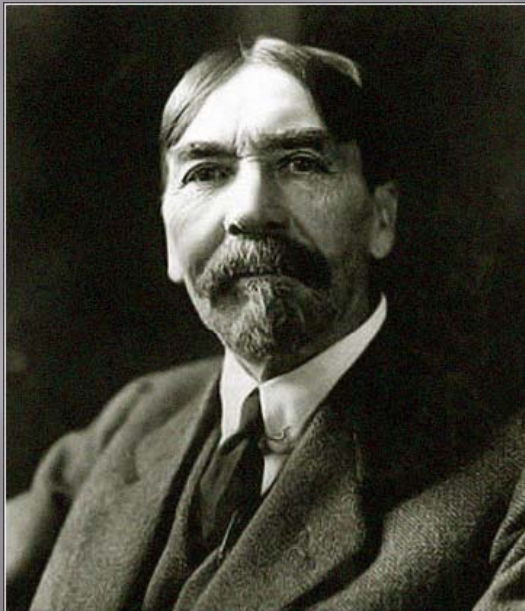


THORSTEIN VEBLEN & JOHN COMMONS



Joseph Gebreyesus

Background -- Influence by -- Contributions -- Impact -- Critique

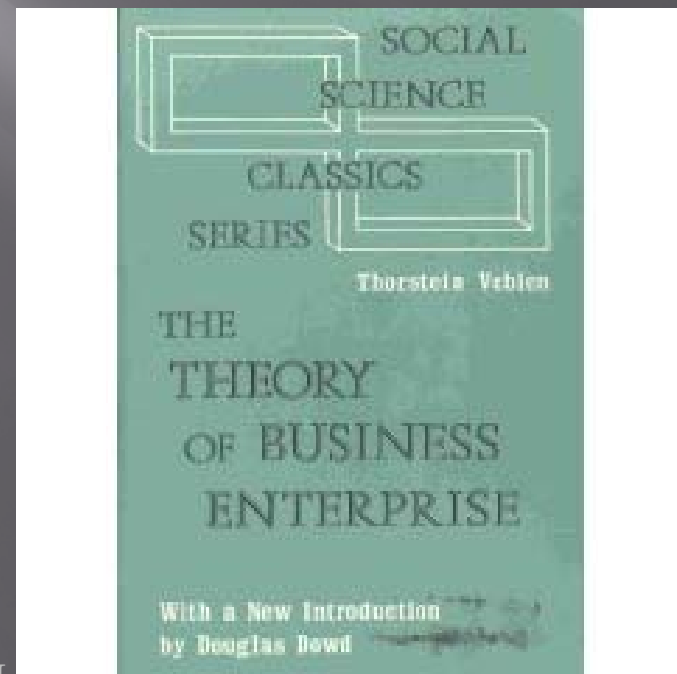
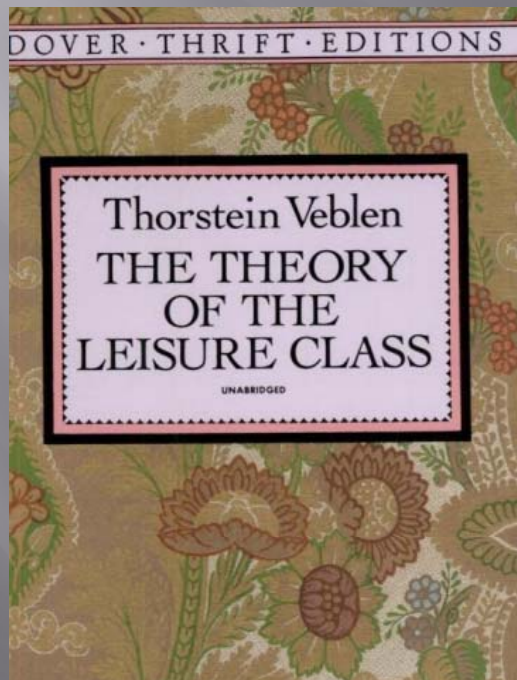
Background

- ▣ Thorstein B. Veblen (Norwegian) was born in July 1857 in Cato, Wisconsin
- Worked under John Bates Clark to received B.A. in Econ. at Carleton College (a neo-classical economist)
- Received Master's at John Hopkins University under Charles Peirce (Logician and Philosopher)
- Ph. D. at Yale University under William Sumner (a big time Laissez-faire advocate)
- Studied at home for 6 years and continued studying at Cornell under James L. Laughlin

Background -- Influence by -- Contributions -- Impact -- Critique

Cont. Background

- 1892, became professor at Univ. of Chicago while he began writing for the Journal of Political Economy.
- In 1899, wrote 'The Theory of the Leisure Class'
- In 1904, wrote 'The Theory of Business Enterprise'

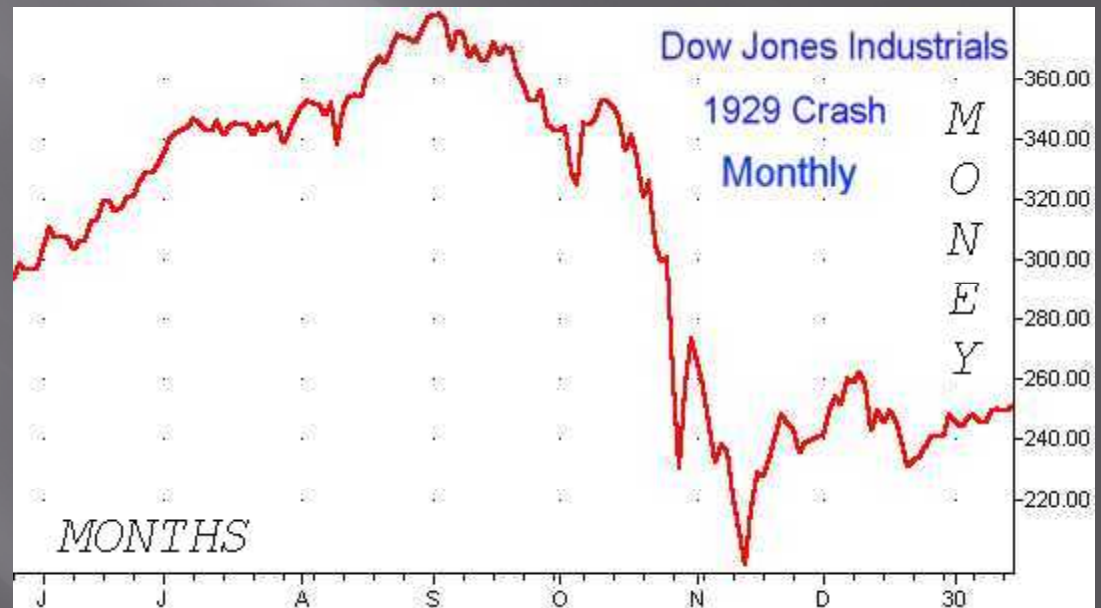


T. VEBLLEN

Background -- Influence by -- Contributions -- Impact -- Critique

Cont. Background

- 1911, joined the faculty of the Univ. of Missouri until 1918.
- 1919, began writing for 'The Dial' and help found the 'New School for Social Research' (The New School).
- Also helped create the Technical Alliance.
- From 1919 through 1926, he cont. to write and stay involved with his school and other projects.
- Died in Aug. 1929 (72).



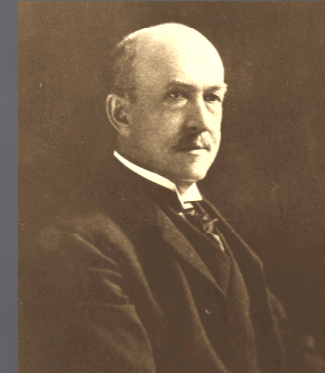
T. VEBLLEN



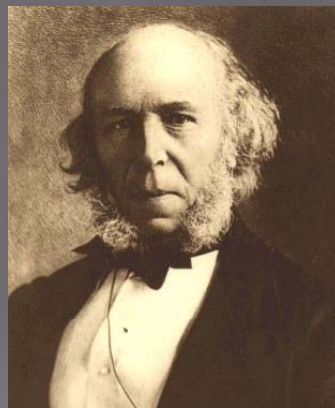
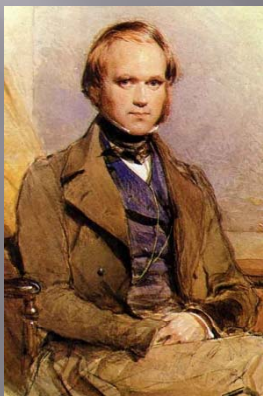
Background -- Influence by -- Contributions -- Impact -- Critique

Influenced by

- ▣ John Bates Clark • Charles Peirce • William G. Sumner



- Charles Darwin • Herbert Spencer • James L. Laughlin



T. VEBLLEN

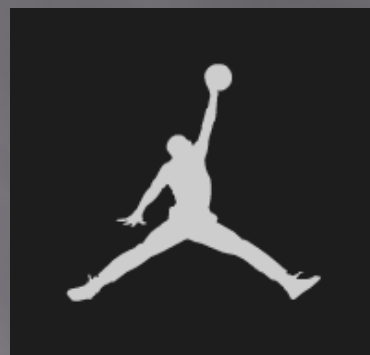
Background -- Influence by -- Contributions -- Impact -- Critique

Contributions

- ▣ Developed concept of 'Evolutionary Economics' (sociology, anthropology, psychology) which is a concept that contradicts neoclassical economics.
- Economic behavior is *socially* and not individually determined.
- Saw economic development as an evolving nature that was driven by human characteristics (emulation, competition and predation)
- Understood and explained the effects of social and cultural changes on the economy.
- The Theory of the Leisure Class, he mentioned 'conspicuous consumption' and 'conspicuous leisure'

Background -- Influence by -- Contributions -- Impact -- Critique

???????



T. VEBLEN

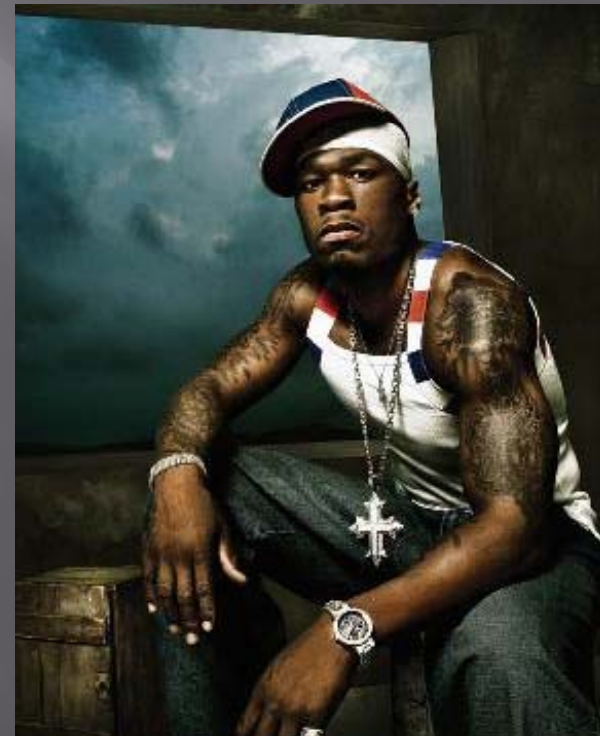
Background -- Influence by -- Contributions -- Impact -- Critique

The Theory of Business Enterprise ('04)

- ▣ Realized that the growth in business 'trust' that was attained during this time was due to a growth in industry processes that developed into organized craft production.
- But new industrial advancements were manipulated by managers and helped small business managers get rich.
- In Veblen's mind, this caused a clash between (the older) businessmen against (the younger) engineers who were finding new creative and innovative ways.
- Would go further and believed society would always have conflict between old and new norms, believing that people would always try to manipulate and take advantage of the world we live in.

Handicap Principle

- Believed that many people's curiosity led people to be manipulative which has led to people's materialistic wants.
- He thought people lived as though they created their own reality (imaginary) rather than what was actually occurring (nature). So, since people could change the image of what's a notion of power and authority, the idea 'conspicuous consumption' or a demand for goods are created **just** because that are expensive and demand's attention or shows power.



T. VEBLER

Background -- Influence by -- Contributions -- Impact -- Critique

Contributions

- ▣ Created concept of Institutional Economics
 - tries to understand the role of human decisions and the change it has on economic behavior (heterodox vs. non-heterodox economics)
- John R. Commons develop ideas about collective action and labor movements because of the work by Veblen. Commons developed his own ideas about collective action goals for Univ. as well as on the state level.
- Commons help draft up the first workers compensation program



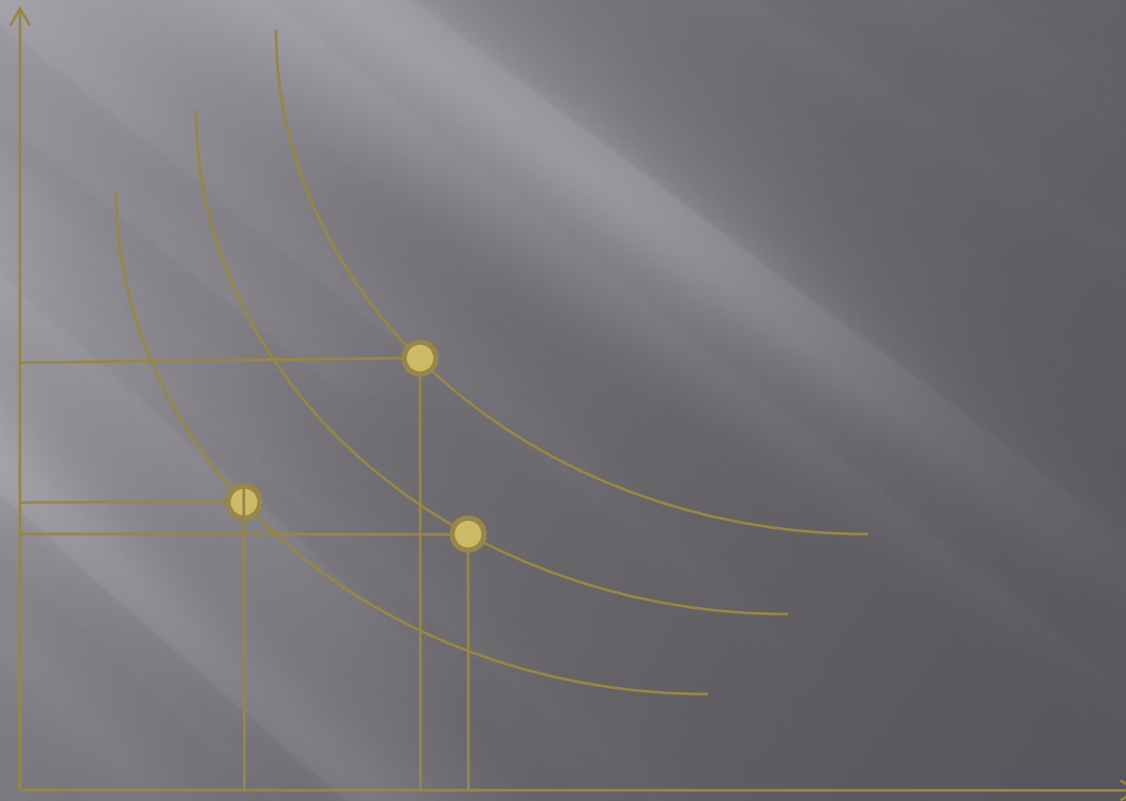
J. COMMONS

Background -- Influence by -- Contributions -- Impact -- Critique

Envy Among Consumers

▣ $U(x_1, x_1/\bar{x})$

Consumption
in society
compared to
individual's
(x_1/\bar{x})



Individuals Consumption
(x_1)

M. BAR

Background -- Influence by -- Contributions -- Impact -- Critique

Impact

- ▣ Veblen had an effect on the way people began looking at the way social expectations effected markets.
- Also, he helped show that markets are ever changing through an evolution-like change that continues to happen throughout markets.
- Veblen explained how people's materialistic-high quality wants and collusion in capitalist markets will cause problems in the open markets.
- Looking at the markets today, Veblen believed that the need for reform in the recent mortgage crisis could be look at as an evolutionary change that needs to take place in order to make markets better.

Background -- Influence by -- Contributions -- Impact -- Critique

Cont. Impact

- ▣ Commons helped establish more commonly practiced social benefits used today like workers compensation methods for people that gets hurt while working.
 - He also helped developed the idea of allowing regulation of utilities.
 - Developed concept of unemployment benefits as well as insurance.
 - Finally, Commons helped develop a Social Security-type retirement program that would enable people to retire and have a stable reliable source of income.

Background -- Influence by -- Contributions -- Impact -- Critique

Critique

- Veblen did not have formal training in economics. This takes away the merit of his work.
 - ▣ Concepts aren't numerical and isn't explained with numbers, graphs, or pictures and can only be observed by looking at and understanding the social standards and used today.
- Since this concept of 'conspicuous consumption' happens throughout much of our industrialized world, though variation may exist, there is usually an identifiable comparison for each generation.
- Commons had very deep understanding of economics, but did not formalize his ideas in terms of solid economic theory and models.

Background -- Influence by -- Contributions -- Impact -- Critique

Cont. Critique

- Conspicuous consumption is not a contradiction to Neoclassical assumption that people want pleasure.
 - ▣ Did not provide an alternative to Neoclassical assumptions.

Questions

- ▣ What's 'conspicuous consumption'? Give 2 examples.
- How did Veblen believe expensive material objects help invoke power/authority?