

Veblen, economic policy and the present crisis.

P. Ramazzotti

Abstract

There are two basic ways to provide a critical view of the economy we live in and of mainstream accounts of it. The first one is to assess whether and how it can meet the procurement requirement, i.e. whether it can achieve the material reproduction of society. It typically includes analyses of the economy's ability to achieve goals such as full employment, real and financial stability, a decent income for all. The second one is to assess whether, quite independently of its performance, it meets a social requirement, i.e. whether its overall setup is consistent with a range of generally accepted values. The aim of the paper is to focus on this second approach by discussing Veblen's views of how and why business requirements intrinsically contrast the livelihood of the community. It contends that, in so far as Veblen's intuition about such a contrast is correct, it should be possible to envisage an appropriate policy to deal with it. Unfortunately, Veblen's discussion of possible alternatives is not very helpful, in this respect. The paper argues that this has to do with theoretical shortcomings in Veblen's treatment of profit. The paper is structured as follows. Following the Introduction, Section 2 briefly summarizes the basic features of the Veblenian dichotomy. Section 3 discusses how technology fits into the dichotomy and the unsolved issues in Veblen's theory. Section 4 points out what appears to be a policy stalemate. It discusses Veblen's treatment of what he thought could be an alternative to the existing state of affairs. It suggests that Veblen's notion of pecuniary gain is either too restrictive or too broad to conceive of an economy that overcomes the profitability-serviceability dichotomy. Section 5 contends that a proper understanding of the dichotomy and of possible policies to contrast it has to situate the dichotomy within market relations. Markets are depicted not only as a choice mechanism based on relative prices but as one where important social categories are turned into commodities despite their incompatibility with such a role. This typically Polanyian approach provides some insights on how to conceive of a policy that takes account of the dichotomy but does not waver between the forced acquiescence to the status quo and the millenarian expectation of an all-encompassing change. Our emphasis on the extension of contracted exchange suggests that policy may act on the degree of commodification of the economy and, in particular, of its fictitious commodities. It suggests that other criteria - typically those concerning people's civil, political and social rights - may prevail over those of relative prices. It goes without saying that this is only a guideline for policy, not a road map. To some extent a guideline such as this one prevailed in some countries during the post Second World War "golden age". Neoliberalism has changed this. It has reinstated the principle whereby everything should be conceived of as a commodity, so that markets - contracted exchange based on relative prices - are the ultimate criterion for whatever change. The paper does not aim to discuss the insurgence of neoliberalism. It does suggest, however, that the dichotomy occurs - and should be contrasted - in relation not only to how business chooses the amount and composition of output but also to how it manages labor relations, the creation and application of technology and, more generally, of knowledge.

Paolo Ramazzotti, Università degli Studi di Macerata.
E-mail: paolo.ramazzotti@unimc.it.