The Consequences of Peace: Veblen on Proper Policy to Support Capitalist Economic Relations

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Thorstein Veblen generally shied from directly professing policy recommendations. His concerns lay mainly in the development of theory that would assist in the understanding of the workings of a capitalist economy. But, Veblen clearly understood that while it was possible for the government to reinforce capitalist relations through “proper” policy, that “improper” policies might threaten the durability of those relations. In Veblenian terms, “proper” policies are dictated by the underlying property relations of capitalism that require: (1) a segmented (or class) society in which productive equipment is controlled by a minority; (2) a propertyless laboring majority that must sell labor power to those who control property; and (3) an economic process that has monetary gain as its objective.

As such, capitalism is a “predatory” economy. To support it, “the community must be of a predatory habit of life . . . that is to say, the men, who constitute the inchoate leisure class in these cases, must be habituated to the infliction of injury by force and stratagem” (Veblen [1899] 1922, 7-8). Capitalism differs from the predatory economies on which it is founded in that it is a pecuniary economy. In addition to aggressiveness – a feature of all predatory economies (Veblen [1914] 1964, 156) – capitalism is characterized as “invidious, personal, emulative, looking to differential values in respect of personal force or competitive success, looking to gradations in respect of comparative potency, validity, authenticity, propriety, reputability, decency” (177). It is an accumulating economy where the “incentive to accumulate” is not the satisfaction of physical comfort, but a “race for reputability on the basis of invidious comparison. . . .” (Veblen [1899] 1922, 32).

The purpose of this paper is to draw out the kinds of policies that Veblen deemed “proper” in order to promote the predation on which a successful capitalism rests, where “the preservation of the present pecuniary law and order, with all its
incidents of ownership and investment," is not unduly challenged by the underlying population (Veblen 1917, 366).

**Veblen on Proper Policy**

Initially, one would expect that the body responsible for implementing policy (government or the state), would be motivated by its collective understanding of the purpose of proper policy formation: they would be responsible for the preservation of the extant economic order. Thus:

Representative government means, chiefly, representation of business interests. The government commonly works in the interest of the business men with a fairly consistent singleness of purpose.

. . . (M)odern politics is business politics. . . . This is true both of foreign and domestic policy. Legislation, police surveillance, the administration of justice, the military and diplomatic service, all are chiefly concerned with business relations, pecuniary interests, and they have little more than an incidental bearing on other human interests. (Veblen [1904] 1965, 286, 269)

Absentee ownership . . . is the foundation of law and order . . . (to) which the Elder Statesmen are committed by native bent and by the duties of office. This applies to both the economic and the political order, in all these civilized nations, where the security of property rights has become virtually the sole concern of the constituted authorities. (Veblen [1920] 1954, 466).

As business principles, based on the constant search for monetary profit, conflict with industrial principles under a regime of absentee ownership (or oligopoly), one eventually sees a call for reform. Unemployment, resulting from the sabotage of production, and falling real wages, resulting from cost-reducing/price-increasing measures of managers, create conditions that generate ferment. But reform has its limits:

In the long run, so soon as the privation and chronic derangement which follows from this application of business principles has grown unduly irksome and becomes intolerable, there is due to come a sentimental revulsion and a muttering protest that “something will have to be done about it” . . . Thoughtful persons will then devise remedial measures. . . . In a community which is addicted to business principles, the remedial measures which are brought under advisement in such a case by
responsible citizens and officials are bound to be of a businesslike nature; designed in all reason to safeguard the accomplished facts of absentee ownership . . . (Veblen [1923] 1964, 424)

That is, while the economic system creates the conditions that promote the demand for change, any policy proposal that is considered reasonable by those in political power must conform to the constraints of the property relations extant. Proposals lying outside those constraints are beyond the pale as they would interfere with or upset those relations. Policies that are practical, then, must promote predation. What are these?

First, there are the policies developed to promote patriotism (or nationalism).

The patriotic spirit is a spirit of emulation. . . . It belongs under the general caption of sportsmanship, rather than of workmanship. Now, any enterprise in sportsmanship is bent on an invidious success, which must involve as its major purpose the defeat and humiliation of some competitor. . . . Its aim is a differential gain . . . and the emulative spirit that comes under the head of patriotism . . . seeks this differential advantage by injury of the rival rather than by an increase of home-bred well-being. (Veblen 1917, 31, 33)

Patriotism is designed, above all, to promote loyalty to the nation. But, what is the nation?

In the last analysis the nation remains a predatory organism, in practical effect an association of persons moved by a community interest in getting something for nothing by force and fraud. . . . It is a residual derivative of the predatory dynastic State, and as such it still continues to be, in the last resort, an establishment for the mobilization of force and fraud as against the outside, and for a penalized subservience of its underlying population at home. (Veblen [1923] 1964, 442)

As we shall see, this subservience is most useful in controlling a working class that would otherwise be moved to change the economic system given the economy’s increasing discordance between production and profit-taking.

Predation requires war in both the usual sense of this term as well as in the sense of an ongoing conflict to secure monetary profits. Consider the nature of war as analyzed through Veblen’s eyes. Whereas most see war as a disruption of the normal condition of peace, Veblen saw peace as an interruption of the normal condition of war, a “precarious interval of preparation” (Veblen 1917, 300).
Peace established by the State . . . is necessarily of the nature of an armistice. . . . It is maintained only on conditions . . . and there is always the reservation, tacit or explicit, that recourse will be had to arms in case the “national interests” of the punctilios of international etiquette are traversed by the act or defection of any rival government or its subject populace. . . . (1917, 7)

(The) Concert of Nations is a Concert of Powers, and it is only as a Power that any nation plays its part in the concert, all the while that “power” here means eventual warlike force. (1917, 4)

One reason for the constant state of war or preparation for war in capitalist states is that the governmental institutions are “derived from the feudal establishments of the Middle Ages” (1917, 9), which were also founded in predation. But there are more specific reasons why capitalism requires war for its normal operations. In the modern, oligopolistic period of development, the enormous economic surplus that is generated through the output and pricing policies of giant firms must find remunerative outlets to convert this surplus into monetary form (Veblen [1904] 1965, 210-11, 255-8, passim). One, highly desirable wasteful outlet for surplus is the production of war-goods, a never-ending stream of output that is in constant need of replacement.

Essentially:

. . . the preservation of the present pecuniary law and order, with all its incidents of ownership and investment, is incompatible with an unwarlike state of peace and security. This current scheme of investment, business, and sabotage, should have an appreciably better chance of survival in the long run if the present conditions of warlike preparations and national insecurity were maintained. . . .

So, if the projectors of this peace at large are in any degree inclined to seek concessive terms on which the peace might hopefully be made enduring, it should evidently be part of their endeavors from the outset to put events in train for the present abatement and eventual abrogation of the rights of ownership and of the price-system in which these rights take effect. (Veblen [1904] 1965, 366, 367)

Complementing war is sportsmanship. While physical activity itself is to be commended, the development and organization of sports as a structured component of the larger social system promotes the predatory proclivities that are necessary for a successful economic outcome.

These manifestations of the predatory temperament are all to be classed under the head of exploit. They are partly simple and
unreflected expressions of an attitude of emulative ferocity, partly activities deliberately entered upon with a view to gaining repute for prowess. Sports of all kinds are of the same general character. . . . Sports shade off from the basis of hostile combat, through skill, to cunning and chicanery, without its being possible to draw a line at any point. . . . A strong proclivity to adventuresome exploit and to the infliction of damage is especially pronounced in those employments which are in colloquial usage specifically called sportsmanship. (Veblen [1899] 1922, 257).

In addition to promoting those predatory inclinations that promote competition, emulation, and invidious distinctions, sporting activities also induce a rather soporific consequence in regard to the important economic, political, and social issues with which the underlying population should be mightily concerned.

Addiction to sport . . . and preoccupation with sportsmanlike interests and values has spread from the levels of gentility down through the body of the population, until this category of dissipations has become almost the sole ground of common interest on which workingmen meet or hold opinions. (Veblen [1915] 1966, 148)

Given sports two-fold purposes, it is not surprising that public policy should be promoted to merge sportsmanship and patriotism. Thus, it is no wonder that national anthems are performed in concert with sporting events. It is no wonder that the Star Spangled Banner was first performed during the 1918 World Series, and where, prior to the game, players from the opposing teams were "marched in formation . . . while carrying bats on their shoulders" (Crepeau 2006, 1). Nor that this combining of sports and patriotism became institutionalized during World War II.

To maintain a predatory economy, invidious distinctions must be developed and perpetuated. Obviously, the principle distinction must be between the leisure class and the common people. But, if invidious comparisons dominate the main relationship in society, they then infect all social relationships. Men are superior to women, colonizers to colonized, whites to blacks, and so forth. Gradations by rank, by income, by gender, nationality, race, all of which are socially constructed and into which people "fall" rather than through "earning their way," are necessary features of a monetary economy based on predation. After all, if the ruling principle were equality among peoples, it would be impossible to maintain that some were naturally superior to others, and this is a necessary illusion for successful predation. Indeed, if "the common man comes to realize how it is feasible to get along without gentlemen-investors holding the discretion, the outcome may conceivably be very grave" (Veblen 1917, 252). Thus, not only should proper public policy be directed toward the development and perpetuation of insane ideas (and institutions) that proclaim the superiority of those who are the least fit from a workmanship perspective, but which
also serve to prevent effective understanding by and unity among the underlying population.

The problem with such a policy program is that, if successful, it may well engender the opposite effect than intended. Granted, public policy directed toward promoting patriotism, invidious distinctions, sport, religion, etc. all distract the underlying population from more pressing issues and, coupled with the conventional emulation that is a feature of all class societies, might well generate enough “artificial stupidity” (Briffault [1932] 1963) to maintain the underlying economic system. But:

So soon, or rather so far, as the common man comes to realize that these rights of ownership and investment uniformly work to his material detriment . . . it is reasonable to expect that he will take a stand on this matter; and it is more than likely that the stand taken will be of an uncompromising kind. . . . It is also not likely that the beneficiaries under these proprietary rights will yield their ground at all amicably. . . . And as happens where two antagonistic parties are each convinced of the justice of its cause . . . the logical recourse is the wager of battle. (Veblen 1917, 364-5)

Given the nature of capitalism, the successful application of business principles means recurring depressions, a constant tendency toward reducing wages, etc. The underlying population may become so discomfited that they do seek to change their material circumstances through fundamental social change.

The normal workings of a predatory capitalist economy generate resistance; to prevent resistance from developing into a revolutionary process, policy will be implemented to maintain the status quo while preserving the very property relations that produce such resistance in the first place. However, given that policies speaking to reform measures are instituted by the “Elder Statesmen,” the general drift will be toward the framing of measures that are designed to ward off more radical proposals for change.

**Conclusion**

Initially, we point out that the public policy program that follows from Veblen’s theoretical analysis of capitalism as a predatory society has indeed been implemented. We note that every characterization of capitalist society Veblen noted in the post-World War I (WWI) period has not only been institutionalized as the normal state of affairs, but has become exacerbated as the economic organization demonstrates its contradictory nature where provisioning and pecuniary objectives are increasingly at odds:

The current situation in America is by way of becoming something of a psychiatrical clinic. . . . As contrasted with their state of mind before (WWI), they are predisposed to believe in footless outrages
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and odious plots and machinations. . . . They are readily provoked to a headlong intolerance, and resort to unadvised atrocities as a defense against imaginary evils.

Throughout recent times the advance of exact knowledge in the material sciences has been progressively supplanting the received barbarian beliefs in magical and supernatural agencies. . . . But during the past six or eight years . . . the churches . . . have been gaining both in numbers and in revenues, as well as in pontificalunction. The logical faculty appears to have suffered a notable degree of prostration throughout the American community. . . . So also it is during these last few years of the same period of nervous prostration that the Fundamentalists are effectually making headway in their campaign of obscuration designed to reinstate the Fear of God in place of common-sense. Driven by a nerve-shattering fear that some climax of ghostly atrocities is about to be visited on all persons who are found lacking in bigotry, this grosser sort of devout innocents now impugn certain findings of material science on the ground that these findings are presumed to be distasteful to a certain well-known anthropomorphic divinity, to whom His publicity-agents impute a sadistic temper and an unlimited power of abuse. . . .

It may be said, of course, that such-like maggotry conceits are native to the religious fancy . . . but just now the same fearsome credulity is running free and large through secular affairs as well. . . . The measures taken under (war-time) circumstances were drawn on such lines of suspicion and intolerance as might be looked for under these circumstances. Differences of opinion were erected into statutory crimes, to which extravagant penalties were attached. Persons charged with this new-found statutory crimes were then convicted on a margin of legal interpretation. . . . Under cover of it all the American profiteers have diligently gone about their business of getting something for nothing at the cost of all concerned, while popular attention has been taken up with the maudlin duties of civil and religious intolerance. (Veblen [1922] 1954, 429-32)

Further, we note institutionalists tend to limit their program to one that remains within the bounds of the extant economic organization – a reformed capitalism. Yet, if one does adhere to the general theory advanced by Veblen, and policy proposals are consistent with that theory, it must be recognized that there are definite limits to any policy recommendation that proposes reforms along institutionalist lines that run counter to the preservation of prevailing property rights. Veblen’s last words in his The Nature of Peace speak to these limits in general.
(If the projectors of this peace at large are in any degree inclined to seek concessive terms on which the peace might hopefully be made enduring, it should evidently be part of their endeavours from the outset to put events in train for the present abatement and eventual abrogation of the rights of ownership and of the price-system in which these rights take effect. A hopeful beginning along this line would manifestly be the neutralisation of all pecuniary rights of citizenship. . . . (If peace is not desired at the cost of relinquishing the scheme of competitive gain and competitive spending, the promoters of peace should logically observe due precaution and move only so far in the direction of a peaceable settlement as would result in a sufficiently unstable equilibrium of mutual jealousies; such as might expeditiously be upset whenever discontent with pecuniary affairs should come to threaten this established scheme of pecuniary prerogatives. (Veblen 1917, 367)

Notes

1. In using the term "appropriate," we simply mean that the policies would be compatible with the objectives elucidated above. This usage is precisely in keeping with Veblen’s sanctioning of sabotage as an "appropriate" tactic, whether employed by workers, capitalists or governments (Veblen, 1919). In other words, policies are appropriate as long as they are consistent with the interests of those employing them.

2. Polanyi, of course, speaks to this in his analysis of the "double movement" where society seeks to protect itself from the unfettered operations of capitalism through instituting various "defensive" measures (see, Polanyi [1944] 2001, part II).

3. Institutionalists tend to favor policy actions that are designed to promote human well-being with emphasis on the "provisioning" process; that is, advancing the industrial possibilities coupled to a less unequal distribution of income.

References


