eliminate a ton of useful information, but as can be seen, such distinctions can serve political and propagandistic ends. The line chosen here would be typical of precisely the sort of thinking that existed in Cold War America—that of course, the Mississippi is a long river but the Volga is not!

The beauty of all this is NOT limited to creating colorful, yet accurate visualizations of the great Veblenian ideas.

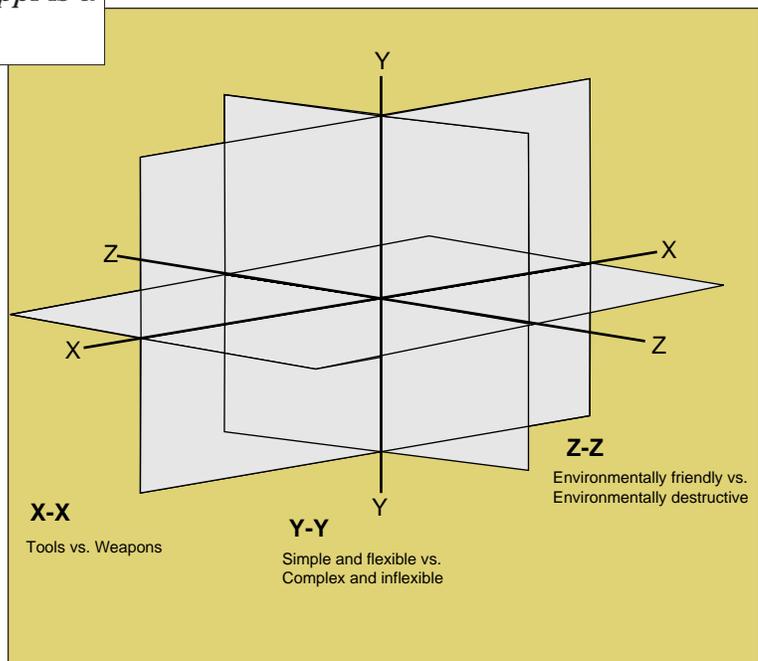
No! This is just a peek through the window of opportunity provided by the perfection of fuzzy logic. With it, Institutionalists can leapfrog their intellectual competitors. Neo-classical, neoliberal economists can be demonstrated as in error precisely *because* their notions are utterly Aristotelian.

But let us not worry about the fate of those poor misguided souls and concentrate on how our great new toolbox can be put to use.

Bart Kosko postulates that most ideas can best be represented as a cube where Aristotelian logic works for statements that can be found only at the extreme points.



The mind literally boggles with the possibilities of this new logic. Instead of rigid categories that eliminate as much, or more, information as they describe, we can now describe reality accurately in all its infinite variety in *at least* three dimensions. Take, for example, the problem of describing industrial output. These are some fuzzy variables I would like to plot.



There exists the possibility that most industrial output such as tools are nothing more than weapons used against nature. This position obviously has merit—otherwise one must ignore the examples of the chainsaw and bulldozer. But since I also believe that tools can be used to restore and conserve the biosphere, I believe this continuum is the “z” axis of the fuzzy tool/ human creation cube—with tools vs. weapons the “x” axis, and, simple and flexible, vs. specialized the “y” axis.

Of course, these are just three of my favorite considerations—there are others probably much better than mine. But it would be fun to see the industrial output of any given society plotted in this manner.

I believe a well-balanced society *might* look like this:

The ultimate in evolutionary thought

So far, I have only employed fuzzy logic in terms of categorization—or as Veblen might have put it, mere taxonomy. Who cares!?

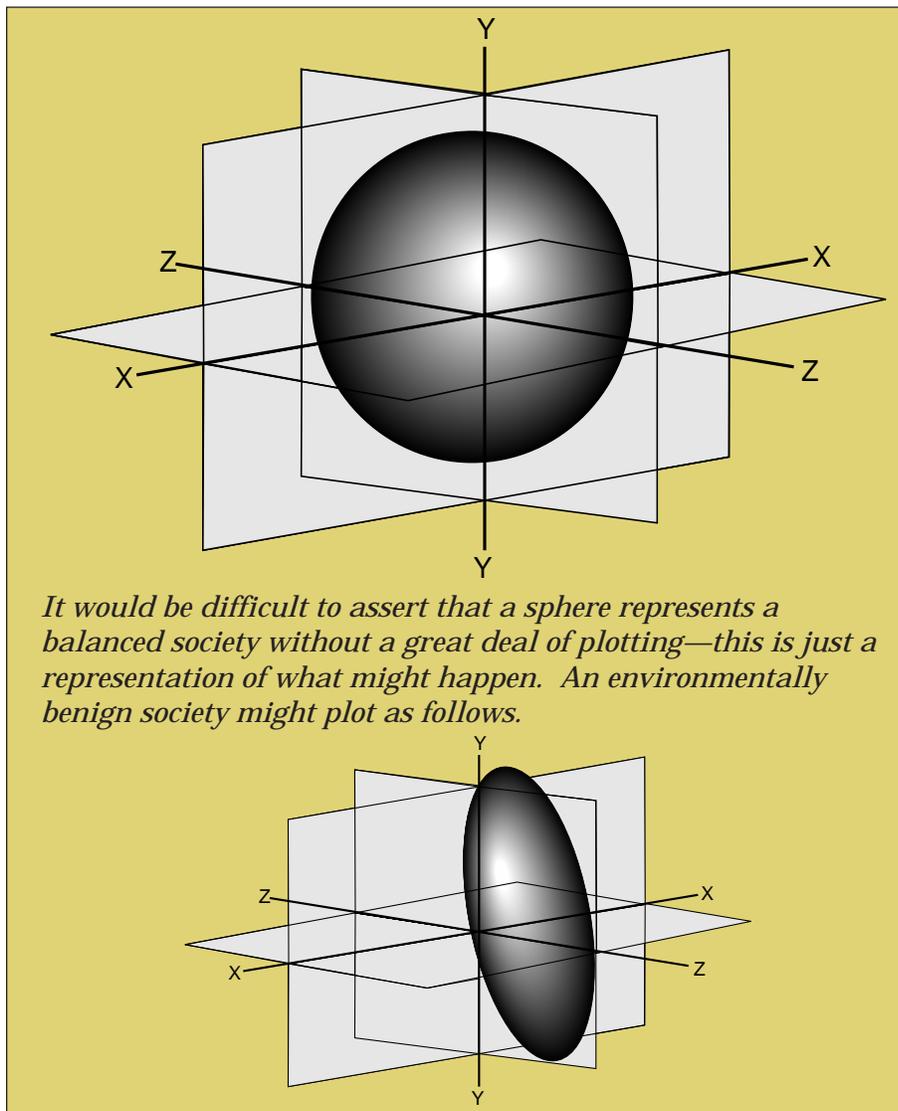
Every Institutionalists should care because suddenly great, but sometimes subtle ideas, can now be represented by mathematical coordinates that can be easily tested and manipulated by quite simple instructions with cheap computers. But there is more.

Testing complex variables against each other would ordinarily seem like a multi-billion-year project for a supercomputer. If this were true, we would be in no better position than the neoclassicists who must intuitively simplify their models. Fortunately, it is no

longer true because of another breakthrough in Artificial Intelligence—Genetic Algorithms.

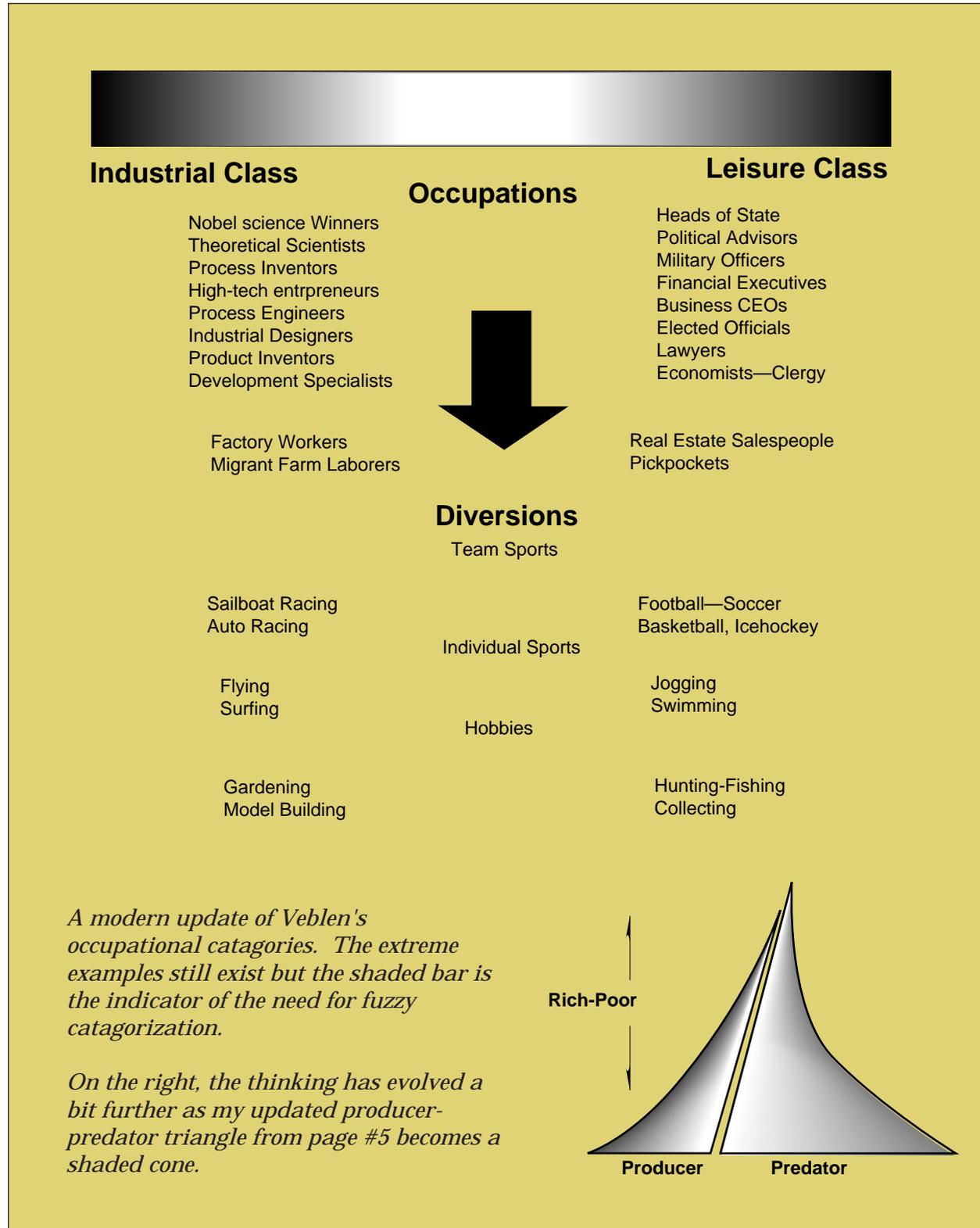
For anyone who would aspire to Evolutionary thought, *the name alone is absolutely perfect.*

Genetic Algorithms shorten billion-year projects to weeks because they teach computers to assume that Darwin was right. For example, I think it would be very interesting to distill Veblen's business-industry split into a set of fuzzy-logic assumptions, run them through a set of genetic algorithms based on his forecasting in *Imperial Germany* and see, for example, if the Germans do not emerge on top of the industrial heap in Europe as has happened in real life. Of course, if with a little tinkering with the



assumptions, one can form an evolutionary model that reflects the real-world outcome of the present—assuming we can make an accurate comparison—we can just keep the model running to see what happens if we keep

operating on those assumptions in the future. And if we do not like the outcome, we will be able to test which modification of which operating social assumption we most need to change.



The Aesthetics of Veblen's Business—Industry Dichotomy Revisited

It has only taken 70+ years for the tools to be perfected, but I am absolutely convinced that every idea Veblen ever had can be scientifically tested by the combination of fuzzy logic and the computerized Darwinism that is genetic algorithms. Best of all, such an exercise would just overwhelm the primitive econometric models of the neoclassicists. We could “out-science” the quant jocks who have come to dominate the economics profession.

In closing, I must admit that this speech has not been much devoted to the aesthetics of Veblen as demonstrated by his idea of the business-industry dichotomy. But that is because I believe the answer is so obvious once the implications of the “dichotomy” are de-

termined. Veblen's aesthetic critics were folks like Theodor Adorno of the Frankfurt School—a rich banker's kid who spent his entire life as a member of the leisure classes. Veblen's aesthetic “fans” included Frank Lloyd Wright—who designed some of the world's most beautiful buildings. Does it surprise anyone here that once again, Veblen was not liked by a member of the leisure classes while venerated by a member of the industrial classes? It certainly does not surprise me!

Thank you and I hope you enjoy your stay in Minnesota. We love our guests simply because of our brutal weather, we have so few of them. Thanks for coming!

