

The Leisure Class In The Twenty First Century

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Doug Brown (ed.). *Thorstein Veblen in the Twenty First Century: A Commemoration of The Theory of the Leisure Class (1899-1999)*. Cheltenham, U.K.: Edward Elgar, 1998. pp. xix +224, ISBN - 1-85898-613-3. Price: £49.95.

I

It is a moot point whether Thorstein Veblen would have been surprised by the explosion in private, personal consumption in the advanced capitalist economies as the new millennium approaches. Consumer credit and the new technologies have fuelled this explosion. He would probably have argued that it was no less than could be expected from economies and societies whose dominant *raison d'être* was rapid growth and high mass consumption. The revelation that all this has been accompanied by an increasing skewness in the distribution of income would not have surprised him either. Mainstream economics has embraced, contributed to and helped to 'rationalise' these developments by pointing to the concomitant increases in efficiency and economic growth which may be generated. And in the most recent generations once Keynesian economics had been laid to rest, the benefits of selectively applying old ideas dressed up as modern economics have been paraded in the form of competition through contestable markets, deregulation of markets and privatisation, and most recently, globalisation. This is the background against which Veblen's institutionalist theory is examined in this volume.

Most of the contributors to this book are institutional economists or have a leaning toward institutionalism. The relevance of Veblen's writing to contemporary institutions is therefore treated by some of them as almost self-evident. *The Theory of the Leisure Class* motivates the discussion of contemporary developments by the contributors. On occasions there is scant reference to Veblen. In fact, the social commentary and rather sparse economic analysis in this volume might well have been written even if Veblen's writing had not existed. Nevertheless, there are some useful ideas and provocative commentaries which the reader must sort from the (occasionally) rather tedious detail. Although the essays are mainly focussed on the United States readers elsewhere will find some of the essays enlightening.

The short editorial introduction by Doug Brown provides pertinent biographical details of which only the dwindling numbers of students of economic thought will be aware. Otherwise the occasional graduate student will have a vague recollection about the 'Veblen effect' providing one of the few exceptions to the 'law of demand' and a sneaking suspicion that the nowadays ignored, but eminently sensible 'relative income hypothesis' of aggregate consumption, has something to do with comparisons between income groups. Perhaps Brown overemphasises how different Veblen was and the extent of his alienation from mainstream academic life. He recommends 'a reread of *The Theory of the Leisure Class*' (p.xvii) for readers of this volume and asks the reader to bear in mind 'that passion and alienation not only seem to be integral to the insatiable quest for self esteem, status and invidious comparisons that keep capitalism going, but they are also ingrained in the psychological makeup for those of us who, like some before us, want to challenge the mainstream of life.' The idea that 'alienation' sustains capitalism is

rather puzzling and many who wish to challenge the mainstream, although passionate (unlike Veblen) may not feel the least alienated. This is not meant to be a carping point but there is a risk that the reader of the essays may be dismissive as a result of Brown's comment.

This book contains twelve chapters which are grouped into four parts headed; I. the path of contemporary culture, II. what is the leisure class up to? III. Veblen and the women's movement, IV. Veblen and the global economy. The three papers in part I deal most directly with the theory of the leisure class and attempt to spell out the implications for contemporary society. Mainstream neoclassical economists are unlikely to 'dirty their hands' or stretch and benefit their minds by considering the sociological and cultural-anthropological ideas which are paraded here. Interestingly three of the four contributors to part I occupy posts as professors of economics in American institutions, while the fourth joint author of essay 2 has a Ph.D. in English renaissance literature. This collaboration has produced an unusual and stimulating essay with a number of literary allusions of sociological significance.

II

The essays in part I place Veblen in a modern context and argue for his continued relevance despite his dismissal by the 'new' consumption theories (p.22) being propounded by social theorists and some 'fringe' economists. In essay 1 it is convincingly argued that in a 'postmodern consumerist' society pecuniary emulation and waste linked to the need for status still dominate human action. Essay 2 argues for the recognition of *The Theory of the Leisure Class* as a theory and not as a social satire. For economists accustomed to the formal structures which define theory this is a leap most difficult to make. However, the critique of neoclassical theory is brief and effective. The remainder of this essay is far removed from theory relying on the views and feelings of the principal character and narrator in several of Edith Wharton's novels to illustrate 'Veblen-like' concepts. This is a richer more insightful way to illustrate the invidious nature of emulative consumption of the leisure class and the complete commodification of many societies. Their major conclusion is (that) The reference group is no longer the leisure class, but instead a totally constructed reference group - constructed by the advertisers', p.45. This will engender agreement from many and also a sense of powerlessness.

In the third essay in part I Brown applies Veblen's concept of conspicuous consumption and leisure to 'invidious and conspicuous self-development', p.52. Although as Brown notes in quoting the same passage from Veblen twice (p.56 and p.59) Veblen also believed that self esteem (and status) is gained by demonstrating proficiency in performance. In fact it has always been so through the centuries. The difference today is that in market based economies invidious self-development is accompanied by increasing insecurity and benefits which may therefore come at high cost. Again there is no easy solution. Eliminate the invidious elements of self development and economic growth may be significantly slowed. The only faint hope is the possibility that the 'individual grows in selflessness', p.67. Yet altruism earns fewer plaudits today than even a generation ago.

Our hopes cannot be pinned on a change in the behaviour of the leisure class. In part II there is a promise of a view of what 'they' are 'up to', a promise which to some extent is unintentionally breached. The problem which always bedevils such discussions is the lack of clarity about who is to be included in the leisure class. Essay 4 by William Dugger purports to examine Veblen's treatment of the 'upper class' and begins by contrasting it with 'traditional treatments', p.74. In Schumpeter's case the 'upper class' is identified with the entrepreneur, in Marx's case with the bourgeoisie and in Adam Smith's case with the capitalist who helps to wield the invisible hand. These categories are so all

embracing that they do an injustice both to the writers considered and to Dugger's argument. On his central tenet that after making allowance for '(1) processes, (2) contexts, (3) institutions, and (4) technologies', (p.80) there should be agreement that Veblen is still of relevance, although the tendency to refer interchangeably to the 'leisure class' and the 'upper class' is disconcerting.

A clear delineation of the 'upper class' is not provided by William Hildred's essay on executive consumption, either. He begins with some entertaining examples of 'contemporary extravagances' referring mainly to members of ruling elites such as royalty and to outrageous examples of conspicuous consumption and waste. The soaring levels of executive compensation is then examined and the tendency to attempt to disguise compensation levels by a range of financial and other arrangements (stealth compensation, pp.91-96) is also noted. It is unclear in what sense these people are members of the 'upper class'. Presumably, highly paid executives will engage in conspicuous consumption as a result, or will receive goods and services in kind in lieu of direct compensation, and in both cases will demonstrate behaviour which challenges neoclassical theory. These trends in executive compensation have spread well beyond the United States. In Western Europe and Britain the spurt of privatisations in the 1990s has given an impetus to these schemes which have also spread to Australia, although in more moderate form. In Australia executive pay has been closely scrutinised because of the role of the union movement but the trend has reached here with the added tendency to appoint non-Australians (mainly from North America) to the most highly paid positions in large corporations. Even at the second tier executive salaries have risen sharply. The question remains: are high executive salaries associated with conspicuous consumption and waste? Is it not a valid proposition that conspicuously large salaries are often associated with conspicuously long working hours, days, weeks and years and conspicuous amounts of job insecurity?

The final essay in part II is concerned with 'legalized gambling' and the theory of the leisure class. It has a resonance around the world as state run lotteries and other forms of legalised gambling have proliferated in the nineties. Rick and Ruth Tilmans base their analysis on the brief sixteen page chapter in *The Theory of the Leisure Class* entitled 'The Belief in Luck'. Veblen assumed that both the leisure class and the working class indulged in gambling with consequent adverse effects on economic efficiency. With this starting point the Tilmans adapt Veblen's ideas to a modern social environment reflecting contemporary economic structures. They suggest that, following Veblen, 'a taxonomy of status enhancement' (p.111) could be developed according to the type of gambling being pursued by the gambler and the nature of the work performed by the gambling employee. There may be an element of validity in this proposition but given the pervasiveness of gambling in some societies it calls for further adaptation. The economic and social damage inflicted by gambling is noted and lamented by the Tilmans. As the decade ends there has been a rapid rise in *per capita* gambling in many countries. Governments are relying on gambling taxes to pursue important infrastructure developments, and the drawing of lotteries in some countries are generating an obscene frenzy. Neoclassical economists may rest easy because people are simply exercising their choices when they gamble, but most of the choices have been created by gigantic promotional machines. Veblen's discussion of 'the belief in luck' is permeated with a set of values. It is often claimed that more than anything else, this also differentiates those economists who are outside the neoclassical school. No one has convincingly demonstrated the logic by which neoclassical economics can claim to be value free.

The four essays in part III examine Veblen in relation to the women's movement from a mainly feminist perspective. It is very clear that theoretical ideas should always be separated from the person propounding them. This certainly applies to Veblen's analysis of gender in particular, given his reputation in personal dealings with women. Most

readers of *The Theory of the Leisure Class* will have concluded that Veblen had very little to say about women (and their relation to men) although there is some disagreement about this, even among the contributors of these essays. Inevitably some of Veblen's writing is anachronistic, the authors at times press for his relevance too far, and one of the essays dealing with Academe relies mainly on his *The Higher Learning in America*. Nevertheless, the four essays in this part are written with passion and verve. They emerge as pertinent, stimulating and of wide general interest.

Although the economic structures are markedly different today the authors establish relevance by arguing that Veblen 'placed socially constructed distinctions between men and women at the centre of this first major work', p.121; that he 'provides arguably the best basic framework available on the nature of institutions and societal change', p.129; that Veblen suggests an 'all important cultural context of gender inequality', p.143, not found in the Marxian view of Engels; and that with respect to women in higher learning 'it is the perspective that he brings on the institution of the higher learning - that of the Outsider', p.168. The four essays then examine, in the context of Veblen's writing, a range of contemporary problems and issues related to women's paid and unpaid work. There is substantial overlap in these essays. The more important themes discussed include the social construction of employment leading to invidious distinctions between female and male employment, occupational segregation and casualisation; the exclusion of much of women's work from the national accounts (Veblen's provisioning); women's part in conspicuous consumption and waste through fashion, including adverse health effects; and the continued domination by men of Academe in which women are equated to Veblen's Outsider. Change in all these areas seems to have slowed as 'affirmative action', 'equal pay', 'comparable worth' and other approaches have become politically less palatable.

Globalization has been the refrain of the late 1990s. The final two essays attempt to tune in to this. One essay aims to 'modernize Veblen's ideas through an analysis of wealth in its various forms', p.171. The other aims to 'reconceptualize Veblen's nineteenth century analysis of consumption in the historical context of global capitalism', p.189. These are difficult but laudable objectives.

Philip O'Hara's interesting essay on capital and inequality in today's world touches peripherally on globalization. Although Veblen's theory of collective wealth has much to say about the impact of technology, skills and training on increases in economic welfare the links with modern concepts of ecological wealth are tenuous. Veblen had much more to say about social and human capital but there are only meagre references to this in the wide ranging discussion by O'Hara. He shows that social capital production is in decline in many countries. Of course this may be attributed in part to the attempts by governments to convert social capital into private capital. The distribution of human capital is a major factor driving a growing inequality of incomes. And of course, inequality between nations is associated with the stock of physical capital but none of this is linked to globalization (which it could be) or to Veblen's analysis.

The global economy features more explicitly in Paulette Olson's essay. She extends Veblenian concepts applied to one country to comparisons across countries. On occasions the reader is asked to make a substantial leap of logic. In general the approach usefully illuminates cross cultural consumption patterns. It is less successful in suggesting that 'countries display their pecuniary prowess using public assets', p.189. Although she has some telling examples, others are dubious. The predatory leisure class is shown to operate globally and a series of examples lead her to conclude 'that global capitalism is a breeding ground for exploitative and predatory instincts that result in economic waste and inequality, environmental devastation and sometimes genocide', p.204. Once again the readers agreement will be tempered by feelings of powerlessness.

III

This is an unusual book partly because it is so uneven in quality and approach. It begins with essays which have all the hallmarks of the approach of the historian of economic thought, detailed and careful analysis. Then follow essays which owe more to sociology and anthropology and finally some essays which reflect more radical economic views and owe even less to the writing of Veblen. These writers are from the United States, outside the mainstream, which is unusual and places them among a very small minority. An occasional reader may be offended because some of the writing crosses the boundary between dispassionate analysis and partisanship. Values are out in the open and even flaunted. This makes the book more thought provoking and interesting. Every open minded person would wish to read some of the essays.

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