

accessibility to a money measure serves well enough to set up a rough distinction. Economic welfare, as loosely defined by this test, is the subject-matter of economic science.

ECONOMICS AS A STUDY OF PROCESS¹THORSTEIN B. VEBLEN²

Veblen here discusses economics as a study of process, evolution, and development. He looks upon man in his economic relationships as a growing, changing, and dynamic entity rather than as a normal, stationary, and rational calculator of pleasure and pain. Veblen wants to study economic habits and their cumulative growth rather than fictitious states of normality and rationality. He expresses strong doubts whether a study of that sort can be separated from an analysis of cultural changes in life as a whole.

The standpoint of the classical economists, in their higher or definitive syntheses and generalisations, may not inaptly be called the standpoint of ceremonial adequacy. The ultimate laws and principles which they formulated were laws of the normal or the natural, according to a preconception regarding the ends to which, in the nature of things, all things tend . . .

In all this the agencies or forces causally at work in the economic life process are neatly avoided. The outcome of the method, at its best, is a body of logically consistent propositions concerning the normal relations of things—a system of economic taxonomy . . .

But what does all this signify? If we are getting restless under the taxonomy of a monocotyledonous wage doctrine and a cryptogamic theory of interest, with involute, loculicidal, tomentous and moniliform variants, what is the cytoplasm, centrosome, or karyokinetic

¹ This selection is reprinted from Thorstein Veblen, "Why Is Economics Not an Evolutionary Science?", *Quarterly Journal of Economics*, Volume XII, July, 1898, pages 382, 384, 386-394, 397.

² Thorstein Bunde Veblen (1857-1929) was sometime professor of economics in the University of Chicago, Stanford University, University of Missouri, and the New School for Social Research; he is generally recognized as the founder of the Institutional school of economics.

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process to which we may turn, and in which we may find surcease from the metaphysics of normality and controlling principles? What are we going to do about it? The question is rather, What are we doing about it? There is the economic life process still in great measure awaiting theoretical formulation. The active material in which the economic process goes on is the human material of the industrial community. For the purpose of economic science the process of cumulative change that is to be accounted for is the sequence of change in the methods of doing things,—the methods of dealing with the material means of life . . .

The physical properties of the materials accessible to man are constants: it is the human agent that changes,—his insight and his appreciation of what these things can be used for is what develops. The accumulation of goods already on hand conditions his handling and utilisation of the materials offered, but even on this side—the “limitation of industry by capital”—the limitation imposed is on what men can do and on the methods of doing it. The changes that take place in the mechanical contrivances are an expression of changes in the human factor. Changes in the material facts breed further change only through the human factor. It is in the human material that the continuity of development is to be looked for, and it is here, therefore, that the motor forces of the process of economic development must be studied if they are to be studied in action at all. Economic action must be the subject matter of the science if the science is to fall into line as an evolutionary science.

Nothing new has been said in all this. But the fact is all the more significant for being a familiar fact. It is a fact recognised by common consent throughout much of the later economic discussion, and this current recognition of the fact is a long step towards centering discussion and inquiry upon it. If economics is to follow the lead or the analogy of the other sciences that have to do with a life process, the way is plain so far as regards the general direction in which the move will be made.

The economists of the classical trend have made no serious attempt to depart from the standpoint of taxonomy and make their science a genetic account of the economic life process . . .

In all the received formulations of economic theory, whether at the hands of English economists or those of the Continent, the human material with which the inquiry is concerned is conceived in hedonistic terms; that is to say, in terms of a passive and substantially inert

and immutably given human nature. The psychological and anthropological preconceptions of the economists have been those which were accepted by the psychological and social sciences some generations ago. The hedonistic conception of man is that of a lightning calculator of pleasures and pains, who oscillates like a homogeneous globule of desire of happiness under the impulse of stimuli that shift him about the area, but leave him intact. He has neither antecedent nor consequent. He is an isolated, definitive human datum, in stable equilibrium except for the buffets of the impinging forces that displace him in one direction or another. Self-imposed in elemental space, he spins symmetrically about his own spiritual axis until the parallelogram of forces bears down upon him, whereupon he follows the line of the resultant. When the force of the impact is spent, he comes to rest, a self-contained globule of desire as before. Spiritually, the hedonistic man is not a prime mover. He is not the seat of a process of living, except in the sense that he is subject to a series of permutations enforced upon him by circumstances external and alien to him.

The later psychology, reenforced by modern anthropological research, gives a different conception of human nature. According to this conception . . . the activity is itself the substantial fact of the process, and the desires under whose guidance the action takes place are circumstances of temperament which determine the specific direction in which the activity will unfold itself in the given case. These circumstances of temperament are ultimate and definitive for the individual who acts under them, so far as regards his attitude as agent in the particular action in which he is engaged. But, in the view of the science, they are elements of the existing frame of mind of the agent, and are the outcome of his antecedents and his life up to the point at which he stands. They are the products of his hereditary traits and his past experience, cumulatively wrought out under a given body of traditions, conventionalities, and material circumstances; and they afford the point of departure for the next step in the process. The economic life history of the individual is a cumulative process of adaptation of means to ends that cumulatively change as the process goes on, both the agent and his environment being at any point the outcome of the last process. His methods of life to-day are enforced upon him by his habits of life carried over from yesterday and by the circumstances left as the mechanical residue of the life of yesterday.

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Review
Economic Institutions

What is true of the individual in this respect is true of the group in which he lives . . .

The economic life history of any community is its life history in so far as it is shaped by men's interest in the material means of life. This economic interest has counted for much in shaping the cultural growth of all communities. Primarily and most obviously, it has guided the formation, the cumulative growth, of that range of conventionalities and methods of life that are currently recognized as economic institutions; but the same interest has also pervaded the community's life and its cultural growth at points where the resulting structural features are not chiefly and most immediately of an economic bearing. The economic interest goes with men through life, and it goes with the race throughout its process of cultural development. It affects the cultural structure at all points, so that all institutions may be said to be in some measure economic institutions. This is necessarily the case, since the base of action—the point of departure—at any step in the process is the entire organic complex of habits of thought that have been shaped by the past process. The economic interest does not act in isolation, for it is but one of several vaguely isolable interests on which the complex of teleological activity carried out by the individual proceeds. The individual is but a single agent in each case; and he enters into each successive action as a whole, although the specific end sought in a given action may be sought avowedly on the basis of a particular interest; as e.g., the economic, aesthetic, sexual, humanitarian, devotional interests. Since each of these passably isolable interests is a propensity of the organic agent man, with his complex of habits of thought, the expression of each is affected by habits of life formed under the guidance of all the rest. There is, therefore, no neatly isolable range of cultural phenomena that can be rigorously set apart under the head of economic institutions, although a category of "economic institutions" may be of service as a convenient caption, comprising those institutions in which the economic interest most immediately and consistently finds expression, and which most immediately and with the least limitation are of an economic bearing.

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From what has been said it appears that an evolutionary economics must be the theory of a process of cultural growth as determined by the economic interest, a theory of a cumulative sequence of economic institutions stated in terms of the process itself . . .

It is necessarily the aim of such an economics to trace the cumula-

(a) expression in ec. interest
(b) most immediately of ec. bearing

tive working-out of the economic interest in the cultural sequence. It must be a theory of the economic life process of the race or the community. . . .

Under the stress of modern technological exigencies, men's everyday habits of thought are falling into the lines that in the sciences constitute the evolutionary method; and knowledge which proceeds on a higher, more archaic plane is becoming alien and meaningless to them. The social and political sciences must follow the drift, for they are already caught in it.

ECONOMICS AS AN ART¹

JOHN NEVILLE KEYNES²

J. N. Keynes here opposes the view that economics be an art rather than a science. He warns that if economics should attempt to lay down absolute rules for the regulation of human conduct, it will no longer be a well defined science but will become largely non-economic in character.

Some of the difficulties, which arise in the endeavour to determine the scope of political economy considered as an art . . . may be raised in regard to, first, the range of well-being contemplated by the art; and, secondly, the precise nature of the ideal at which it aims.

(1) Under the first of the above heads it may be asked whether the aim of the economic art is individual or social, and whether it is national or cosmopolitan.

(a) It is clear that individuals as well as societies may in their own interests turn to account the *art* of economic science. The monopolist may derive practical guidance from the treatment of monopoly-value; the manufacturer from the discussion of over-production and industrial depression; the banker from the enquiry into the conditions under which crises tend to become periodic; the trades-unionist from the analysis of the conditions favourable to the success of a strike. We might, accordingly, recognise a branch of the

¹ This selection is reprinted by kind permission of the publishers from John Neville Keynes, *The Scope and Method of Political Economy*, London: Macmillan and Co., Ltd., 1891, pages 72-80.

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