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**IMPERIAL GERMANY  
AND THE  
INDUSTRIAL REVOLUTION**

## BOOKS BY THORSTEIN VEBLEN



- THE THEORY OF THE LEISURE CLASS, 1899  
THE THEORY OF BUSINESS ENTERPRISE, 1904  
THE INSTINCT OF WORKMANSHIP AND THE STATE OF THE INDUSTRIAL ARTS, 1914  
AN INQUIRY INTO THE NATURE OF PEACE AND THE TERMS OF ITS PERPETUATION, 1917  
THE HIGHER LEARNING IN AMERICA. A Memorandum on the Conduct of Universities by Business Men, 1918  
THE VESTED INTERESTS AND THE STATE OF THE INDUSTRIAL ARTS, 1919  
THE PLACE OF SCIENCE IN MODERN CIVILISATION AND OTHER ESSAYS, 1919  
THE ENGINEERS AND THE PRICE SYSTEM, 1921  
ABSENTEE OWNERSHIP AND BUSINESS ENTERPRISE IN RECENT TIMES: THE CASE OF AMERICA, 1923  
THE LAXDÆLA SAGA. *Translated from the Icelandic, with an Introduction*, 1925  
ESSAYS IN OUR CHANGING ORDER, 1934 (*A posthumous collection of papers from periodicals; edited by Leon Ardzrooni*)

### SEE ALSO

- THORSTEIN VEBLEN AND HIS AMERICA, BY JOSEPH DORFMAN, 1934.  
WHAT VEBLEN TAUGHT. Selected Writings of Thorstein Veblen, 1936 (*Edited with an Introduction by Wesley C. Mitchell*)

IMPERIAL GERMANY  
AND THE  
INDUSTRIAL REVOLUTION

BY  
THORSTEIN VEBLEN.

*with an*  
*Introduction by Dr. Joseph Dorfman*

LONDON  
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1939

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## PREFACE

Some apology may seem due on offering at this season so unwarlike a study as what here follows on the case of Imperial Germany and its place in modern civilisation. The essay was projected before the current war came on, though the complexion of subsequent events has also doubtless had its effect on the particular direction taken by the argument at more than one point in the inquiry. The inquiry in hand, therefore, is concerned neither with the controverted merits of the international quarrel nor with the comparative force and probable success of either belligerent. Its aim is the less polemical one of a comparison and correlation between the German case on the one hand and the English-speaking peoples on the other hand, considered as two distinct and somewhat divergent lines of the cultural development in modern times; and the ground on which the inquiry runs is that afforded by the economic, chiefly the industrial, circumstances that have shaped the outcome in either case.

It aims to account for Germany's industrial advance and high efficiency by natural causes, without drawing on the logic of manifest destiny, Providential nepotism, national genius, and the like. It is believed to be the first attempt yet made at an explanation, as distinct from description or eulogy, of this episode in modern economic history; unless Professor Sombart's *Deutsche Volkswirtschaft im XIX.*

*Jahrhundert* may be so regarded. Apart from Professor Sombart's study of this period, it is believed, nothing of consequence has appeared in the way of a theoretical inquiry into this Imperial era and the run of its industrial affairs, although many scholarly and workmanlike studies have presented the run of the facts from one point of view and another.

There is of course no intention here to impart information on the history of this period, whether political or economic; and the historical information made use of as material for argument is of the commonplace kind familiar by common notoriety or from the standard manuals accessible to all readers. Anything like a comprehensive citation of sources and authorities has accordingly been dispensed with, though citations and references covering given points have been brought in where special occasion appeared to call for it. The argument runs between the lines of the histories, as conventionally written, and does not lean on recondite material or niceties of detail.

To English readers, it is true, the chapter on the Old Order may appear in part to rest on recondite information. The argument bearing on this topic presumes a degree of familiarity with the archæology of the Baltic region, together with a fairly exhaustive first-hand acquaintance with what there is extant of literary remains in the Old Icelandic. It is not a matter in which the reader would be much helped out by a citation of sources; nor would a detailed enumeration of documents and textual passages appear to serve any useful end even in the hands of a specialist in this province of erudition, since the purpose for which this material is



here used is such as would be served by nothing short of a somewhat protracted and inclusive familiarity with the entire range of literature in question. The early culture of the Germanic peoples, and of their pre-German forebears, that so comes in sight in these archæological and literary antiquities, is made use of as a term of contrast against which to exhibit the characteristic traits of the modern era, and as showing the cultural point of departure of these peoples, toward which any drift of reversion in their case will necessarily set.

It may also appear that a larger attention has been given to the case of the English-speaking community than would seem warranted by the caption of the title-page. Here, again, the need of a term of comparison has been allowed to decide, as well as the fact that, in the industrial respect, the current German situation is a derivative of the English and an outcome of the past development of the industrial arts as worked out in Great Britain. Some attention has therefore necessarily been given to this past development of industry and its consequences in the British community.

*March 1915*

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## INTRODUCTION

If the men who count in the social sciences in the United States were asked today who was America's most creative thinker in this field, few would dissent from the choice of Thorstein Veblen. They might not approve his views in general, let alone the details, but they would acknowledge that he showed a far more penetrating insight into the nature and future course of development of the modern business civilization than any of his contemporaries or successors.

With the exception of the much misunderstood *The Theory of the Leisure Class*, Veblen's books have hardly been popular. Yet slowly his books rise from the obscurity of being out of print to take their place as significant interpretations of the current drift of events dating from the great crisis of 1929. Veblen died an embittered man, only a few months before the beginning of that memorable event, but since then the majority of his books have again emerged and new editions have been required.

From students perplexed anew by the sterility of traditional economics came a demand for *The Place of Science in Modern Civilisation and Other Essays*. Those who despaired of the ability of the prevailing higher education to cast light on pressing social problems called for *The Higher Learning in America: A Memorandum on the Conduct of Universities by Business Men*. The "technocracy" craze made *The Engineers and the Price System* a best seller for

a period, although the connection of Veblen's book with the movement was at most accidental. The advent of the "New Deal" sent readers to *The Theory of Business Enterprise* and *The Vested Interests and the Common Man*. Today the course of international events calls forth *Imperial Germany and the Industrial Revolution*.

In one respect in particular, this book is the finest drama that Veblen ever wrote. So well had Veblen caught the spirit of the Third Reich twenty years before its birth that its accredited spokesmen sound as if they are merely obeying Veblen's logic not only in broad outline but in specific detail. Yet this book suffered a fate even more severe than did most of his other works. Published shortly after the outbreak of the World War, it was soon on its way to the heap of forgotten and unsold books. Even men of high reputation in liberal ranks who believed Veblen to be a genius were perplexed concerning the meaning of this book. Graham Wallas and Walter Weyl complained of its irony, reticence, and concealment. That was not all. They felt it was too detached. Wallas, professor at the London School of Economics, thought that Veblen was too hard on the English; Weyl, an American liberal with a German university education, felt that Veblen should have found some good in German culture.

America's entrance into the conflict in 1917 seemed to offer another opportunity for the book to make its contribution to current thinking, but again its objective character decreed otherwise. The official propaganda bureau of the American government urged newspapers to republish parts of the book as damaging evidence against Germany, but the

Postmaster General's office barred the book from the mails under the Espionage Act.

The equally penetrating *An Inquiry into the Nature of Peace and the Terms of Its Perpetuation* underwent a similar fate. Spokesmen of patriotic organizations denounced Veblen as a pacifist; agents of the Department of Justice held that the book called for more severe penalties upon Germany than were publicly advocated by the Entente powers.

In this book Veblen forecast the future history of the yet to be born peace treaty and the League of Nations, and presented at great length the plan and terms of what he conceived might be a permanent "pacific league." But the government overlooked Veblen as it scoured the country for economic advisers on these paramount questions; it preferred the conventional run of the profession who were accustomed to ignoring Veblen's numerous constructive proposals by calling him, at best, a mere critic.

With the cessation of hostilities there was only a negligible demand for either of these works. Germany was now ostensibly a republic and those whom Veblen called the "subsidized pacifists" were in the saddle, proclaiming obsolete, innocuous solutions.

But today with the world trembling on the brink of war, and Germany going through those evolutions sketched by Veblen, his cosmic spirit again impresses a world that cannot escape from his persistent influence, because he understood its drives.

The scope of *Imperial Germany and the Industrial Revolution* extends far beyond the case of Germany. It requires no reading of his equally prophetic and neglected "Oppor-

tunity of Japan" written at the same time <sup>1</sup> to realize that Japan is included. The western democracies also come in for attention. The longest chapter in the book is entitled "The Case of England," and the nine-page supplementary note, tucked away in the back of the work, dealing with American captains of finance should lead to a rereading of the main text as "The Case of America."

In *Imperial Germany and the Industrial Revolution*, as in all his books, Veblen employs techniques that permit him to use a segment or aspect of culture as a spotlight to illuminate the underlying forces of the development of western civilization. Thus something must be said of Veblen's character and the position of the book in his comprehensive scheme, or readers may again be misled by its superficial trappings, particularly by the illusion that he was writing merely of the Germany of William II rather than of the current posture of events, both national and international.

Nature endowed Veblen with an orderly brain, a high sense of intellectual integrity, and an insatiable curiosity. There was little that did not interest him, and he early acquired and constantly augmented vast knowledge that ranged from epic literature, theological dogma, and philosophical systems to the latest mechanical inventions and the most recent anthropological and archaeological researches. Circumstances beyond his control determined that his mind, curiosity, and knowledge should be turned to the uses not of an antiquary but to those of a dissector of the modern order.

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<sup>1</sup> Republished in Veblen's posthumous collection, *Essays in Our Changing Order*, edited by Leon Ardzrooni, New York, 1934.

As Professor Wesley C. Mitchell has so well shown,<sup>1</sup> Veblen's detached outlook developed from his having spent his early youth in a "little Norway" in the Middle West with its relatively self-sufficient agrarian scheme of things of a day fast disappearing, and then being thrown into the dominant Yankee business culture of the towns. Stripped thereby of a predilection for either scheme, he was able to see less obscurely than his contemporaries the development of those institutions that were transforming America into the most advanced product of capitalism; namely, the machine process and its concomitants under the regime of property—corporation finance and imperialism.

The story of the development of modern business enterprise was to be Veblen's main concern after his re-entrance into academic halls in 1891. Although he had received a Ph.D. from Yale in 1884, he entered Cornell as a graduate student. In the intervening seven idle years of waiting for a post he had ample opportunity to think deeply of the problem. During the decade that followed, he worked out the main threads of his argument. It was a decade known to historians as the "stormy nineties," and respectable sentiment expected academicians to refrain from seriously questioning the fundamental arrangements. Although Veblen's first article, which appeared at the beginning of the period, was called "Some Neglected Points in the Theory of Socialism"<sup>2</sup> it is not difficult to understand why his first book,

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<sup>1</sup> "Introduction" to *What Veblen Taught*, selected writings of Thorstein Veblen, edited by Wesley C. Mitchell, New York, 1936.

<sup>2</sup> Republished in *The Place of Science in Modern Civilization and Other Essays*, selected by Leon Ardzrooni, Wesley C. Mitchell, and Walter W. Stewart, New York, 1919; new edition 1930.



published in 1899, should have the title *The Theory of the Leisure Class*.

Veblen labored long and arduously over this book. For subtlety it has hardly an equal. The nature of the control of the predatory captains of finance over the material welfare of the community is worked out in terms of the canons and activities of the leisure class gentleman, and of his apparent prototype, the barbarian chieftain. Veblen brought into play much of that curious information he had accumulated, to characterize and analyze the meaning of the jarring effect on modern industry of the never-ceasing strategic maneuvers of the modern barbarians in their contests for financial hegemony.

Veblen paid a heavy penalty for using such a technique. William Dean Howells lavishly praised it as a masterly ironic presentation of the wealthy aspiring to be English aristocrats, and of the contamination of all phases of life by the vulgar canons of the marketplace. Since Howells was the dean of American letters, praise from him meant fame to the recipient. Thus Veblen became known as a satirist possessed of an original style. He was not to be taken seriously as a student of economic affairs. That reputation Veblen never lived down. His subsequent works were always viewed in the shadow of this interpretation of *The Theory of the Leisure Class*, which became traditional.

As if seeking to correct that view, Veblen published *The Theory of Business Enterprise*. Here the argument was unfolded more bluntly, in terms of a conflict between modern business enterprise and the requirements of the modern state of the industrial arts, between the never-ending pursuit

for funded wealth and increased capitalization, by the pecuniary magnates in their competitive, rapacious struggles, and the inordinate productivity of the comprehensive, delicate machine process.

The results are, on the one hand, depression as the normal state, and, on the other, the need for business enterprise to assume more and more the character of contending imperialisms at home and abroad. Enduring peace, that is, the uninterrupted, smooth functioning of the industrial processes for the material welfare of the community, requires emancipation from this scheme of pecuniary management, but modern business enterprise, like the leisure class, is animated by the institution of ownership.

Veblen's analysis moves to its end with a discussion of the close resemblance of the present "princes by the grace of ownership" and their canons of "pecuniary mastery and commercial solvency" to the older barbarian "princes by the grace of God" and their canons of "warlike mastery and ceremonial precedence." Thus the outwardly peaceful but actually warlike scheme of modern business enterprise is essentially an unstable, transitory stage of culture and is bound eventually either to return to unmitigated feudalism and petty industry or to move forward to the industrial republic and the unhindered machine process.

The outbreak of the war in 1914 caused Veblen to hurry his book *Imperial Germany and the Industrial Revolution*. In one respect this was fortunate. He had less time for carefully planned literary stratagems, though there were still enough of them to confuse the reviewers and the government agencies. The main argument of *The Theory of the*

*Leisure Class* and of *The Theory of Business Enterprise* stands out more sharply. Here and there in the text, and even more in the supplementary notes, Veblen openly calls attention to the gruesome nature of the last chapter of business enterprise with its dynastic politics.

The argument runs in terms of a comparison of Imperial Germany with the ostensibly democratic English-speaking peoples as dominant types of social organization. In the former type Veblen includes Japan; in the latter he places the United States, which is an outlying province of the English cultural scheme.

Veblen finds little difference between these types so far as the welfare of the mass is concerned. The German Junker, the British gentleman, and the ideal American business man are brothers under the skin.

Veblen's immediate, explicit objective, as the title indicates, is to explain why and how Germany with its dynastic political organization made such rapid strides in the machine technology as to outstrip the democratic English-speaking peoples from whom emanated the modern industrial process. The explanation lies in the logic of business enterprise. The machine technology began in England, but the institution of ownership was and continues to be the paramount institution in the English scheme of things. Thus the growth and functioning of the technology were increasingly obstructed by the necessity of protecting the ever-augmenting nominal capitalized values of the "gentlemanly investors." As Veblen had already elaborately explained in *The Theory of Business Enterprise*, advancing technology lowers prices and profits in nominal values, but business sol-

veny and success depend on the maintenance and advance of these nominal values even though the material values may actually be decreasing. This paramount necessity of protecting the funded wealth of the great owners amounts to an ever-increasing waste of the product and prospects of industry by a leisure class of business men, and an ever-increasing amount of distress for the masses.

Germany avoided this "penalty of taking the lead" in modern industry under private property by virtue of its more recent entrance among the great powers. Relatively free from the dead hand of funded capital, her technology could develop at a faster pace than in the lands of its birth. However, the surplus is devoted not to the material welfare of the community but to the "intangible glory of the reigning house." The objective of a dynastic State is insatiable dominion, and economic life is organized to enhance fighting capacity. Since a dynastic State must in the modern scheme of private property work through business and the price system, and since the principle of the price system is that of the leisure class—conspicuous waste of resources human and inanimate—it is only a matter of time before the mature English and American situation will be reached and the competitive advantage of warlike force will be dissipated.

Indeed, Germany missed her opportunity, said Veblen, and struck too late. But Japan, he maintained, still has a chance. If she were wise, she would strike now, before the principles of business enterprise waste away her surplus of fighting strength.

Yet the dynastic State, like modern business enterprise,

derives its strength from the machine technology and so is increasingly threatened by what was termed, in *The Theory of Business Enterprise*, the alternative to feudalism for business enterprise—the industrial republic.

Thus *Imperial Germany and the Industrial Revolution*, seen in the light of Veblen's previous books, is revealed as not only a discussion of the nature and destiny of the dynastic States and the western democracies, but also as a most elaborate discussion of modern business enterprise. Even the so-called contrast between business enterprise and the dynastic State in the discussion of Germany's prospects of success for world dominion seems to be a double analysis of modern business enterprise; on the one hand as the institution of the leisure class, and on the other as the institution of the dynastic State.

The principle of the "penalty of taking the lead," as Veblen used it, has far-reaching implications. Not only may it help to explain the sudden tremendous increase in the military and industrial efficiency of the Third Reich after a good part of its funded wealth had been canceled, but it might also serve to guide inquiry into the Russian experiment and its fate. Russia, instead of going through what Marxians call bourgeois democracy, jumped from autocracy into communism, where theoretically the dead hand of ownership is not present. In its basic elements, however, the principle is Veblen's fundamental contrast between business and industry, between corporation finance and the machine technology, between ownership and the requirements of the community. A great industrial nation if freed from the restraint of pecuniary considerations avoids "the penalty of

taking the lead," the penalty of business convulsions and increasing distress.

So this new edition is presented with no change in Veblen's original text, except for corrections of typographical errors, and a few minor verbal emendations which Veblen himself left behind, doubtless with a firm faith that time would vindicate him and create the present event.

JOSEPH DORFMAN

*Columbia University*  
*February 1939*