

## An American Critic of Capitalist Society

*The Vested Interests.* By Thorstein Veblen (Allen & Unwin, 5s. net).

*The Theory of the Leisure Class.* By Thorstein Veblen (Allen & Unwin, 10s. 6d. net).

*Absentee Ownership.* By Thorstein Veblen (Allen & Unwin, 10s. 6d. net).

**M**R. THORSTEIN VEBLER, who was formerly a Professor of Economics at Chicago University, whether or not he is to be numbered among the precious circle of the Marxians, has certainly learned and imbibed much from Marx's writings. At the same time he is no mere doctrinaire with his eyes turned to the past and his fingers fidgeting with ancient scripts. He is thoroughly alive to the significance of the latest developments of capitalism in its most advanced form in the U.S.A.; and he is well versed in all the ways of company finance and modern business organisation. He is, as Mr. Hobson says in recommendation, a "most original and powerful critic of the established economic order." Accordingly, one opens with eager interest the three works now made available in an English edition.

Before one has read very far, however, two considerations strike one forcibly. First, the style, which has already drawn comment from certain English reviewers. This style is not, at any rate for an American writer, a bad one. When one has grasped the rhythm of its sonorous, well-rounded phrases, it has, indeed, something definitely pleasing about it. But there is no doubt that it is exceedingly ponderous. Perhaps it was a habit cultivated in his professorial days, so that sentiments which, if understood, would have earned him expulsion might be concealed from the comprehension of hard-headed Chicago business men. Moreover, one has at times a suspicion that he is

using a hatchet where a butter-knife would do. To those who have sharpened their teeth on *Das Kapital*, this heaviness should not be a serious deterrent. But, nevertheless, it detracts considerably from the merit of the books, at any rate as reading-matter for the impatient average student.

Second, Mr. Veblen's work constitutes not so much a complete description and analysis of the workings of modern capitalism, as a pleasant essay—after the manner of a Cole or a Tawney—sketching certain leading features of present-day society. Brilliant, suggestive, thought-provoking, iconoclastic, it certainly is; but thorough, scientific and satisfying it is not. He has a partiality for the general phrase rather than the concrete instance, and for vague classification rather than for clearly marked boundaries. We are given a sketch for a complete study, rather than the complete study itself.

Of the three books in question I like most the shortest of them—*The Vested Interests*. Here Mr. Veblen is at his best, perhaps because most concise; and it is here that we have the gist of his economic theory, laying down what may almost be said to be certain guiding lines for a development of Marxian theory to fit the conditions of modern monopoly capitalism.

In an earlier work, *The Theory of Business Enterprise*, we were introduced to his fundamental thesis. The capital valuation of a business is based on two types of assets—*angible* and *intangibile*. The former represents the actual plant, buildings, etc., the latter that elusive element, business "goodwill," which in fact represents all those conditions which enable the business to earn a profit. Hence the capitalisation of a business is governed by its anticipated power to earn a profit. It is in a sudden conflict between anticipated and actual profit-

making capacity under competitive conditions, showing itself in a general over-capitalism of business, that recurrent industrial crises consist.

In *The Vested Interests* this point is developed further. The major part of the capital of business on which dividends have to be paid represents these intangible assets; and the guiding motive of business becomes to earn a "reasonable profit" on this capital and so maintain its value. But the value of these intangible assets depends, not on the power of productive investments to produce wealth, but on the power to secure a surplus between selling price and costs. "Such income derives out of business relations rather than out of industry; it is derived from advantages of salesmanship, rather than from productive work; it represents no contribution to the output of goods and services, but only an effectual claim to a share in the 'annual dividend.'" It depends on the power to "charge what the traffic will bear" and to restrict output—in a word, on industrial "sabotage." And the extent of this "sabotage" Mr. Veblen estimates—on grounds which one must frankly admit to be very inadequate as stated—to the extent of more than 50 per cent. of the productive capacity of industry. Hence there is an inevitable conflict between the needs of industrial efficiency and the needs of business, between "the common man" and "those vested interests that live on this margin of intangible assets that represents capitalised withdrawal of efficiency."

This policy of the vested interests dominates, not only economic life but the foreign relations of nations, establishing the rule of the Divine Right of Nations, which means the Imperialistic right to plunder a weaker neighbour. "Self-determination being interpreted means the self-aggrandisement of each and several at the cost of the rest, by a reasonable use of force and fraud." So supreme has the business principle of sabotage become in our national and international life, that even the organisations of "the common man"—e.g., the A. F. of L.—seek salvation in the attempt to establish a little vested interest for themselves

In *Absentee Ownership* the thesis that industry is governed on the principle of business sabotage is given more general application. But the tale in a second telling grows somewhat tedious. Here we are introduced, after a rather "thin" historical account of the growth of business characteristics, to the New Order of Business, which matured in U.S.A. about the last decade of the nineteenth century. The features of this development are (a) the consolidation of the control of business, largely under the general ship of 'investment bankers' like J. P. Morgan, and (b) the clearer separation of business owners from industrial administrators, the former being of a passive and absentee character, and more exclusively concerned with business sabotage, as distinct from productive workmanship, than before. The Captain of Industry of an earlier day gives place to the Absentee Owner. Such business competition as remains takes the form, not of price-cutting, but of piling up costs of advertising and salesmanship, which still further restrict production and still further burden "the common man."

In *The Theory of the Leisure Class* we have a very able, original and interesting study of ideology. Here Mr. Veblen analyses the various ideological elements which exist in a class society, and explains their development in terms of the economic background. The starting-point of the standard of values peculiar to a class society he suggests to be the difference of attitude adopted towards "effort" and "exploit." The former is the mere work of the hands, the latter the exercise of power and achievements as seen in the warrior and the hunter—"the conversion to his own ends of energies previously directed to some other end by another agent"; and the former comes to be considered degrading and ignoble, the latter as worthy and honourable. "So tenaciously and with such nicety is this theoretical distinction between exploit and drudgery adhered to that in many hunting tribes the man must not bring home the game which he has killed, but must send his woman to perform that baser office." This ascription of honour to exploit is be-

cause "an honorific act is in the last analysis little if anything else than a recognised successful act of aggression; and where aggression means conflict with men and beasts, the activity which comes to be especially and primarily honourable is the assertion of the strong hand."

As a result, the growth of a leisure class, based on the right of "the strong hand" embodied in ownership, produces as the criterion of "honourable" and "worthy" conduct the display of complete separation from unworthy effort or drudgery—the work of the hands. Money is desired primarily as a means to display the honourable possession of leisure; and the use of money is governed by the desire to exhibit complete freedom from the need to work. This gives rise to the principle of *Conspicuous Leisure*—the cultivation of a system of manners and breeding, decorum and ceremonial observances which can only be cultivated by a leisured person. The "gentleman" is one who is possessed of such manners and breeding and decorum. ("A breach of faith may be condoned, but a breach of decorum cannot. 'Manners maketh man.'") Further, there results the principle of *Conspicuous Consumption*—the cultivation of the use of "the best in food, drink, narcotics, shelter, services, ornaments, apparel, weapons and accoutrements, amusements, amulets and idols and divinities." A gentleman's education becomes the cultivation of a nice discrimination between what is "good taste" and bad, the former being that which fulfils most closely the principle of *Conspicuous Consumption*.

A further feature of this ideology is the Higher Learning. The value of learning comes to be regarded, not in its utility to human life generally, but in its cultivation of the honourable characteristics of the leisure class.

Learning is valued by its recondite character—the accumulation of quotations from the classics and the pickings from ancient documents; and as in the old days of magic and priesthood "the recondite element in learning is still, as it has been in all ages, a very attractive and effective element for the purpose of impressing, or even imposing upon the unlearned." Hence the cultivation of the "humanities" and a "liberal (i.e., useless) education."

To such an extent do these leisure class ideals become by imitation the accepted standards of the non-leisured working-class of society, that the latter tend also to hold in honour "the real gentleman," and if any money comes their way themselves to try to imitate the "honourable" behaviour of their betters. Then further refinements take place in the standards of the leisure class; for, the latter, seeing some of their habits imitated by the mass of unworthy persons come to regard these doings as "vulgar," and introduce a new fashion which shall be safely beyond the reach of any but the worthy. The result is "an arrested spiritual development" and the continual conservation in character and social institutions of out-worn, useless and hampering relics of the past.

These books, or at least the first two of them, should certainly be read by all serious students. Primarily they should be read for their suggestive character; for they scarcely provide us with an analysis which is completely satisfactory or with a searching survey of actual facts. But seeing that our movement is poor in comprehensive studies of the features of twentieth century capitalism, and our habits of thought too often remain in the mould of the mid-nineteenth century, we should especially welcome these essays from across the Atlantic.

M. H. D.

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