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## Subreption, Radical Institutionalism, and Evolutionary Economics

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# Subreption, Radical Institutionalism, and Economic Evolution

**Summary:** This inquiry seeks to establish the importance of subreption as an approach to economic and social evolution that also proves integral to the tradition of radical institutionalism. We relate subreption's etymology and appearances in Roman, Canon and Scots Law, as well as in Philosophy, to its applications found in writings advanced by Thorstein Veblen and carried on later as William Dugger details the rise of corporate hegemony. Understood as an approach derivable from selected philosophical writings of Immanuel Kant, in social science subreption is suggested to occur through the introduction of an outside value that sets off a form of institutional evolution that we characterize as an *évolution noire*. Considering subreption and the rise of big business, we can mark a movement away from a past governed by comparatively noble values and towards a deteriorated, debased and degraded economic and social reality overtly influenced by comparatively ignoble, pecuniary values.

**Key words:** Evolutionary economics, Immanuel Kant, Radical institutionalism, Subreption, Thorstein Veblen, William Dugger.

**JEL:** B15, B25, B31, B41.

In his article “An Institutional Framework of Analysis”, William Dugger (1980, p. 901) emphasizes that “[s]ubreption is one of the least studied social phenomena of the twentieth century”, and that subreption can destroy “... the foundation of a pluralistic society”. In Dugger’s view, it is through subreption that institutional autonomy is replaced with institutional hegemony and this is the process that he argues gives rise to *corporate hegemony* in the United States during the second half of the 20<sup>th</sup> century. Dugger identifies an evolutionary process that we think has led towards the expansion of corporate control and dominance extending well beyond the American nation state to include corporate hegemony over an increasingly globalized economy in the 21<sup>st</sup> century.

But what is subreption? Can we clearly define its meaning and identify its manifestations?

In our view, understanding subreption requires an appreciation for philosophical inquiry, as towards the end of his *Inaugural Dissertation* that was published in 1770, Immanuel Kant refers to and seeks to define the meaning of what he terms as

*vitium subreptionis metaphysicum*. This Latin term can be translated as the *fallacy of subreption* and it suggests the emergence of a “metaphysical mistake”. In the English language the single word: *subreption* is typically relied upon to describe these related philosophical issues.

In a Kantian view subreption involves a *falsehood* that, once introduced, can serve to distort further human reasoning. Our research suggests that Thorstein Veblen brought Kant’s understanding of subreption into social science inquiry, as subreption is relied upon as an approach integral to his book *The Higher Learning in America: A Memorandum on the Conduct of Universities* [1918]. In the view of Dugger (1980, p. 901), Veblen’s *Higher Learning* should be appreciated as “... perhaps the best study of subreption ever written”. Over the course of the 1980s, Dugger published articles and a book that helped to revive Veblen’s earlier use of subreption in social science analysis. While Veblen concentrated on the growing influences of big business and some of the effects of pecuniary values on higher education at the turn of the 20<sup>th</sup> century, especially, Dugger extended Veblen’s thinking and concentrated his efforts on explaining the rise of corporate hegemony in the United States over the course of the postwar era. Our goal with this research is to establish that in social science inquiry, subreption describes a particular and unique form of institutional evolution that tends to be utilized by critical and radical thinkers, like Veblen and Dugger.

In our understanding, the tradition of Original Institutional Economics (OIE) offers two distinguishable approaches. What we would term as the “reformist” approach is emblematic of an emphasis advanced by theorists and policy-makers - such as John R. Commons - and which appears based upon an interest and willingness to reform capitalism in order that this system might function in a way that garners broad-based support from a population. In contrast, what is known as “radical institutionalism” advocates the creation of a new system altogether, and elements of this approach can be found in selected writings of Veblen and Dugger. In his article “Veblen’s Radical Theory of Social Evolution”, Dugger (2006) goes to some length to clarify the Veblenian tradition of radical institutionalism that has also powerfully influenced his own critical contributions to economics and social science.

In order to advance into what seems as a hardly known and largely neglected subject, we divide our inquiry into three major sections. Section 1 considers the etymology as well as the meanings of subreption in law and philosophy. Section 2 considers how initially Veblen integrates subreption into his understanding of changes in higher education in two distinct eras. With Section 3 we explore how Dugger extends Veblen’s understanding of subreption in order to explain the rise of corporate power and hegemony in the United States. We conclude by suggesting that subreption should be recognized as an approach advanced by Veblen and Dugger, in particular, that helps us better understand processes that can drive institutional evolution.

## 1. Etymology and Uses in Law and Kantian Philosophy

Research of Zachary Sng (2010, pp. 78-79) indicates that subreption’s early appearance and uses can be found in Roman Law “... as a judicial term describing the introduction of false evidence into a legal proceeding”. This notion of “false evidence”, or what we shall generalize as the *introduction of a “falsehood”*, provides the foundation for understanding subreption in all of the forms considered within this inquiry.

In the word “subreption” the *-rep-* root registers as especially noteworthy, and could be associated (Random House 2001, p. 1636) with the Latin substantive *reptile* and the adjective *reptilis*. These words offer imagery suggesting, “to creep and crawl along”, as certain reptiles are wont to do. *The Oxford Latin Dictionary* (P. G. W. Glare 1982, p. 1622) notes that the term *repatatus* translates as “the act of creeping or crawling”. An entry found in Charlton T. Lewis and Charles Short [1879] (1958, p. 1573) equates the Latin adjective *reptilis* with “creeping”.

Centuries later and in Canon Law, the word *subreption* denotes (Random House 2001, p. 1895) “... a concealment of the pertinent facts in a petition, as for dispensation or favor, that in certain cases nullifies the grant”. In Scots Law, subreption is associated with “obreption”, and with its first meaning related to: “[t]he act of obtaining something, as an escheat by concealing pertinent facts”. In this appearance the word *subreption* is rooted in the infinitive *rapere* and is associated with the infinitives: “to seize” and “to steal”.

When shifting from Latin to the German language, Immanuel Kant (1959) selects the term *Erschleichung* that, according to Eduard Muret and Daniel Sanders (1910, p. 845), finds its root in the infinitive *schleichen*, and which translates as “to crawl along”. The substantive *Schleichung* means: “crawl” or “crawling”. In standard German/English dictionaries, *Erschleichung* tends to be equated with the term *subreption* and as the most direct translation between these two languages. Those translating from Latin and German to English also tend to rely upon the term *subreption* as the associated meaning is shared across these three languages.

More than one hundred and twenty years before Veblen started generating contributions and more than two hundred years before Dugger’s articles first appeared, through his philosophical writings the Enlightenment philosopher Immanuel Kant offered key advances with his *Inaugural Dissertation* that was initially presented in Latin as *De Mundi Sensibilis atque Intelligibilis Forma et Principis*. At a later date his *Dissertation* was translated to his native tongue of German as: *Von der Form der Sinnen - und Verstandeswelt und ihren Gründen* (For Latin and German texts, please see Kant 1959). For this inquiry we rely upon an 1894 translation to the English language by William J. Eckoff, as well as a 1929 translation by John Handyside. The English translation of Kant’s 1770 *Inaugural Dissertation* appears with the title: *On the Form and Principles of the Sensible and Intelligible World*.

Kant’s use of the term *subreption* found in his *Dissertation* flows from the ontological and epistemological frameworks that he builds. Accordingly, an introduction to these frameworks and in particular to the roles played by time and space prove a necessary precursor for understanding his use of subreption in Philosophy.

In rough terms, Kant’s understanding of subreption suggests that a *mistake* or *fallacy* in reasoning arises as knowledge of the tangible world is applied to purely intellectual concepts that cannot be sensuously perceived. Kant [1770] (in William J. Eckoff 1894, p. 50) divides human cognition into two types, the sensuous and the intellectual. Sensuous knowledge depends upon properties of both the subject (the perceiver) and the object (the external object or thing perceived). Kant [1770] (in Eckoff 1894, p. 51) explains that the matter of our perceptions may be supplied by the object, while the form is supplied by the subject. A Kantian understanding sug-

gests that our minds, according to certain mental predilections, apply properties to the objects they perceive and so these mental representations are subject to features of our human minds and their perceptions. Kant [1770] (in Eckoff 1894, p. 50) explains that intellectual knowledge, by contrast, is that which cannot enter the mind through the senses.

Conceptions of time and space assume a particular importance in Kant's account of sensuous knowledge. Kant [1770] (in Eckoff 1894, p. 63) writes that the concept of *time* is "prior and superior" to all our sense perceptions and even our ability to reason. Kant [1770] (in Eckoff 1894, p. 59) denies that we form our conceptions of time by observing processes of change and instances of simultaneity and then infer the existence of time. Instead Kant argues that as human beings we would have no mental framework for making sense of change and simultaneity, that is, if we did not already harbor a notion of time. In this line of reasoning, therefore, time must precede sense perception. By an analogous line of reasoning, Kant argues that our conception of space is also innate and relied upon prior to our sense perceptions. From these conclusions, Kant can then move to propositions about time and space that we find prove essential for understanding what he defines as the *fallacy of subreption*.

Kant [1770] (in Eckoff 1894, pp. 61-65) asserts that *time* and *space* are "not something objective and real". In short, there is no reason to suppose that time and space have any existence outside of our human minds. Instead, time and space should be more correctly understood as properties of thought necessary for the mental coordination of distinct objects and events. Our concepts of time and space then constitute the aforementioned mental laws that our minds apply to sense perception and mental representations of objects. To further elaborate upon and further refine our basic understanding, we could then clarify that Kant's notion of subreption can be understood as the fallacy arising through our applying the laws of sensuous knowledge - that includes his notions of time and space - to concepts that properly belong to the intellect and which stand outside of time and space. These would include intellectual concepts of God, Platonic forms, mathematics, and the like. In Kant's understanding, when we proceed with reasoning we are prone to conflate the sensual with the intellectual and in this manner we introduce a "falsehood". Then the problem emerges that, when we commit this *fallacy of subreption* by introducing a *falsehood* into our reasoning, we then arrive at spurious conclusions upon which we can continue adding. In this sense, the fallacy of subreption that Kant identifies takes our thinking astray and down a path of flawed reasoning. Kant keenly notes that:

"[t]he method of all metaphysics in dealing with the sensitive and the intellectual is reducible in the main to an all-important rule: of namely, perceiving '*... the principles proper to sensitive apprehension from passing their boundaries and meddling with the intellectual*.'"<sup>2</sup> (Kant's emphasis in italics as found in John Handyside (1929, p. 73).

One type of subreption that Kant [1770] (in Eckoff 1894, p. 78) considers leads us to believe that any condition that would have to hold in order for us to coherently imagine a concept must hold if that concept is true. Kant [1770] (in Eckoff 1894, p. 78) offers the proposition: "Whatever is, is sometime and somewhere". In

other words, anything that exists must exist in time and space. When we visualize an object or a concept, by necessity we can only imagine its existence in time and space. From our inability to imagine sensuously anything existing outside of time and space, we erroneously conclude that anything that exists must also exist in time and space. This can then lead us to a spurious attachment of a sensuous predicate to an intellectual object. The converse of this proposition also holds true. Namely, that whatever is sometime and somewhere must exist. This means that it is therefore possible to apply an intellectual concept - existence, in this case - to a sensuous notion.

In this manner what Kant identifies as the *fallacy of subreption* succeeds in leading our thinking and reasoning astray, as the fallacy resembles a different and true axiom of reasoning. The close resemblance between these true and false axioms then appears to explain why Kant and his interpreters choose the particular words: *vitium subreptionis metaphysicum*, *Erschleichung*, and *subreption*, to describe the fallacy he identifies, holding that a falsehood can indeed creep and crawl into our logical thinking - largely undetected - thereby leading us to invalid reasoning, and because of the closeness and similarity to valid reasoning.

## 2. From Kant's Philosophy to Veblen's Social Science Inquiry

Of writers whom Veblen considered in his doctoral studies in Philosophy, Immanuel Kant appears especially influential upon his thinking. Charles Camic and Geoffrey M. Hodgson (2011, p. 4) note that Veblen focused upon Kantian Philosophy in the research for his doctoral dissertation written under the supervision of Noah Porter at Yale University in the 1880s, though this document became lost. A careful reading of "Kant's Critique of Judgment" appearing in the *Journal of Speculative Philosophy* (Thorstein Veblen 1884), suggests Veblen achieved a mastery over Kant's intellectual journey. So we rely upon an evidential approach (Carlo Ginzburg 1986, pp. 96-125) and take the step and reason out; that through Veblen's contact with Kant's Enlightenment thinking, he also became familiar with Kant's understanding of subreption, and to the degree that he could undertake an engaging inquiry as is found in his *The Higher Learning in America*. In our interpretation, with this *Memorandum* Veblen integrates Kant's notion and uses of *subreption* as the foundation for understanding observable tendencies in higher education in Europe during the medieval era, as well as in the United States with the rise of big business at the turn of the 20<sup>th</sup> century.

Though *subreption* appears as the central method relied upon in his *Higher Learning*, Veblen does not clearly define his understanding of subreption and its applications in this penetrating *Memorandum*. To make matters even more challenging, in this movement from Kantian philosophy to and through Veblen's contributions to social science, the meaning of subreption appears to change substantially. Whereas Kant relies upon the term *subreption* to describe a fallacy that can affect human reasoning, our view is that Veblen relies upon an understanding of subreption that we interpret suggests processes involving changes in values that may lead to observable changes in institutions pertinent to university curricula taking place in European and American societies in two distinct timeframes.

With the publication of his seminal article: "Why Is Economics Not an Evolutionary Science?" Veblen (1898) opened up Evolutionary Economics as a new field

for inquiry. With this 1898 article appearing in *The Quarterly Journal of Economics*, and drawing from other documents as well, we can distinguish three approaches to economic and social evolution that can be derived from Veblen's writings.

The first approaches the economy and the society through a duality. This approach was further refined into a *dichotomy* that tends to be widely accepted as the cornerstone of Veblen's evolutionary thinking. Though not fleshed out in his own writings, in less than twenty years after Veblen's passing, and in his book *The Theory of Economic Progress* [1944], Clarence E. Ayres (1962) expanded and expounded at length upon the use of dualism and dichotomy found in Veblen and developed them into what is understood (William T. Waller 1982, pp. 762-763) as the "ceremonial-technological distinction", and that is more widely known as the "Veblenian dichotomy".

Incorporating ideas advanced by John Dewey, Ayres (1953, 1962) refers to a dichotomous relationship between the instrumental and ceremonial. In short, changes initiated as instrumental advances, which could be considered as advances in technology that involve tools and their uses in a broad sense - including their skill sets - bump up against the counter-weight of the ceremonial, that could be understood as habits of thought that may also become encoded in traditions, with both resisting change (Malcolm Rutherford 1981). Out of this duality and dichotomous tension between the instrumental and ceremonial, members of a society are faced with initiating and/or accepting emergent institutions and/or reforming existing institutions that assist society in integrating the instrumental advances. This framework and approach is relied upon to explain how economic and social change can indeed take place as institutional evolution.

In this seminal 1898 article that opened up future inquiries into the field of Evolutionary Economics, as well as in *The Theory of Business Enterprise* [1904], Veblen (2005, p. 14) introduces several key ideas and processes integral to institutional evolution, including the importance of what he terms a *concatenation*, and that suggests the relatedness and connectedness between and among variables. We find this dimension of the Veblenian tradition is congruent with and likely draws from ideas advanced by one of his professors at Johns Hopkins University in the early 1880s (Robert Griffen 1998). Integral to his efforts for advancing an "Evolutionary Philosophy", Charles Sanders Peirce introduced an understanding of *synechism*, a tradition in ancient Greek thought that emphasizes continuity and continuousness between and among variables, and that includes variables that are physical as well as metaphysical or psychical. This approach to reasoning can be noted by *cumulative causation*, a term that Veblen introduces and emphasizes towards the end of this 1898 article (John Hall and Oliver Whybrow 2008). As variables both physical and metaphysical interact, change can then take place through a cumulative causation, which we think needs to be considered as a second and distinct form of institutional evolution that can be readily derived from Veblen's writings.

While Kant introduces and considers the *fallacy of subreption* as a philosophical challenge and even as a *metaphysical mistake* that can serve to undermine sound reasoning, Veblen takes a mostly different tack. Starting with the first sentence of his first book, *The Theory of the Leisure Class* [1899], Veblen (2007, p. 1) emphasizes

that “[t]he institution of a leisure class is found in its best development at the higher stages of the barbarian culture; as, for instance, in feudal Europe and feudal Japan”. Veblen’s introducing and using the term *institution* proves so central, not only for the development of ideas found in this first book, but also for his larger contributions to economic and social sciences. Relatedly, when he later deals with subreption, its meaning gets intertwined with institutions and processes of change.

We interpret Veblen’s view of subreption found in his *Higher Learning* as suggesting a conscious or unconscious act in which a practice that appears consistent with a certain set of values, is introduced into an institution that does not hold these values. In this manner, subreption succeeds by deceptively representing the practice in question as consistent with values sanctioned by the institution, much like Kant’s understanding of a falsehood introduced into reasoning that then distorts further reasoning.

In his *Higher Learning* Veblen divides knowledge into two types and based upon the intended purposes. Veblen [1918] (1993, p. 4) explains that first we need to consider the existence of an intrinsically valuable form of knowledge that he terms as *esoteric knowledge* and also as *dispassionate scholarship*. Veblen elaborates that esoteric knowledge is motivated by the instinct of *idle curiosity* and, although it may eventually be put to practical ends, esoteric knowledge is not necessarily and specifically pursued for arriving at practical ends.

In contrast and as a second form of knowledge, Veblen teaches us that *practical or utilitarian knowledge* is motivated by the *instinct of workmanship*. Initially a need or want shaped by the other dominant institutions of the time, is identified and then utilitarian knowledge is pursued and gained in order to satisfy this need or want. In Veblen’s view, the instinct of idle curiosity and also of workmanship leads to differing advances in esoteric and utilitarian forms of knowledge.

In the medieval period, what he designates as the “high era of barbarism in Europe”, Veblen asserts that the highest level of values were utilitarian. Veblen [1918] (1993, p. 25) writes that during this era: “[s]aint and sinner alike knew no higher rule than expediency...”. Because practical considerations were of the highest importance to Europeans during this era, their universities were oriented towards and reflected values furthering utilitarian knowledge. So universities needed to be depicted for serving as centers disseminating practical, utilitarian knowledge. However, Veblen [1918] (1993, p. 26) stresses that esoteric knowledge did indeed find its way into Europe’s medieval universities and “...by a sophisticated subsumption under some ostensibly practical line of interest and inquiry”. This wording can be thought to clarify the process through which esoteric knowledge - in a manner analogous to a Kantian *falsehood* - deceptively entered into university curricula where only practical knowledge was respected. This act and phenomenon is what Veblen [1918] (1993, p. 26) labels as *subreption*.

In our reading, subreption leads to processes of change that we judge as value-neutral, certainly in this case of the curricula of medieval universities. However, this value-neutral approach seems to give way and go through a qualitative transformation with the rise of big business near the start of the 20<sup>th</sup> century, and the related rise in importance and dominance of pecuniary values. Phrased differently, while



subreption can be seen as a value-neutral process engendering institutional evolution in Veblen's understanding of the European university in the medieval era, with the rise in dominance of big business, Veblen offers what we perceive as a sharply critical view of the effects of pecuniary values that came to dominate in the United States, and not only in university curricula. In his book, *The Theory of Business Enterprise* [1904], Veblen (2005) develops a poignant critique of the rise of big business and the associated increase in importance of pecuniary values, and the problems these values caused in the performance of the larger industrial economy with an attendant banking sector.

Our interpretation of Veblen's applied understanding suggests that subreption can be viewed as a deliberate act. In the case of tertiary education, a practice such as advancing and disseminating esoteric knowledge through an institution like a university during Europe's era of barbarism, can take place even though the institution does not value the genuine aim of such a practice. Researchers and educators committed the act of subreption by introducing and carrying on the pursuits of esoteric knowledge within the medieval university, all the while presenting an image that their academic activities advanced utilitarian purposes. This is how Veblen views subreption leading to institutional change and evolution. We can cite Veblen [1918] (1993, p. 30) noting that:

“[t]he dissimulation and smuggling-in of disinterested learning has gone on ever more openly and at an ever increasing rate of gain; until in the end, the attention given to scholarship and the non-utilitarian sciences in these establishments has come far to exceed that given to the practical disciplines for which the several faculties were originally installed”.

In Veblen's view, the “dissimulation and smuggling-in” that seems to form the heart of the act of subreption, in this example, can be thought of metaphorically as the introduction of a *falsehood* in the Kantian sense, and that leads to further distortions in reasoning. As we interpret Veblen's understanding, subreption includes the introduction of an out-of-place value that clearly exhibits a capacity to induce changes in the values that had dominated a well-established institution, like the curriculum of a medieval university, in this first case, and also in tertiary education in America. This is his second case that we shall consider below. However, we would like to offer a clarification by noting that in Veblen's use of subreption in social science, the introduction of an out-of-place value that alters preexisting values governing an institution should not be judged as necessarily false, *per se*. In short, a newly introduced value that will ultimately generate evolutionary effects does not need to be judged as either positive or negative. Rather, the content of the new value introduced registers as *different from* the overtly stated, traditional values and objectives of the institution under consideration.

According to Veblen's thinking, only in the late 19<sup>th</sup> and early 20<sup>th</sup> century has the pursuit of knowledge for achieving a higher-level esoteric end, rather than some lower-level utilitarian, practical end, been endorsed as a legitimate aim in higher education. Veblen [1918] (1993, p. 7) observes that learning without clear utilitarian motive has been publicly avowed as a worthy endeavor of civilization only “... during the past few generations”. In addition, Veblen [1918] (1993, p. 8) warns that alt-

though many people, after sober thought, would rate the dispassionate acquisition of knowledge as a higher good, they tend to pursue lower-level goods taking form as: "... religious devotion, political prestige, fight capacity, gentility, pecuniary distinction, [and a] profuse consumption of goods". So we can identify a discrepancy between the stated and realized aims of members of American society near the turn of the 20<sup>th</sup> century. In addition, we find this discrepancy leaves room for another appearance of subreption that Veblen's writings seek to illuminate.

The subreption of college and university curricula in the era characterized by the rise in importance of big business proves the reverse of the subreption Veblen describes in the era of barbarism. Back in the medieval era *esoteric knowledge* masqueraded and crept and crawled into the curriculums of schools promoting *utilitarian knowledge*. At the turn of the 20<sup>th</sup> century utilitarian knowledge that could be understood as supporting professional training over critical inquiry, crept and crawled into the curricula of colleges and universities operating under the banner of advancing higher-level, esoteric knowledge.

Veblen's research suggests that with their founding in the United States, institutions of higher learning were characteristically four-year colleges offering baccalaureate degrees in liberal arts and sciences. Their curricula were often set up and controlled by those connected with religious groups and even clergies; for purposes of educating members of the younger generation with the hopes that the ethical traditions of the religious denomination would be carried on.

However, the rise of large-scale business enterprise portended the emergence of a segment of society with members favorably judged for achievements according to pecuniary measures, and not by ecclesiastical or spiritual qualities. Veblen [1918] (1993, p. 46) suggests that this more recent example of subreption that emerged during the era of big business near the turn of the 20<sup>th</sup> century, is congruent and associated with profound increases in the scale of production and the rise of the joint stock company. With big business dominating, pecuniary measures and pecuniary values began to reshape the American value structure and landscape. In this new era wealthy businessmen were judged successful and so were recruited to join boards of trustees and boards of directors governing policies at colleges and nascent universities. Once in governance positions, businessmen could insert their pecuniary values into the decision-making processes through promoting the pursuit of practical, utilitarian knowledge over esoteric knowledge. This end could be achieved through their founding and often raising funds for programs in business management, engineering, medicine, and law, and attaching these new curricula to existing programs originally focused on liberal arts and sciences. In our reading of Veblen this is how college and university curricula were subrepted for the pursuit of utilitarian over esoteric knowledge.

Our interpretation is that Veblen's *Higher Learning* can be viewed as the first study that brings the Kantian understanding of subreption out of philosophy and into social science reasoning. That is, once pecuniary values emerge as dominant - like a Kantian falsehood - pecuniary values then generate continuous effects leading towards an institutional evolution that implicated and transformed the focus of curricula in higher education in America. And the gradual shifting and elevating of success

measured by pecuniary values, over more noble values associated with dispassionate scholarship, also helped to alter what had been prevailing as a commonly shared conventional wisdom for placing judgments on types of knowledge.

Drawing from Veblen's writings we have sought to explain how an out-of-place value that we could judge similarly to a *falsehood* in the Kantian sense, might enter into an existing institution and initiate a subreption of long held values that then leads towards institutional evolution. But how the introduction of an initial falsehood inconsistent with the institution's existing values deceptively enters into and later snowballs into profound institutional evolution, appears neglected in Veblen's writings. So the subject matter has tended to remain vague and also undeveloped as an instrument for analysis in economic inquiry - at least until it was picked up, reconsidered, and further advanced in selected writings of William Dugger.

### 3. From Veblen to Dugger's Use of Subreption

We assess the research of William Dugger as particularly important as it helped to foster a revival in the school of OIE and through effectively connecting Thorstein Veblen with his roots. After some decades of what could be considered as complacent interpretations of Veblen's thinking that led to a *reformist* brand of institutionalism, Dugger (2006) emphasized the "red threads" that could be found running through his writings. In addition, Dugger develops and stresses that Veblen was indeed influenced by and held positions congruent with socialist and anarchist movements of his day. Of note is that back in 1918 and when employed by the United States Food Administration in its statistical division, Veblen (1932) researched out in the field and then formulated an opinion that was later put together by Joseph Dorfman and published under the title: "Using the IWW to Harvest Grain".

This IWW acronym refers to the "Industrial Workers of the World" and in the early 20<sup>th</sup> century this radical syndical was known for advancing the slogan: "One Big Union". The IWW was also (and still is) known for its rebel rousers energetically promoting anarchism. In his opinion, Veblen made clear his appreciation for the capability of the IWW field workers, and so he encouraged that they be employed to assist in alleviating the shortages of agricultural labor at the harvest times during World War One.

In our reading we find no evidence that Dugger connects Veblen's understanding and uses of subreption back to Kant's thinking. However, Dugger (1980, p. 901) clearly and explicitly laud's Veblen's advances in his applied study of subreption found in the *Higher Learning* dealt with in detail above. But wholly unlike Veblen, Dugger makes a concerted effort to define his understanding of subreption prior to engaging in its applications and uses for clarifying processes driving institutional evolution in the United States over the course of the 20<sup>th</sup> century.

In the view of Dugger (1980, p. 901) and when considering a definition drawing from jurisprudence, "... subreption... [involves] unfair or unlawful representation though suppression of fraudulent concealment of facts". In moving from a legal definition to its connections with economics and social science, Dugger (1980, p. 901) defines subreption as: "... the process whereby the function performed by one cluster of institutions becomes the means of another cluster of institutions". We find this

definition fully consistent with Veblen's understanding and uses of subreption, and also providing a continuation of the meaning of subreption found in the writings of Kant detailed and emphasized above in Section 1.

Dugger fully credits Veblen for his seminal contributions that assist in our understanding processes of subreption attributable to institutional evolution in the cases of tertiary education. Then what helps to distinguish and also differentiate Dugger's efforts from Veblen's is his drawing connections between subreption and power. In short summary, in Dugger's understanding subreption can function as a means for acquiring and further enhancing economic and societal power. This increased power may be achieved through inserting an out-of-place value that serves to alter and thereby subrept the existing values, and in this manner dominate the behaviors of members of society, as well as the key economic institutions linked with production and distribution. In a nutshell, for Dugger the road to economic and societal power is based upon the subreption of values that govern people and institutions.

With the start of the 20<sup>th</sup> century subreption in higher education seems influenced more by the rise of big business and a related and simultaneous shift in values that placed emphasis upon pecuniary measures over more traditional values - like decency, respectability, truthfulness, and honor - values and virtues that once supported a plurality of institutions in American life. In an evolutionary sense, this shift in values occurs through the rising dominance of pecuniary values as a standard for measure, leading to the ascent of the businessmen to governing boards, with the orientations of their decisions generating changes in curricula that contribute towards the evolution of the institution of higher education. This was the focus of Veblen's study developed in detail above in Section 2.

For Dugger, subreption also involves the insertion of a new value or set of values within an institution. However, Dugger offers an added emphasis upon the roles of power and dominance leading to hegemony.

In the view of Dugger (1980, p. 897), institutional structures serve as the sources of power; for it is within institutional structures that "... individuals learn motives, goals, ideals, and means from their participation in society's institutions". In an earlier timeframe in American history to which he refers, Dugger suggests that through an array of relatively independent institutions, such as: family, school, church, military, government, and business; individuals may indeed gain notions for expected behaviors. Carrying this line of thinking further, Dugger advances the view that institutional hegemony can be achieved through subrepting the values associated with an individual's participating in these sorts of institutions. Of note is that an individual's values can change unknowingly, and with the outcome of their unknowing, adding support to the hegemony of one institution, in particular, what Dugger singles out as the business corporation that morphed into the conglomerate over the course of the 20<sup>th</sup> century. For subreption to occur within this context, a set of values congruent with the conglomerate needs to come in disguised - as a falsehood in the Kantian sense - and then transform (through subreption) the values held by a portion of members of society that were associated with the relatively independent institutions; such as small businesses, family, school, neighborhood, trade association, and the like.

While Veblen develops his case study of higher education, Dugger relies upon his insights into subreption as a way of explaining processes at work that can contribute to a snowballing and thereby generate profound institutional change. For Dugger, this means nothing less than the accelerated evolution of the capitalistic system in the United States during the 20<sup>th</sup> century; from starting out relatively decentralized, to its transformation into a centralized hegemony orientated towards advancing business interests above all.

In an effort to explain the direction of the economic evolution of United States capitalism, Dugger places special emphasis upon the shift in corporate management practices and the structure of companies. More specifically, Dugger considers the rise of the “M” form of corporate organization and governance (management) and its replacing the “U” form.

In the view of Dugger (1988, pp. 80-91), with the rise of big business and for the short period leading up to the U.S. entry into World War One, relatively large enterprises in the United States were characteristically organized with corporate governance centered around serving the production unit; in what is dubbed as the “U” form. In the decades after this monumental war, the “M” form of corporate organization was steadily introduced and the production units came to be coordinated by a head office that included the corporate leadership, especially the Chief Executive Officer (CEO) as well as the finance department and its leader, the Chief Financial Officer (CFO). In Dugger’s view, this change in governance provides the institutional foundation for the shift from what we had known as the “business” or the “company” to the “conglomerate”. With this “M” form of governance, communication within the conglomerate became centralized and directives moved from the top down to the several or numerous production units. Dugger’s research emphasizes that after the second world war the “M” form of corporate organization that gave rise to the conglomerate run by a centralized headquarters - with the CEO and CFO exerting great powers in the managing and running its production units - steadily replaced what had been the independent business corporation focused around a single production unit.

Fully congruent with the notion of increasing efficiency, the spreading of the “M” form of corporate management generated profound effects and led the evolution of the U.S. economy down the road that culminates in what Dugger (1988, 1989a) describes as a full-blown “corporate hegemony”. In Dugger’s understanding, this means the small and medium-sized businesses, managed and run by individuals with their values supporting an array of relatively independent institutions; like the local church, the cub scouts, the peewee baseball league, gave way as corporate values were introduced that altered existing values.

Exploring and detailing the emergence, rise, and dominance of corporate power in the United States, Dugger introduces four “instruments of hegemony” that he regards as integral for detailing how this power was indeed gained in the shift from the “U” to “M” form of governance. As instruments, Dugger (1980, p. 901) emphasizes the importance of “subreption” that is then followed by “contamination”, “emulation”, and “mystification”. Dugger skillfully traces subreption back to Veblen and his *Higher Learning*. Eight years later and in his article “An Institutional Analysis of

Corporate Power”, Dugger (1988, pp. 93-101) presents what he designates as “invaluation processes”, and he then leaves out the term “subreption”. Our reading suggests that subreption can be related to all four of these invaluation processes considered.

In this later article, Dugger (1988, pp. 93-101) introduces and elaborates the four invaluation processes as: “contamination”, “subordination”, “emulation”, and “mystification”. Published in the following year, in his book *Corporate Hegemony*, Dugger (1989a, pp. 129-151) refers to “power processes”, and lists these in a different order as “emulation”, “contamination”, “subordination”, and “mystification”.

Our interpretation suggests that for Dugger, subreption can take place through these processes, and can also take place simply; as monetary (pecuniary) values that emerged as dominant with the era of big business continue to spread and subrept many - if not most other - institutions at the core of American life. For Dugger, like Veblen, money can function as a measure and as a value that can then penetrate (like a Kantian falsehood), subrept and also alter existing values, and in this manner come to dominate the broader array of values that had been governing other institutions. This form of subreption occurs as leaders of the conglomerates increase their power through spreading and emphasizing the importance of pecuniary values (that also prove integral to increasing conglomerate revenues), giving rise to a socio-economic formation that Dugger dubs as *corporate hegemony*.

Dugger (1989b) argues, and we agree, that when an institution and its values dominate a society to the exclusion of other institutions and values, citizens’ capacity for ethical reasoning is degraded. In pluralistic societies, individuals have to deal with conflicting ethical imperatives from various institutions, such as: family, school, church, etc. For example, a church pastor might emphasize turning the other cheek, while at home the father might emphasize standing fast and striking back at the schoolyard bully. Dugger teaches us that in an effort to balance out conflicting values, children learn at an early age to consult their own consciences, to weigh various values, and to navigate a murky and uneven moral path. When the value of one institution (like the pecuniary values associated with business conglomerates) subrepts the values of all other institutions, Dugger (1989b, p. 134) writes, the individual “is not forced to make choices and defend them, so she does not synthesize or reconstruct her own values out of the competing ones she encounters. [In short,] [s]he does not acquire moral integrity”.

Extending Dugger’s thinking, the rise of corporate hegemony is integrated with the dominance of comparatively ignoble, pecuniary values that lead us away from institutional pluralism. This suggests to us an *évolution noire*, meaning an evolution towards a deteriorated, debased and degraded economic and social reality that is governed largely, if not exclusively, by pecuniary values that are fully congruent with and serve to support this hegemony.

With Dugger, as with Veblen, and what also seems congruent with Kant’s thinking, one mechanism of institutional evolution takes place through the introduction of an out-of-place value that initiates processes leading towards what is broadly understood as institutional change. Identifying this out-of-place value depends upon the case under consideration. However, like a Kantian falsehood, this newly intro-

duced value is used to misrepresent the true aim of some crucial practice. With the 20<sup>th</sup> century characterized by the rise and historically unparalleled dominance of big business, the importance placed upon pecuniary values, especially related to increasing corporate or conglomerate shareholder interests, is attendant. Both Veblen and Dugger focus their attention on the influence of the rise and dominance of business and its emphasis upon pecuniary values; however, with Dugger adding the importance of the rise and influences of the conglomerate. So as we consider the subreption of societal values at the core of institutions during the 20<sup>th</sup> century, we can narrow our focus to the proclivity for pecuniary values stemming from the business realm, spilling over and replacing what we consider as more noble values that were congruent with a plurality of institutions.

In key respects Dugger follows Veblen, seeking to clarify the mechanisms that propel pecuniary values to dominate and initiate processes of subreption that engender further evolutionary processes that lead to institutional evolution taking place over time. Our sense is that for the 20<sup>th</sup> and 21<sup>st</sup> centuries we can single out pecuniary values associated with big business, conglomerates, and multinational corporations - oriented towards production and also finance - as the instigators and drivers of sustained subreption in the current era. Moreover, this historic shift to a narrow focus on pecuniary values can be described as moving away from a past governed by an array of comparatively noble values supporting institutional pluralism, and towards a present and future governed by comparatively ignoble pecuniary values. This tendency renders relevance to our selection of the term *évolution noire* that suggests not only an evolution, but a dark evolution.

#### 4. Summary and Conclusion

Kant's writings stress that this *vitium subreptionis metaphysicum* that is also known in English as a "metaphysical mistake" and as the *fallacy of subreption*, suggests that through the dual character of an object or thing, human perception slithers and crawls in and corrupts processes of reasoning. Crucial to Veblen's and Dugger's understanding is the shared notion that subreption succeeds in integrating an out-of-place value by first introducing a practice consistent with a pre-existing value. This practice enters successfully if it is represented as consistent with values already held. Over time the practice gains legitimacy as standard procedure and values gradually shift to accommodate it. We believe this form of subreption needs to be understood as contributing towards institutional evolution.

More specifically for Veblen, one instance of subreption occurs when an unacceptable track of inquiry enters a university curriculum by purporting to be the dominant species of scholarly work. When utilitarian pursuits were valued during Europe's era of barbarism, scholars could indulge their instinct of idle curiosity by finding a suitably practical pretext for their inquiries. With these points in mind, Dugger's contribution can be differentiated in that his inquiry into subreption is largely synonymous with his efforts to explain mechanisms behind the gaining of power that leads towards dominance and even hegemony of one value over all others. In Veblen's inquiry into higher education in the United States, power seems to be implicit - though grossly understated - through offering those exhibiting pecuniary

successes positions allowing them to further extend their power through subrepting college and university curricula in a direction that is congruent with their own business interests.

We could then characterize Veblen's penetrating insights at the start of the 20<sup>th</sup> century as marking the rise in importance of big business and the associated subreption of more noble values by pecuniary values, and with implications for the evolution of this institution of tertiary education he selects for his case study. Dugger picks up where Veblen left off and then considers the effects over altering values on a vaster scale; that involves the transformation of the American capitalistic system through the subreption and narrowing of a wide array of values once held by a broad base of society.

In Kant, Veblen, and Dugger's uses of subreption, we can readily identify elements of deception, masquerading, and slithering in. With Kant, however, subreption is unconscious: for if we were aware of its implications, we would likely try to avoid it. For Veblen, scholars (or businessmen) who have intentions discordant with the dominant institutional values of their day must engage in subreption intentionally, at least at first. Then for Dugger the rise in dominance of pecuniary values associated with expanding business interests, may lead to specific changes made in the name of improvements in governance, including efficiency gains achieved by shifting from the "U" to the "M" form of corporate management. Once initiated under one set of values, like improved efficiency, a foundation is laid for the emergence of the conglomerate that - over time - may emphasize a singular value that steadily leads towards the emergence of corporate hegemony. This resulting institutional monolith of corporate hegemony that Dugger singles out can be associated with a deteriorated, debased and degraded economic and social reality that contributes towards forms of globalization that may include challenges to decent wages and salaries, as well as a normalization of job insecurity through a "race to the bottom"; loss of national sovereignty through uncontrolled flows of capital in and out of financial centers; citizens migrating *en masse* across national borders in quests for earning income that can be sent back home to families as desperately needed remittances; and loss of national and regional determination over environmental controls; to start the list. Taken separately and together, these changes initiate what we could cite as but some of the forms and measures of deterioration, debasement, and degradation that may readily be associated with the emerging global corporate hegemony.

The writings of Kant, Veblen, and Dugger consider subreption as some kind of a first step that can then be viewed as initiating subsequent effects understood as evolutionary. For Kant, subreption leads a thinker to a false conclusion, which may potentially generate many more false beliefs. Kant writes of the damage that spurious axioms may wreak on entire systems of knowledge. For Veblen, a confluence of subreptive acts may trigger institutional change that runs deeply enough to alter an institution's defining values. For Dugger, a nation built upon founding institutions such as: family, church, school, pride in work, thrift, community service, and the like, may observe the decline in the importance of these institutions as pecuniary values supporting corporate hegemony emerge as dominant.

What helps to unify the writings as these three thinkers considering subreption is that the introduction of one falsehood can lead to additional false beliefs and to



sequences of changes, even if no other logical fallacies are committed (for Kant) - or no further intentional deceit is enacted (for Veblen and Dugger) beyond the initial subreption generated through the introduction of an out-of-place value. Less so for Kant and more so for Veblen and Dugger, processes of institutional evolution that are initiated can prove sufficient to carry the effects of subreption into an institution's future forms: like "for-profit" universities emerging in recent decades in the United States, and a variant of an excessively militarized and totalitarian capitalism that remains far beyond community and democratic controls.

In bringing this inquiry to its close, we would like to advance the idea that subreption should be considered as a *third* approach to economic and social evolution that can likewise be derived from Veblen's thinking. For several decades great emphasis has been placed upon the dichotomous relation between the instrumental and ceremonial, a view rooted in the interpretation promoted by Ayres and his followers, in particular. A lesser level of importance has been placed upon clarifying Veblen's thinking on cumulative causation. With these two, better known approaches researched and elucidated, we interpret what Veblen develops as subreption as a distinct approach to economic evolution that was first introduced and established in his *Higher Learning*. However, subreption has been neglected by those seeking to carry on Veblen's insights into processes of institutional evolution. With this in mind, we would like to emphasize our debt to William Dugger, whose research picks up on the importance of subreption in Veblen's thinking. In a sense, our aspiration with this inquiry is not only to underline Dugger's emphasis upon Veblen's originality and creativity in social sciences, but also to clarify Dugger's extensions that relate subreption to how power can be gained, plurality diminished, and a seemingly intransigent corporate hegemony formed and institutionalized.

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