

The psychology of early institutional economics: The instinctive approach of Thorstein Veblen's conspicuous consumer theory

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Abstract

Thorstein Veblen, a founder of original or old institutional economics, combined social and evolutionary thought in his institutionalist approach to dealing with psychological, social, and economic issues. The psychological content of Veblen's writings takes instinct and habits into consideration. The economic literature on the psychological content of Veblen's writings has focused on habits, despite the importance of instincts in Veblen's works. This paper attempts to discuss Veblen's notion of instincts in order to make its role clearer in his approach to conspicuous consumer decision making. It discusses the role of instincts, the instinct of workmanship, the relationship between habits and instincts, and their influence on the conspicuous consumer. Consequently, this paper contributes to a better understanding of how inner forces and socialization culminate in behavior in Veblen's conspicuous consumer approach.

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Resumo

Thorstein Veblen foi um dos fundadores da Economia Institucional Original ou Velha Economia Institucional. Em seus escritos, Veblen associou as lógicas social e evolucionária em sua abordagem institucional – contemplando elementos da Psicologia, da Sociologia e da Economia. O conteúdo psicológico dos escritos de Veblen considera instintos e hábitos. A literatura econômica sobre o tema tem seu foco na análise dos hábitos, apesar da importância dos instintos na obra de Veblen. Este artigo discute a noção de instintos para Veblen em busca de esclarecer o papel dos instintos na tomada de decisão do consumidor conspicuo vebleniano, o papel dos instintos, o instinto do trabalho eficiente, a relação entre hábitos e instintos e sua influência sobre o consumidor conspícuo.

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Consequentemente, este texto contribui para uma melhor compreensão de como impulsos internos e o processo de socialização culminam no comportamento do consumidor conspícuo de Veblen.

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Palavras-chave: Thorstein Veblen; Instintos; Instinto do Trabalho Eficiente; Economia Institucional; Classe Ociosa

1. Introduction

Thorstein Veblen's *The Theory of the Leisure Class* (1899) deals with the psychological, social, and economic issues of how institutions influence people's behavior from an evolutionary perspective. For Veblen, neither individuals nor institutions are taken for granted; he analyzes each from the beginning of their existence. The focus of *The Theory of the Leisure Class* and a large number of Veblen's later writings is the social creation of habits of thought, institutions, and their consequences for the behavior of people in society. Veblen's first book resulted in a proliferation of studies on institution in other areas of economics. This approach was named later as institutional economics (Hamilton, 1919). Nowadays, studies in the Veblenian tradition are identified as "old" or "original" institutional economics.

The psychological importance of original institutional economics is that it stresses acknowledgment of the ways individuals learn within a society that contains institutions (Dugger, 1980; Hodgson, 2003). Psychological insights in Veblen's theory rely on the American pragmatist school of philosophy (Edgell and Tilman, 1989; Twomey, 1998). Contemporaneously, this aspect has been analyzed more closely by what is recognized today as cognitive psychology (Hodgson, 1985; Melody, 1987; Redmond, 2006; Stein, 1997). With regard to issues usually analyzed by studies that take the psychology of Veblen's conspicuous consumer into account, habit in decision making plays a central role. Indeed, habit is a key element in Veblen's theory. Despite the importance of the place of habits in Veblen's conspicuous consumer approach, there are other important psychological elements in Veblen's conspicuous consumer psychology, such as instincts. The role of instincts in the Veblenian approach to decision making has been studied less. This paper intends to contribute toward this direction of study.

Instinct is a common concept in scientific approaches. Biology, anthropology, sociology, psychology, philosophy and even economics deal with the notion of instinct. During the eighteenth century, the instinct was a usual issue in philosophical writings. During the early nineteenth century, psychology became organized and recognized as the field of science that started to influence the development of several decision making concepts, such as instincts. Veblen's definition of instinct would be considered unusual if compared to philosophical and psychological concepts, however. To be unusual contribute to Veblen's concept of instinct be a minor issue in the literature about institutional economics. This paper proposes to discuss Veblen's concept of instinct and its place in his conspicuous consumer's decision making in order to address a better comprehension of Veblen's institutional economics and conspicuous consumer decision making.

The rest of this paper is organized as follows. Section 2 presents Veblen's concept of instinct by stressing its differences from the common-sense approach to what instinct means. In Section 2, a Veblenian instinct is introduced as an association between an inner impulse to behave with objects of the external world—taking consumers into account, these objects are goods. This discussion indicates that habits and institutions show consumers how to associate an inner impulse with a good. Section 3 details the impact of habits and institutions on the conspicuous consumer's inner impulses–goods relationship by stressing the role of the leisure class in conspicuous consumer decision making. In doing so, it is possible to address the most important Veblenian instinct for the conspicuous consumer's decision making, the instinct of workmanship. Consequently, Section 3 introduces the role of emulation, social selection, and pleasure institutionally built. A few final considerations close the paper in Section 4.

2. Instinct and the impulse–object relationship

Veblen's writings have been documented and analyzed extensively. Generally, these studies examine Veblen's writings for their influence on institutional economics and methodological issues (Hodgson, 2004a; Mayhew, 1987; Peukert, 2001; Rutherford, 1984). With regard to institutional economics, Veblen's perspective takes into account the evolution of thoughts and behavior expressed in institutionalized procedures in a society. Concerning methodology,

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