Selected Critiques of the Philosophical Underpinnings of the Neoclassical School

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Abstractus:

This inquiry seeks to establish the importance of the critiques leveled by Thorstein Veblen and Tony Lawson against the orthodox economics. In order to advance this point this inquiry advances the notion that Neoclassical school and its sub school known as marginal utility theory are constructed upon shaky philosophical and methodological foundations that include the hedonistic conception of man, Benthamite Utilitarianism, static equilibria, and the use of the mathematical deductivist method far beyond its scope of effectiveness. Writing in two different time periods, Veblen and Lawson comment upon the same essential methodological maladies and then advance alternative methodologies and ontologies aimed at reorienting a classical physics based economics towards a social-biological future.

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Selected Critiques of the Philosophical Underpinnings of the Neoclassical School

This inquiry seeks to establish that both Thorstein Veblen and Tony Lawson offer penetrating critiques of Neoclassical Theory. For a little more than a century the discipline of economics has been dominated by a school of thought that can loosely be dubbed as the Neoclassical School. With this inquiry the development of the Neoclassical school will be traced by employing a critical exposition of the work of several key figures who in various ways contributed seminal ideas to what would ultimately become the core of today’s orthodoxy. These figures are Jeremy Bentham, who developed utilitarianism and the felicific calculus; William Stanley Jevons, who mathematized Bentham’s ideas of utility by merging them to logic and calculus; and Alfred Marshall, who incorporated those previous ideas into a sophisticated system of economic thought that, despite his notion that a biologically based economics was the Mecca of all economists, borrowed heavily from Newtonian physics for his models and equations. During that last century, the discipline of economics and its various prescriptions for action have gone on to hold considerable influence in everything from the formation of government policy to the level of the decisions of the private consumer of Starbucks Coffee. The importance placed upon this body of theories and equations is immense, and yet relatively little ink has been devoted to
a rigorous questioning of the foundations upon which the whole edifice is constructed.¹

One of the most prolific critics of orthodox economics was Thorstein Veblen, who, in a series of articles and books not only challenged the philosophical underpinning of economics, but suggested that economics be loosed from the shackles of Newtonian physics and be recast in the mold of a Darwinian evolutionary science. Furthermore, Veblen’s philosophically based critique of marginal utility theory and the Neoclassical school as a whole, is still incredibly salient and has been joined by modern criticisms from the likes of Professor Tony Lawson. The common threads that bind together the critiques of Veblen and Lawson is their shared insistence that the economic laws postulated by the likes of Smith, Jevons, and Marshall, and the mathematical deductive method that derives and employs the laws are tautological in nature and make for exceedingly unstable foundations upon which to build the discipline of economics. The ultimate end of this work is to demonstrate the importance and relevance of the contributions of Thorstein Veblen and Tony Lawson as they offer penetrating critiques of Neoclassical Theory.

Jeremy Bentham and Utilitarianism

It is certainly no great secret that the notion of *Homo Economicus* finds its roots in the principle of utility advanced by Jeremy Bentham. The following exposition of Bentham’s ideas, as found in his *Theories and Morals of Legislation* [1789] (1967), serves the purpose of laying out in as clear a way as possible the simple system of Bentham and the effects his system of thinking would ultimately have for the methodology of Neoclassical Economics.

¹This may in fact be due three factors: the effectiveness of the critiques, the ease with which the Emperor is disrobed, and the recalcitrance and intransigence of the established orthodoxy.
The investigation into Bentham also is the first point in this investigation of the development of the Neoclassical thought and its underlying philosophical commitments as it continues through Jevons, the rather staunch Benthamite; and all the way to Alfred Marshall, a thinker of a far more nuanced and complex nature.

**Felicific Calculus and Its Methodological Implications**

Bentham's (1967, 125) inquiry into the human condition and his subsequent placement of utility as the central motivating force of human life began with the following famous excerpt:

> “Nature has placed mankind under the governance of two sovereign masters, pain and pleasure. It is for them alone to point out what we ought to do, as well as to determine what we shall do. On the one hand the standard of right and wrong, on the other the chain of causes and effects are fastened to their throne. They govern us in all we do, in all we say, in all we think: every effort we can make to throw off our subjection, will serve but to demonstrate and confirm it.”

Bentham (1967, 126) states that utility is the property to produce benefit that lies “within the object”. Bentham does not posit, nor is there any indication elsewhere that he means otherwise, that the happiness itself lies within the subject. That distinction becomes unimportant as what is most important is the nature of the calculator and not the exact relationship between the calculator and the calculated. Bentham (1967, 126) states that there is in fact no such thing as a “community” either in the sense that a community can have needs nor in the more central sense that there is some sort of emergent causal agent referred to as a community. Any such conception of community is referred to by Bentham as a “fictitious body”. The only suitable conception of community is simply as the sum of the individual parts,
for according to Bentham (1967, 127), whatever mechanism within the human psyche that is supposed to calculate pain and pleasure is wholly free from the complications brought on by exterior social structures. This notion of vacuum dwelling human beings would indeed become a foundational point of neoclassical economics.

However, Bentham (1967, 132) fails to actually state that pain and pleasure calculation is the only means available for human beings, nor does he state that it is the only one in use. His work is in fact a prescriptive treatise on why pain and pleasure calculation ought to be wholly adopted as the formal means by which we derive opinions. Bentham (1967, 128) does argue that many people who claim to be making decisions from something other than a pain/pleasure matrix are mistaken, and are in fact actually engaging in a felicific calculus, but there are notable examples of people who he finds to be genuinely (and in his view mistakenly) living life without invoking a felicific calculus.

The two most pronounced alternative categories are asceticism and the dual matrix of sympathy/antipathy. Bentham (1967, 132) rails against asceticism, claiming that the aim of the practice is at complete odds with the felicific calculus and he does so without qualifying that those who practice asceticism may in fact be doing so as part of a quest for happiness (some are, some are not). When speaking of the principle of sympathy and antipathy, Bentham (1967, 138-139) defines it as “that principle which approves or disapproves of certain actions, not on account of their tending to augment the happiness . . .” Bentham (1967, 139) goes on to state
that it is not in fact a principle, but a behavior based upon the negation of all principle.

What importance might this discussion have? The potential importance here is the presence of further evidence that Bentham was not claiming that human beings are perfect and consistent calculators of utility. This, of course, does not mean that humans aren't capable of being such calculators. Bentham might have been wrong in his allowance for other factors in human decision making processes. The important thing to note here is that Bentham is making normative statements as opposed to descriptive statements. What does seem to be a solid inference from this apparently heterogeneous description of human motivation from none other than Jeremy Bentham, is that the foundations of homo-economicus as a being of perfect utility calculating abilities seem shaky even at their supposed point of genesis.

There is furthermore nothing that would indicate that the foundations for Homo Economicus seemed any more certain in 1871, when Jevons made that conceptualization a central pillar of his theory, than there was in 1789. This would indicate that the choice for such a conception may have come more from the fact that such a simplified conception of individual human beings, and the society which they comprise, lends itself more easily to incorporation in mathematical models, than other more multifarious conceptions of human beings.

When looking at the history of economic thought from the standpoint of methodology, points of great importance are the theoretical entities chosen, why they are
chosen, and how they determine, and are determined by, the greater theoretical system in which they are placed. The adoption of Utilitarianism as a foundational methodological framework was a great hinge on which subsequent economics turned.

**Differences with John Stuart Mill**

Some of the theoretical importance of Bentham’s brand of utilitarianism can be seen by comparing it to the Utilitarianism of John Stuart Mill, which is primarily elucidated within Mill’s *Utilitarianism* [1861]. The important difference between the two systems is Mill’s (2002, 247-249) assertion that not all happiness is of the same qualitative stature. There are higher pleasures and lower pleasures, and the difference between the various pleasures is great enough that Mill finds that it would be far more preferable to be a miserable Socrates than if one were to be a happy idiot. This distinction in happiness levels to a certain extent pulls the rug out from underneath hedonistic man, in that the notion of utility becomes itself subject to change in any given individual over a given span of time and in the aggregate of individuals.

In the following section I will attempt to further demonstrate that Bentham’s brand of hedonistic Utilitarianism, as opposed to Mill’s more qualified brand, was essential in order to make Jevons’ system work.

**Jevons’ Selection of Bentham’s Utilitarianism over Mill’s Utilitarianism**
In the article “John Stuart Mill’s Philosophy Tested, IV, Utilitarianism” [1879] found within a posthumously published anthology of his work entitled *Pure Logic and Other Minor Works* [1890], Jevons goes to great lengths to differentiate the Utilitarianism of Mill from the Utilitarianism of Bentham, whose brand of Utilitarianism was at that point eclipsed by Mill’s version. Jevons (1890, 262) broadly characterizes Mill’s treatment of Utilitarianism as illogical and overly sentimental, confusing sense with sentiment. By “removing the obstacles . . . he removed its landmarks too, and confused everything.” The first point at which Jevons criticizes Mill is in his doctrine of separating pleasures and pains into higher and lower categories. Jevons (1890, 277) does so by noting that Bentham did not make such a move, and that the “pure pleasure” of Bentham was simply a pleasure that was unlikely to be followed by an attendant pain; the example provided being Opium smoking. Finally, because Bentham did not create classes of intrinsically different or superior pleasures, the counting of pleasures and pains could be carried out in the simple manner of balance sheet.

Jevons (1890, 279) continues, reiterating that although there can be conceived two different kinds of Hedonism, Egoistic and Universal Hedonism, that Universal Hedonism should not be thought of as anything other than the whole collection of individuals acting under the auspices of the Egoistic variety. Among the many criticisms that Jevons levies against John Stuart Mill is that Mill is affected by a certain over sentimentality which has the tendency of making his reasoning imprecise. Conversely, Jevons places great emphasis on those parts of Bentham and Sidgwick which denote a certain mathematical rigor. Ultimately, the importance of demonstrating Jevons’ distaste of Mill’s Utilitarianism is to demonstrate that Bentham’s account may have been chosen in part because the feelings of
Bentham’s human beings are far easier to calculate than the feelings of human beings under Mill’s account. The deeper question here,

**Jevons**

This paper’s exploration of Jevons’ work takes place primarily within the confines of his *Theory of Political Economy* [1871] (1888). The philosophical spine of the book is made explicit by Jevons (1888, 2-3) rather early in the work with the assertion that utility, and not labor, is the sole creator of value. For Jevons, labor will only appear to have an effect on the creation of value by way of increasing or lessening the supply of a quantity. In short, Jevons argument of this point centers on the simple notion that much work could be put into the creation of an object, but if the object was undesirable, then the value would be significantly diminished. In stark contrast to Veblen’s later scientific preference, it was Jevons’s (1888, 2-3) belief that all good sciences were by nature fully expressed through mathematics and a large degree of his mission in publishing his treatise was to bring such concepts as wealth, utility, value, demand, supply, capital, interest, and labor into a fully mathematized language. The underlying, though perhaps circular, reasoning for the shift towards mathematical models is best expressed in Jevons’ (1888, 3) own words, “... our science must be mathematical, simply because it deals with quantities.” In answer to the criticism that mathematics ought not to be brought in to economics because the numbers so imprecisely fit the data, Jevons argues that that has been the case throughout the history of even the hardest sciences. Citing examples in support of this claim, he puts forward the work of Galileo, the initial theory of the tides, various theories of dynamics, and the
hypothesis that the Earth was essentially a large spheroid. In short, Jevons recognizes the prime aspect of science to be the use of mathematics as opposed to some form of predictive ability. For Jevons, the math is always ahead of the science, which may belie the kind of Platonist leanings so common among a great many mathematicians.

Jevons (1888, 8) further claims that there are two types of sciences, those that are purely logical and those that are both logical and mathematical. Those sciences that make predictions that involve there being less or more of a phenomena belong to the group that involve the mathematical. Therefore, any field of human study that involves such statements, sooner or later, must be expressed in mathematical terms. This notion holds true as long as social and biological entities could be considered as behaving in ways not at all dissimilar to the ways in which planets, atoms, and electrons behave.

In addition, Jevons (1888, 9) states that if we express something in terms of a magnitude, in terms of greater or lesser, then ultimately that thing is akin to other things such as weight or temperature and accordingly is a type of thing that ought to be expressed mathematically.

Jevons admits that the ability to measure the feelings of the human heart in quantitative terms is lacking. Jevons (1888, 11) then advances that we measure the feelings at the base of utility theory, by measuring “the quantitative effects of the feelings.” Jevons uses the analogy of measuring gravity (something intangible) through the motions of the pendulum, to measuring human feelings/will through the oscillations of the “price lists of markets”. This statement makes sense if and only if the hedonistic account of human beings is an accurate account. This is necessarily so because any account
possessing of more complexity would make an accurate calculation of quantity as it concerns feelings exceedingly difficult. Ultimately, it seems a poor analogy due to the fact that gravity is a simple hypothetical type that successfully explains many different phenomena, whereas human feelings were then and still are known to be constantly affected by a large heterogeneous category acting non-uniformly on what isn’t truly a “logical simple” (the price lists of the market).

This work by Jevons is a key in understanding the entire neoclassical/marginal utility school that followed. Jevons attempted to turn human feelings into discreet, measurable units fit to be placed within deductivist mathematical models. In later years this utilitarian calculus would ultimately be supplanted by a far easier to swallow theory of preferences, but if one views the employment of a mathematical deductivist method as one of the primary hallmarks and hard cores of Neoclassical Economics, then one clearly finds in Jevons’ work the founding assumptions.

Marshall

The work of Alfred Marshall is an inexhaustible font of scholarly fascination. He was equal parts philosopher, mathematician, and economist. His life and work bridge together the intellectual currents of the 19th and 20th centuries. His most complete and famous work, *The Principles of Economics* [1890] served to crystallize and systematize all the work that had been previously undertaken during the marginalist revolution: the graphic representation of the supply and demand curves, marginal utility fully merged with the language of classical physics. All the while, Marshall (1920, xiv) worked to maintain the
connection of economics to the cradle of Moral Philosophy in which it was originally birthed, and looking to the future of the discipline, was planning to bring economics closer to the biological sciences, stating in the Preface to the Principles that “the Mecca of Economists lay in Biology.” In that most of his models and analogies were grounded in Newtonian physics, we may label Marshall an arch Neoclassicist. However, the scope of his work and the range of his sentiments are so broad, that it is almost a disservice to place him in any tight taxonomy. Thus, for the purposes of this paper, our inquiry will adhere to the philosophical and methodological aspects of Marshall’s economics. Among those aspects, the most important points of investigation center upon Marshall’s understanding and interpretations of science, utilitarianism, and evolutionary theory.

Marshall's (1920, xiv) understanding of the philosophical grounding of the scientific method is a fairly sound and mainly uncontroversial understanding: scientists make observations, collect facts, and infer provisional laws. The word provisional here is important for he indeed recognizes the risk of formulating laws, and in his own words understands that “since we must form to ourselves some notions of the tendencies of human action, our choice is between forming those notions carelessly and forming them carefully.” The qualification that his understanding is “mainly” provisional also has some bearing upon the current conversation as one of the many important points advanced in Thomas Kuhn’s (and by many other philosophers of science) seminal work *Structure of Scientific Revolutions* [1962] was the idea that many, if not all, of the theory neutral observations that underpin science are in fact “theory laden”: all of the events that we view are done so through gross or subtle theoretical lenses. This idea of theory-laden observation will later be shown to be implicit in both Veblen’s and Lawson’s critiques of
the mathematical deductive method. As a whole, on the basis of methodology, Marshall’s argument is perhaps more sound than that of Jevons as Marshall takes more care on deciding what can be measured and by what means within the discipline of economics. Marshall compares economic laws not to the law of gravitation as did Jevons, but to the laws of the tides. The difference here is significant as (at least according to the ideas of gravity before Einstein) the study of tides takes into account a greater abundance of elements than did the study of gravity.

Indeed, Marshall (1898, 42-43) states explicitly that life sciences are qualitatively different than the physical sciences when he wrote, “all sciences of life are akin to each other, and are unlike physical sciences. And therefore in the latter stages of economics, when we are approaching nearly to the conditions of life, biological analogies are to be preferred to the mechanical, other things being equal.” Furthermore, Marshall (1920, 1-3) states in the first few pages that the character of human beings is very much formed by the work that they perform, that poverty very often leads to degradation and that human beings are driven not solely by economic motives, but by religious and artistic influences as well.

Any conversation on the extent to which evolutionary thinking is integrated into economic methodology it is necessary to indentify the specific interpretation of evolution in play. In “The Mecca of Alfred Marshall” [1993] Geoffrey Hodgson lays out the extent to which Alfred Marshall’s system of economics was unable to incorporate biological analogies. Much of the conversation centers on the marked influence of Herbert Spencer upon Marshall’s thought. This Spencerian methodological influence has significant ramifications for the types of theoretical entities that would go on to populate Marshall’s system.
The matter here is a matter of ontology. Specifically, creating a biologically based economics would require the development of a biologically based ontology as opposed to an atomistic, mechanically based ontology. In an atomically oriented ontology one conceptualizes and reifies an “average person” and from that starting point treats large groups of people as if they would behave as an aggregate of that average person. A biologically derived ontology treats the economic sphere as something akin to an ecosystem and pays attention to many of the same elements that caught Veblen’s eye: namely institutions. Instead of rationality underwriting economic processes, the influence of habits and instincts (another prominent Darwinian element) take on a prominent role.

**Marshall and Bentham**

To what degree Marshall could be considered a Benthamite? If Marshall could be considered to part ways with Bentham significantly, could there be later inconsistencies at the level of his methodology? In the article “Jevons, Marshall, and the Utilitarian Tradition” [1990] R. D. Collison Black (1990, 8-10) advances the view that Marshall was in no way a thoroughgoing Utilitarian, but nonetheless did not ever fully remove Utilitarian presuppositions from his system. The resulting perception is that at times he seems a Benthamite Utilitarian and at other times he puts forward views completely anathema to the Benthamite tradition. Black (1990, 10) states that the primary difference between Jevons and Marshall lies in Marshall’s unwillingness to base economics in anything so crude as an unrefined hedonism. Marshall retained the notion of utility maximization, but took into account historical and evolutionary trends. Ultimately, Marshall’s ideal conception of economics would have involved economics being tied to the ultimate aims of life, not simply to superficial and intermediary aims.
Veblen

Thorstein Veblen’s critique of Neoclassical economics and the economics of the Marginal Utility theorists are examined within this work through several of his most important journal articles: “Why is Economics not an Evolutionary Science?” [1898], “The Preconceptions of Economic Science II” [1899], and “The Limitations of Marginal Utility” [1909]. The main themes of Veblen’s critique are the unfortunate presence of tautologies within economics, the abundance of “supernatural” a priori statements, and the fallacy of the hedonistic conception of man, which itself is an amalgamation of the former two informal fallacies.

This first of these articles is essentially the founding text of the Evolutionary-Institutional school and this paper opens with the bold statement that all sciences that are truly modern are constructed along evolutionary lines. The article is a serious of critiques of various thinkers and schools of thought. Marshall is given credit for approaching the notion of an evolutionary science, but is “overly modest” and deferential to the old guard 19th century classical economists. Veblen (1898, 375) recognizes that the German Historical school collected a great deal of data, but fell short of being a science as the dialogue was limited to a kind of historical narrative account of industrial processes. Mill dealt with certain processes with skill, but his economics ought not to be construed as evolutionary. The problem with economics is not that it fails to address facts, because there are plenty of facts utilized in economics. The problem with economics is that the
theory that underlies and often permeates the facts is itself filled with metaphysical presuppositions not based in reality.

Veblen (1898, 378-381) continues along this line by pointing out the various ways in which economists have constructed their theories utilizing not fact based cumulative causation, but metaphysical entities. Among these entities are ‘natural laws’, natural rights, natural inclinations, and various orders of nature. These natural law based systems have the tendency of interpreting new information under the conceptual aegis of the natural law. These purported natural laws are also tied by Veblen to the common sense opinions of the time. The ends that the laws are leading to are the products of the “current common sense ideas of what should come to pass”. Thus the systems set up ultimately serve as devices for validating the opinions of the inventors.

Within modern sciences, facts are known in terms of causal sequences. Sciences, including economics, which treat of the “normal” course of things are in need of renovation. In other words sciences that too overzealously classify phenomena into the rubric of a system of natural law are of a mere taxonomic nature. The difference between evolutionary and pre-evolutionary science is not a quantitative difference, but a qualitative difference: a difference in interpretation.

The positive solution Veblen offers for the renovation of economics is a biologically inspired system of cumulative causation. In this system, man is not viewed as a “lightning calculator of pleasures and pains”, but is more akin to a “coherent structure of propensities and habits which seeks realization and expression in an unfolding activity”. Desire here arises from temperament, which itself is a product of habits and instincts. The
environment and the individual could be said to both be emergent properties that affect and are effected by one and another. The basic level at which this research is undertaken is in humanity’s interaction with the physical means of existence.

**Veblen’s Evolutionary Economics**

What are the mechanisms of this Evolutionary Economics? Veblen’s (1898, 415) explanation of evolutionary economics begins with the notion that the economic life history of individuals is a cumulative process in which individuals are constantly engaged in the dynamic activity of adapting means to ends within the medium of an ever changing environment. In this process, both the individual and their environment are constantly affected by the cumulative processes of the past. This is also the case with the community as “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”. Veblen (1898, 405) states that evolutionary economics must be a theory of how economic interests shape cultural growth, and a theory of how economic institutions are cumulatively changed through this process.

The paradigmatic metaphor for the difference between evolutionary sciences and physico-taxonomic sciences is the comparison of the studying of a reef to the studying of the polyps that give life to the reef. Veblen (1898, 409) puts forward the notion that we must find in economics terms analogous to cytoplasm, centrosome, and the karyokinetic process to become free from the metaphysics of normalcy. Taxonomic systems, in many ways more useful than conceptions of natural laws, are limited in the same way. Taxonomic systems are incapable of giving insight into the changes that dynamic systems
undergo. Veblen’s emphasis that economics should be akin to the study of the polyp is important in several ways. For one, it seems to emphasize agency in Veblen’s evolutionary process. In some forms of evolutionary thought, taxonomic schemes are given great emphasis in the sense that they seem to map out an orderly and somewhat determined trajectory of evolution.

The analogous objects of study to found the basis of a more biological economics would be the very ways in which human agents make changes to their environment through force of body and force of knowledge. These life processes can be neatly placed under the aegis of cumulative causation. For Veblen (1898, 410), the changes that take place in mechanical contrivances are best understood by paying heed to the changing knowledge of the human beings that cause the change. To think of capital goods, simply as a stock of inert tools, ready to be utilized by humans is for Veblen sufficient as a base for a taxonomic understanding, but not for a truly dynamic understanding. The whole world around is both influences our habit of thoughts and is directly shaped by our habits of thought. The factories, roads, cups, and airplanes of this world are concretized habits of human thought. We, as human beings, are both subjects and objects inhabiting a world that is many ways also both a subject and an object.

Shortcomings of the Neoclassical School
Veblen’s paper begins by stating that all of the most important sciences of his day were in fact economic sciences. According to Veblen (1898, 411), the shortcomings of the Neoclassical system are several. The first point of criticism is reliance upon “natural laws” as devices for explanation. For instance, Veblen (1898, 407) represents Adam Smith’s notion of an invisible hand as a kind of “coercive surveillance” that provides a “spiritual stability” to the whole economic process. Indeed, all such *a priori* elements, when compared to an evolutionary conception, are rather satirically seen to be of a fundamentally different “spiritual” nature. In Veblen’s view, these conceptions of natural law are seen to be no better than the metaphysical conceptions of the medieval church. In short, reliance upon natural laws as means of explanation is detrimental to economics because it has the effect of limiting the lens through which economic activity is viewed. Since the premises that support those natural laws are built upon the prejudices of the time, the conclusions are liable to be somewhat tautological in nature. This reminds one of the famous story in which Karl Popper questioned Alfred Adler on how Adler concluded a certain diagnosis. Adler replied he knew his diagnosis to be the case because he had seen it “one thousand times before”, to which Popper replied “and now you have seen it for the thousand and first time.” In both cases, danger is that a confirmation bias has led to a conclusion. Veblen (1898, 405) contrasts the current evolutionary scientists of his day with the earlier scientists and posits that while the current scientists restrict themselves to

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2 This is a somewhat problematic notion simply due to the fact that science is far from homogeneous and also for the fact it could be said that the dominance of a certain kind of physics has only really been challenged in the last century by relativity theory, quantum theory, and recent advances in biology.
questions of cause and effect, the scientists of time’s past were overly fond of notions of natural law.\textsuperscript{3} If economics is to be a proper science, tautologies must be cast aside.

What is this equilibrium to which all things are supposedly going? What are the bases for which we believe in this equilibrium? Veblen (1898, 409) responds that the idea of a normal point of equilibrium to which all things tend was not any more rational than the teleological ideas of Aristotle and the later Christian Church fathers. He proceeds further by stating that the rather arbitrary assumption of a point of equilibrium is tantamount to simply accepting all of the commonplace notions of progress of a given era and deciding from them the point to which all things travel. Economics becomes a “working out” from the notions of the time towards whatever ultimate ends seem the ultimate goals of human activity.

If the notion of equilibrium is a wholly arbitrary construction, then the ramifications for the discipline of economics are simply extraordinary. As an arbitrary conception, loaded with the biases of the time, the equilibrium would at best be able to represent a frozen picture of an economy. It could only be part of a set of tools that can offer a description, but couldn’t take part in offering any prescriptions. This is so, because such a frozen conception has within it no understanding of the dynamic forces constantly working through the actors and institutions playing parts in the grand economic choreography. In the end, what is interesting here is the obvious: the mainstream of

\footnote{This is also a somewhat problematic premise as the thrust of the sciences of his time and of our time very much remains the search for ever simpler explanations to ever more broad fields of phenomena, noted instances being Maxwell’s unification of electricity and magnetism, Feynman’s unification of quantum mechanics with Maxwell’s laws, and the current efforts to link quantum mechanics and relativity theory. Conceptions of natural laws are, such as gravity (initially considered a weird spooky theory) have proven to be exceedingly accurate predictors of phenomena.}
economic thinking has changed very little in the past century. The equilibrium is enshrined in so many textbooks, institutions, and minds.

For Veblen (1898, 413), the hedonistic conception of man proves narrow, unrealistic, and misleading. Hedonistic man is a passive subject, moved to and fro by the vagaries and vicissitudes of the world. He is “isolated”, “self poised”, and in this isolation is somehow still a “lightning calculator of “pleasures and pains”. This is misleading because in so many ways “no man is an island”. All economic actors, all human beings have a history that shapes them, have needs that change and evolve, and go on to develop new and different methods of modifying the means with which to pursue those ends. Can an economy populated by perfectly rational actors ever really change and evolve? Veblen (1898, 389-90), in characterizing rational economic man as a “definitive human datum”, “self poised in elemental space”, and ultimately “following the line of the resultant” clearly is arguing that pleasure seeking robots could not account for the type of change and diversity witnessed in the human drama. Through a hedonistic view, the economic interest of the actors cannot be understood in terms of change and activity.

According to Veblen (1898, 411), the new anthropological research of his day reinforced the notion that humans characteristically do things from their own volition. Human beings are “coherent structures” of propensities and habits. These propensities and habits have a gravity of their own to such an extent that to exclude them from the study of economic life would create a limited picture. The question of course is, what ultimately fuels those propensities and habits? What galvanizes them into motion? The notion that the search for happiness is the energizing agent does not seem to be thrown out of court.
However, even if some sort of felicific calculus is present, Veblen’s critique holds a great deal of water. Veblen (1898, 411) argues that the activities of the past clearly have an effect on both the present objective circumstances and the new state of an individual’s habits and propensities. In any given moment, the variables from the previous moment have given rise to a highly modified, if not entirely different set of propensities.

If this is even partially so (and it seems very much to be so), then what constitutes happiness for a human being is open to change and will vary incredibly across a population. It follows that models of equilibrium, represented through supply and demand curves, could at the very best be thought of as representations of averages of what goods human beings will demand at what price. How does one generate a picture of a representative human or a representative firm? Indeed, on Veblen’s model there is so much capacity for change that even a fairly accurate graphical representation could not be relied upon as an accurate predictor for subsequent time periods. It is at this point that economics is truly freed from teleological tendencies.

**Veblen’s Interpretation of Evolution**

Veblen’s interpretation of evolution is not explicitly stated, but a reading of the text seems to reveal the presence of ideas similar to Spencer, Darwin, and Lamarck. The mechanism of evolution in Lamark’s system is a great deal more deterministic and orderly than the chance and accident driven system of Darwin. When Veblen (1898, 404-405) uses such phrases as “orderly unfolding”, “orderly unfolding development of fact”, and “dispassionate cumulative causation” one is lead to think that the evolution of an economy may in fact be
deterministically grounded either in some unchanging atomic constituents or else that there are hidden in the background of Veblen’s thought “laws of process” that give order to a potentially messy process of evolution. If the latter were the case, then Veblen would be playing the same *a priori* natural law tune that he so harshly criticized Smith for playing. If the former is true, it would seem to erode human agency in adapting means to ends. If it doesn’t undermine human agency, it may change what conception we have of human agency. It is not wholly clear to me if Veblen is some kind of biological/materialist reductionist or whether he has even fully committed to some such metaphysical position. If he has, it would be an important point from which to understand the degree to which his tacit ideological commitments help to govern the workings of his evolution. Said another way, there seems to be a difference in human beings learning and adapting because they are so programmed, and learning and adapting as an extension of being a free agent. In any event the presence of a law or laws of process does not seem to be the case either, as Veblen places a good deal of importance on human agency as a central and necessary component of an evolutionary economics.

On the importance of human agency, there are a great many textual reasons to believe that a less deterministic agency is important for Veblen’s notion of evolution. On Veblen’s account (1898, 404-405) the physical properties are to be viewed as the constants and the human element, in working with these substances, is given the primacy of the study. In all areas of human endeavor, it is the human knowledge that is most dynamic part of the process of change.
Veblen on Marginal Utility

Veblen’s critique of the school of marginal utility is found in full form in his article “The Limitations of Marginal Utility” [1909]. This article is in essence a continuation of Veblen’s earlier Preconceptions of Economic Science and as such is aimed at deconstructing the same foil of taxonomy. In this case, the target of Veblen’s darts is none other than John Bates Clark, his old teacher at Carleton. For Veblen (1909, 620), marginal utility theory is only a theory of valuation and in that vein is only capable of rising to the level of a “wholly statical” taxonomic system, despite the claims of Clark that marginal utility theory is a dynamical theory. Veblen (1909, 622-623) states that the hedonistic view is incapable of dealing effectively with the phenomena of growth. Veblen (1909, 622) points out that the difference between the 19th century classical economists and the economists of the marginal utility school rest primarily in the fact that the marginal utility school adheres more strongly to the notion of hedonistic man and are more consistent in the practical limitations imposed by this. In both schools human beings are exceptionally rational and clear headed and preternaturally “farsighted in appreciation of future sensuous gains and losses.” To this, Veblen (1909, 623-624) takes up a couple pages to say something very simple: human beings do not seemed to be armed with the requisite foresight, clear-headedness, or even the rational machinery to make the theory of marginal utility work. In addition to this criticism Veblen asserts that the hedonistic conception is unable to truly account for human interaction. The ideas of marginal theory are cast as part of the institution of business culture that was present at the time of the writing; elements that if questioned would call into question the validity of the whole institution.

The study of economics ought to be a genetic inquiry into the human scheme of life, the subject being human relations with the material world. Material civilization is a scheme of
institutions, themselves emergent phenomena sprouting from the accumulation of habits as culture is seen by Veblen as a “cumulative sequence of habituation”. In such a scheme, each new change creates a different system that affects the entirety of the system in just the same way that dropping a pebble into a pond will have effects that spread across the entire system. Marginal utility theory comes up short because the individual cannot be treated as separated from the influence of the institutions that constantly bear down upon him/her.

When institutions are taken into account by the marginal utility theorists they are taken as given elements; the noted example being the ownership of property, which is viewed as an immutable right and something always to be desired. In closing, Veblen outlines the degree to which ownership and all of the attached pecuniary considerations give rise to a multitude of habits responsible for forming society. Veblen (1909, 630-632) goes on to state that marginal utility economics has the tendency of ignoring or recasting the institutional elements of business into a hedonistic language, which has the effect of obscuring and removing the very elements he found fit to study. The value of this paper comes from the addition of his theory of institutions to his critique of the taxonomic underpinnings of so-called neoclassical economics.

Peirce, Veblen, and Habits

Useful to the conversation on Veblen’s thought and methodology as well as a conversation on trends in 19th century science and philosophy is a necessarily brief consideration of the work of Charles Sanders Peirce. Central to the times in which Peirce was thinking and writing was the working out of the implications of Charles Darwin’s evolutionary theory.
As has already been seen, a great deal depends on the degree to which a thinker attempted to apply evolutionary theory to their economic scheme and upon which particular interpretation they were drawing.

An element that ties many of Peirce’s interests together is the notion of continuity called synechism and that there are certain processes that can only be properly studied as continuities. Peirce’s (1950, 354) own definition of synechism is “that tendency of philosophical thought which insists upon the idea of continuity as of prime importance in philosophy, and, in particular, upon the necessity of hypotheses involving true continuity.” What Peirce was ultimately trying to do was create sufficient grounds for the reality of causal relationships. How can objects really work upon each other with such space in between them? “How can one mind work upon another mind?” While both Kant and Hume would teach us that we are ultimately not able to give anything more than a provisional or inferential reality to causal relationships, Peirce (1950, 356) puts forward that our problems stem from the tendency to view objects as discreet entities that are able to separated one from the other. Peirce solves this problem by putting forward the view that in reality there are no discreet things that give rise to boundaries or gaps. This thinking is analogous to the main notion found in The Origin of Species [1859] as, previous to Darwin (and still in many circles), species were viewed to be the possessors of unchanging essences; a notion more commonly known as the immutability hypothesis. It could be said that in Darwinism the species bleed into one another over the long vastness of time. The ontology of the word “species” is then not a discreet entity, but is rather an emergent formulation. Peirce’s project was challenging due to the fact that the very structure of our grammar and language (subject-verbing-object) lends itself to the reification of the subjects
and the objects in their representation as nouns. This interpretation of Peirce’s work is bolstered when Peirce (1950, 356) states that “where there is continuity, the exact ascertainment of real quantities is too obviously impossible. That said, it must be stated that the philosophy of language, at least in this regard, was not a major part of Peirce’s research program.

For Peirce (1950, 356), uncertainty was an extremely important principle, and comes about for Peirce, as once the objects are given strictly provisional status, then everything by necessity is in fact uncertain. Along with uncertainty there comes a noted lack of teleology. Peirce rejects Spencer’s notion that “from the disorganized comes the organized” on various grounds, most important among them the fact that any teleology is implicitly dependent upon some permanent structure on which to hang its ontological hat.

This previous point of departure with Spencer is in fact one of the main themes underlying the discussions in this paper for this is a point at which Spencer departs from Darwin, for Darwin’s evolution was driven by chance, while Spencer began to see more than just chance behind “evolutionary laws” and gave a different meaning of “survival of the fittest” than Darwin’s intended meaning for the term (a term not used by Darwin until 1866). If there are no longer any discreet objects per se then the concept of “cause and effect” takes on a very different form of meaning and requires a type of thinking that is very different and seemingly counterintuitive. Just as habit is an important term in Veblen’s system so it was important in the system of Peirce and his fellow pragmatists. Unlike “natural laws”, habits are fungible and open to modification. Habits can both affect and be effected. In thinking about the term from a linguistic point of view, a habit is a rather verb-
like noun: it is a term for an open ended dynamical process. The world is a habit that is filled with habits that act upon one another to form other habits! What dynamism! When one thinks of an institution as a habit or a series of habits, then the fluid nature of evolutionary institutional economics comes alive. It is in all of these lights that the work of Peirce is so important for studying Veblen, because it explains the philosophical workings of Veblen’s evolutionary economics from an angle that perhaps Veblen doesn’t make fully explicit.

As in any science, the outcomes of research are greatly dependent upon the level of reality that is being studied and theories will differ based upon the taxonomic arrangement that is enforced upon the things of this world.

For Veblen (1898, 411) the hedonistic conception of man is not suitable as a basis for the study of human economic life, as the hedonistic man is “not the seat of a process of living”. In Veblen’s (1898, 411) view man is not a “lightning calculator of pleasures and pains”, but is more akin to a “coherent structure of propensities and habits which seeks realization and expression in an unfolding activity”. Desire here arises from temperament, which itself is a product of habits and instincts. The environment and the individual could be said to both be emergent properties that affect and are effected by one and another.

What exactly does Veblen (1898, 411) mean when he states that “the activity is itself the substantial fact of the process . . .?” In a kind of Kantian-meets-late-19th century anthropological vein, Veblen (1898, 412-413) seems to stress that human beings arrive in this world with a variety of innate habits and tendencies that express themselves in a wide spectrum of foci: economic, sexual, humanitarian, etc. While we are certainly motivated by the poles of pain and
pleasure, they are by no means our exclusive masters, and even if they were our exclusive masters, the complexity of channels through which they would play out would render the system unintelligible in strict binary terms.

It was previously mentioned that habits could be considered the mediums through which causation is transmitted. If that is the case, then the conception of habits would be a pillar of Veblen’s edifice. To make this statement more clear and three dimensional one first considers one of the prime targets of Veblen’s (1898, 406-407) barbs: notions of natural law such as Adam Smith’s conception of an invisible hand. Veblen is clearly wary of such purely inferred principles, and it must be noted that science is full of such inferred principles (gravity, electric fields), all of them theoretically provisional, many of them treated as sacred cows. However, sound scientific methodology prohibits one from using underdetermined theoretical entities in the role of an *a priori* theoretical element. If Veblen wishes to do away with these sorts of entities (and it is not precisely clear that is what he means) then they would require a new sort of principle to take their place. Habits are uniquely suited to serve that function owing to the fact that habits are able to work within a system in two directions, i.e. individual habits work to shape institutions and institutions in turn partially determine the habits taken on by individuals.

**Lawson**

In his article “*What is this School Called Neoclassical Economics?*” [2013] Tony Lawson investigates the philosophical foundations of modern economics and comes to conclusions very similar to those of Thorstein Veblen. Through a close scrutiny of why neoclassical economics is referred to as neoclassical economics, Lawson (2013, 947-954) unearths the
foundational assumptions of economic methodology. In *Economics and Reality* [1997], Lawson critiques both poles of marginal utility theory, while in the later article he focuses primarily upon the marginal half of the combination. According to Lawson (2013, 950), modern economic thought seems to no longer even adhere to the highly questionable “holy trinity” of rationality, selfishness, and equilibrium. In fact, economic methodology has moved almost wholly into being naught but an outgrowth of mathematical deductivism, featuring “laws” and equations almost wholly removed from the organizing assumptions of Jevons and Marshall. The term neoclassical is perhaps used to move the discussion from the real problems of the discipline. For Lawson (2013, 973), the real problem of the discipline is now the almost complete reliance on mathematical deductivist methodology. The problem with the over use of mathematical modeling is that mathematical models are useful in very few actual situations.

There is thus a problem of social or methodological ontology which has much to do with the presuppositions of mathematical regularity. Modern economics is carried out within a “closed system” in which all that occurs can be neatly explained by the rules that are already in place and governing the system.

Social reality, however, possesses an emergent quality in which the individuals inhabiting the system are affected by the greater system and cannot be said to behave in the way a purely atomistic system would behave. Social reality is better said to work according to a system of cumulative causation. This social reality consists of emergent phenomena, constituting highly internally related causal processes. Much of the bulk of this article is devoted to a solid and detailed explanation of several of Veblen’s articles,
most notable being *The Preconceptions of Economic Science*. Lawson goes on to clarify that Veblen’s term neoclassical is really referring to any school that carries with it certain metaphysical preconceptions that ultimately underwrite all subsequent theory. Some schools are biased by a tendency towards teleology (Smith, Bentham) while others seem somewhat more free of teleology (Mill), and some, such as Marshall see the merits of an evolutionary theoretical perspective, yet still adhere to tautology creating entities such as equilibria. The common thread among all of these thinkers is that they engage in what Veblen calls taxonomic systems. Even Keynes (the elder) and Marshall are unable to escape from the taxonomic core of their work. Indeed, Lawson reminds us that Marshall had stated his intention to rewrite the *Principles* along biological lines as opposed to the classical physics line of the original. Neoclassicals also include those who have some recognition that the social world runs on causal-processual lines yet continue to heavily utilize mathematical models, often where they are little effective.

A fascinating point can be found in Lawson’s (2013, 973-974) account of how changes in mathematics in the early decades of the 20th century led to the almost full mathematization of this discipline. In short, before the 20th century, mathematical research was more tethered to how well mathematical theories fit to the realities of the world. The discipline of mathematics was far more practically oriented. In the mid-19th century a small movement grew that was intensely interested in problems of infinity, continuity, and infinitesimals. For the most part this movement operated at the margins of the profession. With the early 20th century advent of relativistic physics and quantum theory, the type of mathematics that was once pushed to the margins came to the fore. The ramifications of

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4 Jevons and Peirce both prominent members of this group.
this change were that mathematicians were encouraged to deal in much more esoteric formulations, with a notion that one didn’t need problems in order to come up with solutions. Once untethered from real world problems, mathematics took a progressively Platonic term by reifying a progressively greater amount of purely mathematical entities. This great proliferation of mathematical entities led to the mathematization of economics and other disciplines which then led to a resulting mixture of clarity and obfuscation within the various disciplines subjected to the treatment.

Lawson (2013, 979) classifies modern economists as basically falling into three groups. The first group of economists are essentially practitioners of a taxonomic science and utilize mathematical deductivism, as expressed through mathematical models, as their methodology. The second group of economists is filled with those economists who fully understand that the social world is a causal-processual world. These economists work to create methodologies that address this social ontology. The third group of economists has some understanding of the complexity of the world. They admit that the social world is best represented by a causal processual model, yet still practice economics along mathematical-deductivist lines. This notion of the social world as causal-processual is clearly anathema to the Utilitarian leanings of Bentham and Jevons.

**Lawson’s Methodological Alternative**

In *Economics and Reality* [1997] Tony Lawson examines in some detail the degree to which the mathematical deductive method is suitable for economics and puts forward his vision for how a suitable methodology would function when applied to economics. The
overarching name that he has for this methodology is "transcendental realism" and the name for the logical form that it represents, as opposed to induction or deduction, is retroduction. The importance of this book is twofold. In addition to offering a multi-pronged critique of Neoclassical economics and its various modern incarnations, Lawson also advances what he finds to be a far more suitable ontology on which to base economics.

For Lawson (1997, 20), it is essential to form an alternate ontology to what he calls Humean empirical realism. According to Lawson (1997, 19-21) Humean empirical realism is the underlying ontology of most of the current sciences, including orthodox economics. This realism consists of covering laws which take the form of “whenever event x, then event y”. This is known as Humean owing to Hume’s inquiries into the difficulties of assigning causation. One may hit a billiard ball with another billiard ball in the same way, producing the same shot, but one does not actually perceive the “cause” of the ball going one way or the next. One can only infer a cause from a series of correlations. In this way, science embraces a certain epistemological caution regarding causation by adopting the previously mentioned logical form. Lawson (1997, 28) however believes that a better formulation for these covering laws would be; whenever event x then event y as long as condition e is held.

The ontology that is meant to replace Humean empirical realism is dubbed Transcendental realism and is also capable of studying and predicting event regularities, only it does so in a different fashion. Transcendental realism treats science as a fallible social process that is retroductive, with a main concern of recognizing structures, powers, mechanisms and their tendencies that have produced, or contributed in a significant way
to the production of some identified phenomenon of interest that are operative in both open and closed systems.

The essence of this ontology is that complex things have power in virtue of their underlying “structures”. Lawson (1997, 21) divides the world into three levels: the empirical (experience and impression), the actual (events and state of affairs in addition to the empirical), and the real (structures, powers, mechanisms, and tendencies in addition to the former two categories). This is an interesting move as Lawson seems to be trying to make predictions by reifying underlying structure, which carries with it the kind of assumptive risks that any good Humean would be quick to recognize. How does one go about predicting structures other than by inferring them from other systems?

The essential method of inference used in Transcendental realism is neither induction nor deduction, but should rather be called retroduction or abduction: “as if” reasoning. In other words, if deduction is characterized by moving from the general to the specific (ravens are black, therefore the next one we see will be black) and induction is characterized by moving from the specific to the general (we’ve seen 99 black ravens, therefore the chances are increasing that ravens are black) then abduction is a move characterized by going from the observation that there are many black ravens to theorizing about a mechanism that seems to make ravens black. Science in this sense is defined as an undertaking that aims to ferret out underlying structures and mechanisms from the observation of surface level phenomena. Law statements then become statements concerned with underlying causal mechanisms and less about event regularities. For Lawson (1997, 24) the significance here is that the current tendency of economics is to look
at such event regularities, go no deeper, and claim that some kind of law has actually been discovered. Lawson maintains that deductivism is dependent upon “spontaneous” event regularities, and insists upon forming laws and regularities at the very level of the phenomena being studied. According to Lawson (1997, 27), the weaknesses inherent in deductivism, when used as a general form of inference, are apparent when investigating the nature of the situations in which the event regularities are apparently taking place. Lawson (1997, 28) contends that economic science, if it is a science, is more akin to studying the movement of a falling leaf than it is akin to studying a much more simple phenomena like dropping a pebble into a still pond.

**Conclusion**

This inquiry sought to establish that both Thorstein Veblen and Tony Lawson offer penetrating critiques of Neoclassical Theory. An examination of the philosophical underpinnings of the work of Jeremy Bentham, William Stanley Jevons, and Alfred Marshall prepared the way for an elucidation of the critiques of Thorstein Veblen and Tony Lawson. Among the main themes found throughout the work of the former and latter economists are: the nature of science in general and economic science in specific, the fecundity of mathematics as an explanatory tool; Spencerian vs. Darwinian Evolution; statics vs. dynamics; physics vs. biology; and the difference between mathematical deductivist methodology and causal-processual methodology.

Bentham’s promotion of a felicific calculus to be employed by fully rational human beings served as the theoretical foundation stone of William Stanley Jevons’ marginal
utility theory. This decision was made all the more interesting by Jevons’ rejection of John Stuart Mill’s more nuanced and morally centered brand of Utilitarianism. This is interesting because it reveals that the hedonistic conception of man was chosen not necessarily because it was the most accurate picture of human beings, but more so because it was the conception most amenable to the foundation of a mathematically based science.

Marshall maintained the notions of marginal utility, static equilibria, and analogies from physics, while at the same time proclaiming biology to be the Mecca of economics. The promised volume that was to recast economics in the mold of biology was never to materialize due to time constraints and the difficulty of replacing analogies derived from physics with something altogether different.

The criticisms of Veblen and Lawson focus on mostly the same problems, with Veblen calling for a biologically inspired economics and Lawson providing a system of ontology meant to facilitate such a methodology. The mathematical deductivist method is seen by both Veblen and Lawson (more so) as a core flaw in the Neoclassical program of research. Veblen views the system as tautological while Lawson elaborates that the tautologies sprang forth from the level of ontology. Veblen criticizes hedonistic man as a wholly oversimplified fiction. The invisible of hand of Adam Smith is placed in the same category. In general, Veblen seems to view any element that is truly an a priori conceptualization with a pronounced critical gaze and finds most of the preconceptions of the orthodoxy of his day as ill fit for inclusion in the discipline of economics.

Lawson’s critique begins where Veblen’s left off, in both a philosophical sense and an historical sense. The decades following Veblen’s death found economics becoming
pronouncedly more mathematized to the extent that, as Lawson pointed out, the discipline had almost entirely forgotten about the philosophical preconceptions that had transformed economics from a discipline that had embraced moral philosophy, psychology, sociology, and history into a discipline mainly peopled by engineers carrying out equations with little heed for anything but equations. The importance of critiques such as those put forward by Veblen and Lawson lie in the fact that the a good deal of the equations and theoretical models (static equilibrium, representative firms) that serve as the bone and sinew of economics ultimately emanate from long ago questioned conceptions of human nature; individual and collective.

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