
Review: An Evolutionary Critique of Economics in the Making

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An Evolutionary Critique of Economics in the Making

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There are two ways in which this new book by William Dugger and Howard Sherman might be viewed. One is as a dialogue between Marxism and radical institutionalism, between Marx and Veblen. The other is in terms of the centrality of an evolutionary approach to an understanding of economic phenomena—the common ground that Dugger and Sherman discover between radical institutionalism and critical Marxism. I will concentrate in this review on the second of these two issues, largely avoiding the question of the relationship between Marx and Veblen as such. Although for radical institutionalists this may be the most important aspect of the Dugger-Sherman dialogue, since it directly addresses the compatibility of institutionalist and Marxist perspectives, for the Marxist political-economic tradition out of which my own analysis arose this problem was resolved in the 1950s, in terms of the fundamental importance of Veblen for the critique of monopoly capitalism, within a generally socialist or Marxist frame of analysis.¹ The resurrection of a Marx–Veblen dialogue, though clearly significant, appears, from this perspective, to be at best a question of regaining lost ground. More intriguing, however, is the new stimulus that Dugger and Sherman give to answering Veblen’s classic question: “Why is

1 See Paul M. Sweezy, “Veblen on American Capitalism,” in Douglas F. Dowd, *Thorstein Veblen: A Critical Reappraisal* (Ithaca, New York: Cornell University Press 1958: 177–197); special issue on Thorstein Veblen, *Monthly Review*, vol. 9, nos 3 and 4 (July–August 1957); Douglas F. Dowd, *Thorstein Veblen* (New York: Washington Square Press 1966); Paul M. Sweezy, “Competition and Monopoly,” in John Bellamy Foster and Henryk Szlajfer (ed.) *The Faltering Economy* (New York: Monthly Review Press 1984: 31).

Economics Not an Evolutionary Science?," first raised in his 1898 article in *The Quarterly Journal of Economics*.²

For Veblen, what he called "the classical tradition of economics," by which he meant mainstream economics up through his day, was characterized by pre-evolutionary thinking. The pre-evolutionary orientation of received economics could be seen in the following traits: (1) It grew out of conceptions of providence, natural law or of utilitarian natural right, giving it a teleological character and a "spiritual stability."³ (2) It relied on metaphorical concepts such as Smith's invisible hand, Mills' and Cairnes' concepts of natural wages and natural value, much more than on causal analysis. (3) It saw any causal sequence that was "apprehended to traverse the imputed propensity to stability" or "putative equilibrium" as a "disturbing factor" or abnormal agency. (4) It argued that social categories such as "wages or landownership could be analyzed without descending to living processes." (5) It relied on a method the outcome of which was a body of logically consistent propositions within "a system of economic taxonomy." (6) It rested on an assumption of "hedonistic human nature," which was at the same time "inert and immutable," and in which a human being was reduced to "a homogeneous globule of desire." (7) It denied the "cumulative growth" of ideas, technology and material possibilities. A formal casting aside of the taxonomic scheme and a putative recourse to historical narrative, Veblen argued, did not necessarily constitute a sharp break from the preevolutionary perspective, since the German historical school had simply developed a grand narrative that incorporated the main assumptions of the pre-evolutionary taxonomy.

Evolutionary economics, for Veblen, was the antithesis of this pre-evolutionary conception. Among its characteristics were: (1) It constituted "a close-knit body of theory" of "unfolding sequences"—"a genetic account of the economic life process." (2) It replaced pre-evolutionary taxonomies with an emphasis on "dispassionate cumulative causation." (3) It focused on changes in the "material methods of doing things"—"the material means of life." (4) It was concerned with "economic action" and the "cumulative process of adaptation" of individuals and groups. (5) It defined economic change as alterations in the

2 Thorstein Veblen, "Why is Economics Not an Evolutionary Science?" in Veblen, *The Place of Science in Modern Civilization and Other Essays* (New York: B.W. Huebsch 1919: 56–81). All quotations, not otherwise attributed, are from this essay.

3 Veblen is critical of any naturalistic/mechanistic notions that can be considered teleological in the classical (Aristotelian) sense, i.e. relying on "final causes." At times, however, he speaks of "teleology" in the more restricted human domain, arising from the historical tendencies/purposiveness of human society, thus making human social existence a special case not attributable to external causes but to the laws of human self-development. See Veblen, "Why is Economics Not an Evolutionary Science" (p. 75).

community's form of material organization and habits of thought—denying any “definitively adequate method of life” or “legitimate trend” based on extra-evolutionary preconceptions. (6) It recognized that change in a community's economic institutions and conditions is a process of “cultural growth” as conditioned by economic interest. (7) It replaced an “animistic” frame of mind (as represented by taxonomic thinking) with a “materialist habit of mind,” that abandoned all ceremonial notions of “normality.” (8) It gave expression to the idea that everyday technological exigencies were themselves pushing society toward a more evolutionary and materialist frame of mind.

In his later work Veblen filled out the elements in his evolutionary view of economics, giving it a more concrete and determinate character. His analysis embraces, along with much else, such realities as the class basis of modern society, economic crisis tendencies, the growth of monopolistic enterprises, the proliferation of economic waste, and the domination of pecuniary over productive motives. But to understand Veblen's analysis completely, and to not get lost in the institutional details, it is important to keep in mind the extent to which his analysis remained a critique of establishment economics. This critique rested first and foremost on the fact that orthodox economics was hopelessly enmeshed in pre-evolutionary thought. It is the contrast between pre-evolutionary and evolutionary analysis that most clearly demonstrates, for Veblen, the inability of economics to become scientific and its backward ideological character.

Do Dugger and Sherman succeed in capturing the spirit of evolutionary economics, as described by Veblen, in their book? I think they do—relying not just on Veblen, but also thinkers like Clarence Ayres in the institutionalist tradition and Paul Sweezy in the Marxist tradition. They commence their book with a “fourfold definition” of social evolution, which is well-worth quoting:

First of all, evolution means not only incremental change in all aspects of society, but also structural change in the basic institutions and relationships of society. Second, evolution means change caused by the internal dynamics of society (called endogenous change), rather than change caused by external causes from outside of society. Third, evolutionary change cannot be reduced to the affects of a single factor, but is due to the operation of the relationships of the whole of society (holistic or relational change). Fourth, evolution in all stratified or class divided societies involves conflict between groups.

(p. 7)

These four emphases (placed in reverse order) on class/social conflict, holistic relationships, internal or endogenous change, and structural rather than incremental change are in direct conflict with orthodox economics, and encapsulate much of what is essential to evolutionary economics as articulated

by Veblen (and before him Marx).⁴ Moreover, Dugger and Sherman explicitly recognize that neoclassical theory is still rooted in teleological notions of natural law, predetermination, and mechanistic, Newtonian physics. The authors carefully avoid what was the greatest pitfall threatening Veblenian and Marxian thought, namely technological determinism/reductionism—a view that would have made a mockery of any claims to evolutionary thinking. Likewise they deny that evolution simply means progress, arguing that we should abandon the notion that evolution necessarily mean higher or even “fitter.”

What they are calling for therefore is a revolution in economic thought. But this in itself is not the focus of their book, which is concerned rather with the relation between the two wings of evolutionary economics: institutionalist and Marxist. Still, one has the sense in reading this book that this is more than a mere dialogue, but rather an attempt to synthesize the two traditions of evolutionary economics, by emphasizing their similarities (even more than their differences), so as eventually to launch a more radical evolutionary critique of ecological economics.

The dominant perspective in this dialogue, insofar as it appears to set the agenda, is the institutionalist one. *Reclaiming Evolution* is meant for institutionalist economists, and designed to demonstrate, on Dugger’s part, that a radical institutionalism in dialogue with (and influenced by) critical Marxism is more adequate than an institutionalism that attempts to go it alone; and, on Sherman’s part, that Marxism has a place within institutionalism in its broadest sense.

There is no doubt that the book succeeds in realizing these objectives. In my own case as a Marxist and a long-time admirer of Howard Sherman’s work (one who has read almost everything he has written), it is perhaps understandable that it was Dugger’s part of the dialogue that was most startling and enlightening to me at this stage in my own development. Many of the concepts and approaches that he describes were extremely helpful, and compatible with a socialist critique. Moreover, the Veblenian vocabulary of social critique—vested interests, absentee ownership, leisure class, underlying population, enabling myths, cumulative causation, etc.—are enormously valuable, adding power, precision and a certain flair to our discursive arsenal.

4 Of the four points in Dugger and Sherman’s description of social evolution the most problematic is the second. The abstraction of the social from the natural-external world is no longer adequate in an age of globalized ecological crisis. A coevolutionary perspective is called for. This was in fact recognized by both Marx (see John Bellamy Foster, *Marx’s Ecology* (New York: Monthly Review Press 2000)) and Veblen (see K. William Kapp, *The Social Costs of Business Enterprise* (New York: Asia Publishing House 1963)).

Dugger's analysis reads like a return to Veblen himself, quite different from what is commonly associated with contemporary institutionalist economics: namely, its rejection of many of the unrealistic abstractions of neoclassical economics and adoption of an empiricist approach, *without actually challenging the theoretical premises of neoclassical theory*. Veblen himself would have nothing to do with that kind of anti-theoretical and for him non-evolutionary institutionalism in his day—particularly those influenced by the German historical school.⁵ As Sweezy observed in 1958, "All attempts to find something that can plausibly be called an institutionalist *doctrine* (in this predominantly anti-theoretical sense) in Veblen's work are bound to fail for the simple reason that 'there ain't no such animal.'"⁶ It is to Dugger's credit that the genuine article of Veblen's work—not the watered-down, eclectic orientation all too often associated with him—appears on nearly every page.

Sherman meanwhile breaks with what some have come to associate with Marxism, the dogmatic frame of analysis emanating from the official Marxism of the former Soviet Union from the late 1930s on. Sherman's Marxism, for those who are not familiar with it, is a much more critical Marxism, and indeed reflects a return to Marx (not to be attributed simply to Sherman himself but to Western Marxism more generally). Thus there is no rigid determinism, such as in the traditional base-superstructure analysis, to be found in Sherman's analysis, but a complex, evolutionary view, focusing on diverse social relations and endogenous change—though never losing sight of the centrality of class, and the reality of capitalism.

The problem with this book—if it can be said to have a problem (which may be due simply to the fact that it is just the first step in a much wider project, not yet completed)—lies in the fact that the artillery developed is never really turned on orthodox economics, so the general reader (particularly the non-institutionalist political economist) might wonder what this dialogue is all about. The realm of critique, which for Marxists is always uppermost, is largely implicit, even in the conclusion. The real business still remains to be done. And for those in the *Monthly Review* tradition of US political economy, which has long embraced Veblen only secondarily to Marx, the reaction may well be a

5 Of the German historical school Veblen wrote: "The insistence on data could scarcely be carried to a higher pitch than it was carried by the first generation of the Historical School; and yet no economics is farther from being an evolutionary science than the received economics of the Historical School. The whole broad range of erudition and research that engaged the energies of that school commonly falls short of being science, in that, when consistent, they have contented themselves with an enumeration of data and a narrative account of industrial development, and have not presumed to offer a theory of anything or to elaborate their results into a consistent body of knowledge." Veblen, "Why is Economics Not an Evolutionary Science?" (p. 58).

6 Sweezy, "Veblen on American Capitalism" (p. 179).

certain amount of impatience. Yes, these are the real traditions of Marx and Veblen, now what do we do with them?

The notion of evolutionary economics is an enormously radical one, if followed out to its logical conclusions, no less today than in 1898. Here we merely need note that: (1) an evolutionary conception of economics is “path dependent,” meaning that the history and internal dynamics of the system are crucial in any description of the system; (2) evolutionary economics does not point toward any single, determinate equilibrium; (3) evolutionary economics teaches us that there is no assurance that optimal efficiency will be realized, given path dependence and economic disturbances; and (4) actual evolutionary systems often tend toward “lock-in,” i.e., “survival of the first” rather than “survival of the fittest.” All of these facts, well-known to those who have come to view the economy as a “complex evolutionary system,” fit well with the Veblenian/Marxian critique of absentee ownership/monopoly capitalism—and make mince meat of the mechanistic abstractions of neoclassical economics.⁷

Dugger and Sherman are right, that development of the ideas of Veblen and Marx, focusing on the seemingly ordinary, but in fact enormously critical and complex, concept of evolution, spells a complete undermining of the neoclassical vision. What is needed, after the institutionalist-Marxist dialogue has reached this point, is a little creative destruction—aimed at “capitalism and its economics.”⁸

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⁷ Robert Constanza, et al., *An Introduction to Ecological Economics* (Boca Raton, Florida: St. Lucie Press 1997: 30); W. Brian Arthur, “Self-Reinforcing Mechanisms in Economics,” in Philip W. Anderson, Kenneth J. Arrow and David Pines (ed.) *The Economy as an Evolving Complex System* (New York: Addison-Wesley Publishing Co. 1988: 9–27).

⁸ Douglas Dowd, *Capitalism and its Economics: A Critical History* (London: Pluto Press 2000).

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