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VEBLER, PRESTIGE, AND SUBSISTENCE ECONOMY

H. Jerome Cranmer
General Economic History
30 December 1948

1

Veblen
In making his distinction between industrial and commercial pursuits Veblen was influenced by his observation of contemporary economic conditions. His formative years had been spent amid the western protest of the Populist period, when outcry against eastern financial control of local business, of the market for farm products, and above all of the railroad monopolies was at its peak. He saw the extent to which control by these groups inhibited economic production and he found himself unable to reconcile his own observation and experience with received economic theory. His dichotomy between industry and business was an effort to correct the prevailing views as to the beneficence of unregulated competition and the benefit to society of allowing the businessman his head.

The pecuniary employments, according to Veblen's distinction, are those which operate in the market. By "market" Veblen means the dominating capital market and the operation and control of industry for profit. In using the term "capital" he has in mind the capitalization of advantages or an income stream, not the conception of industrial equipment for the material welfare of the community.

The theory which Veblen was attacking drew a distinction between persons, not between functions, so that the captain of finance was both master and businessman. Veblen acknowledged that upon those rare occasions when the financier comes out of the directors' room and acts as a director of the

actual physical instruments of production he may be ascribed a productive function. However, these occasions are rare indeed and the financier's principal activity is today purely fiscal and financial. The judgements of theoreticians place great value upon this pecuniary function because of a mistaken "organic concept" of the businessman's function in society. Theorists are not able to distinguish between the beneficent industrial management function and the non-productive financial one. A concomitant misconception is that of money and other claims to wealth as being identified with real capital.

Veblen sees the financier's activity as characterized by the real-estate agent and "the closely related business of promoters and boomers of other than real-estate ventures." In these buying and selling activities, the financier may profit by promoting or inhibiting productive efficiency or by letting the management of production remain in the hands of industrial engineers. Under a market economy (where market is taken to mean the capital market, etc.) the criterion of success, indeed the sine qua non of business existence, is pecuniary profit, not industrial efficiency. The struggle is not for industrial efficiency, but is for pecuniary gain, which is not an inevitable concomitant of superior industrial efficiency. Improvements in technology originate with men in the industrial pursuits and it is only after they have proved to be effective as instruments for increasing pecuniary rewards that the financiers allow their

implementation. Thus pecuniary profit and business success are not necessarily indicative of service to the community through efficient production. Indeed, they are far more frequently indicative of quite the opposite.

"Neither immediately in his purely pecuniary traffic, nor indirectly, in the business guidance of industry through his pecuniary traffic . . . can the undertaker's dealings with his pecuniary capital be accounted a productive occupation." The gain that the financier derives from his capital results from "vendibility" not serviceability. He seeks not to produce the greatest volume of goods at the lowest economic cost as the economic theorists would have us believe, but seeks rather to produce as cheaply as possible a saleable product.

In comparing Veblen's distinction with the concepts of subsistence and prestige it should be pointed out that Veblen failed or refused to perceive any of the functions which the pecuniary occupations perform in a market-integrated society. Such elementary contributions as the creation of time and place utility are accomplished by the buying and selling of goods. Provision of investment funds for expansion of physical capital goods is accomplished and regulated in the capital market. Buying and selling of goods in the market gives direction to industrial production through the reflection of demand on price. Buying and selling in the market, under competitive conditions, provides a mechanism for the allocation of resources.

J. M. Clark, in commenting on Veblen's dichotomy, said, "A far truer statement would seem to be that the organizing of human efforts involves two sets of functions, one technical, the other concerned with giving the technical efforts necessary direction and guidance . . . Can social efficiency be organized on a technical basis alone?" And certainly under a market system of social organization such a distinction of functions is valid.

Most significantly, Veblen failed to realize that the institution of the market, through buying and selling of the factors of production--land, labor and capital--provides, in the income which the factors receive as their price, a mechanism by which distribution of goods is accomplished. Prices which the factors receive provide the income out of which consumption goods are purchased or investment funds accumulated.

Thus all occupations, industrial as well as pecuniary, engage in buying and selling, and it is by this buying and selling that our market society is integrated. Society is integrated not by industrial activities, but by the pecuniary activities. This function of the market mechanism was not perceived by Veblen.

Turning to the concepts of subsistence and prestige in primitive economy, the term subsistence economy means "the exploitation of the plentiful natural resources available to any industrious individual". This is economic in the substantive sense of the term; it deals with man's material want satisfactions in obtaining a livelihood. "Prestige economy on

the other hand, (means) a series of social prerogatives and status values." DuBois' most emphatic statement in regard to the Tolowa-Tututni tribes came in regard to money or treasure: "The significant point in the economic life of these tribes is that their monies served as a medium of exchange primarily in the realm of prestige economy rather than subsistence economy." Exchange of subsistence goods was upon a barter basis in which money was not used as a measure of value or as a medium of exchange. Money was employed only in the prestige system. Wealth and social status were associated, but wealth did not consist of goods for material want satisfaction. Wealth possessed only a minimum consumption value and could not be used as a claim upon subsistence goods.

The significant point here is the separation of the subsistence economy from the prestige system. Money as a claim upon goods, wealth or treasure is recognized only in the prestige economy. There is no indication that money was ever important in determining whether a man was well or poorly fed and housed. In other primitive tribes subsistence wealth becomes a prestige element through the institution of the potlatch feast, through ostentatious display of food, and so on. Thus prestige, wealth, and the subsistence economy are linked; but they are not linked by money; they are not linked by treasure or wealth acting as a medium of exchange. Possession of wealth may fix an individual's status in society and his prerogatives, but it does not constitute a valid claim upon subsistence goods or upon the labor of others-- except as these arise as prerogatives accruing to the social

position to which wealth entitles one.

How far can Veblen's concepts be identified with these ideas of subsistence and prestige?

Certainly the prestige system of our society is based upon the pecuniary employments as conceived by Veblen and associated with the leisure class. And certainly the qualities of the businessman are the qualities deemed most desirable by a market society--ruthlessness, materialism, practicality. Moreover, in spite of the protestations of economic theorists, the aims of the businessman are not exclusively the maximization of profits, but the acquisition and control of industrial and financial power, the creation of economic empires great beyond the needs of industrial efficiency or monetary profit. These are motivations of prestige and are relevant to the pecuniary pursuits.

Veblen's industrial pursuits correspond to the subsistence economy of the primitive tribe. Both concepts concern production of goods; they are both economics in the substantive sense. Motivation in the industrial pursuits is largely a result of the "instinct of workmanship," said Veblen, and an article is valued, not for its vendibility, but for the amount of labor and technique which has gone into its creation. This concept of the "instinct of workmanship" accords with Malinowski's evidence upon the valuation of industrial goods in the Trobriands, where an article is valued because of a disproportionate amount of labor that may have gone into its fabrication, or where gardeners labor in their plots, weeding, fencing, decorating, pruning, to a degree far beyond that necessary to produce the crop. This Veblen would have adduced as primitive evidence of his workmanship concept.

This indication of the area of agreement between Veblen's dichotomy and the prestige-subsistence distinction does not prove their identity, however. The most significant consideration in their comparison is one of disagreement. This point concerns the relationship between the prestige system and the subsistence economy in primitive societies and in the modern, market system. In the first, prestige and subsistence are separate and distinct elements of a society. In our economy they are identical.

A prestige system, in which social status and prerogatives are based upon the possession of wealth, is built upon the assumption of scarcity of the means of accomplishing prestige ends. Were the means not scarce no hierarchy of graded classes could be built up. Thus the prestige system develops conventionally accepted means and ends for playing the prestige game. These means are scarce. The assumption of scarce means for the satisfaction of graded ends constitutes formal economics. But in primitive societies these means are not the goods necessary for the satisfaction of man's subsistence needs. The prestige game is not played in subsistence goods. Wealth, the symbol of prestige, does not of itself constitute a claim upon subsistence goods or upon the labor of individuals.

In the market system with which Veblen was concerned the subsistence economy is identical with the prestige system, and no such dichotomy of prestige and subsistence exists. Here

the scarce means include subsistence goods. Wealth is not limited to conventional prestige symbols, but includes the material goods for man's very existence. These goods having become counters in the prestige game they must also now partake of the scarcity inhering in that system.

This uniting of the prestige and subsistence systems in the market economy has been accomplished through the use of money. Money is now both a symbol in the prestige system and a valid claim upon subsistence goods as well as upon man's labor. From merely "a device for dealing in a limited set of social recognitions" among the Tolowa and Tututni, money has become the essential medium through which our subsistence economy functions and is the essential element of our prestige system as well.

Thus the industrial and pecuniary occupations of Veblen, if taken as the market society's counterpart of subsistence and prestige, cannot be identified with those elements in primitive society because of the vastly different relationship which exists between them in primitive and market societies. In the primitive society they are separate and distinct elements; in our modern market society they are united, and their union has been accomplished by money through its operation in both realms of our society.