

**THE THEORY OF
ECONOMIC PROGRESS**

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OF
ECONOMIC PROGRESS**

BY

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Preface

THE PURPOSE of this book is to set forth a new way of thinking about economic problems. The time will come when we shall see that the root of all our economic confusion and the cause of the intellectual impotency which has brought economics into general disrepute is the obsession of our science with price theory—the virtual identification of economics with price analysis to the almost total exclusion of what Veblen called the “life process” of mankind.

To orthodox economists such a statement of the issue must always seem unwarranted. As they still insist, what focused the attention of the founding fathers upon price was their “realization” that price equilibrium is the key to all the mysteries of economic life. Ah, sweet mystery of price!

This presumption raises a question of primary importance. On what basis does it rest? The answer which I have given in the first part of this book is neither novel nor definitive. One of the commonest criticisms of orthodox economics is that it is based on the psychology, moral philosophy, and even theology of the eighteenth century, all of which, as we know, perpetuated earlier habits of thought that are even more widely at variance with present knowledge. Economics is by no means the only science in which ancient fallacies

persist, but it is unique among contemporary studies in being the only one in which eighteenth-century (and earlier) habits of thought define the prevailing tradition. All this has been said before, indeed many times, but still not often or convincingly enough—so it would seem, since the tradition still prevails. I hardly dare to hope that my indictment will prove more effective than earlier ones. But so long as the classical tradition persists, no one can neglect its challenge.

Moreover, to do so would be a mistake of the first order. For we shall not be able to go straight in economics by easy expedients, such as addressing ourselves “directly” to the “facts.” Surely we ought to know by now that facts without understanding are meaningless; and understanding is a matter of perspective and pattern, that is to say theory. Does observation of the factual manifold reveal any general pattern? What are the forces that shape this pattern? In what different aspects—of production, distribution, consumption, or whatever—is the pattern manifest and what is the relation between those several aspects or functions? What sort of balance prevails among them and what is the criterion of balance and imbalance? The founders of the science owe their pre-eminence to their realization of the importance of such questions. If they were wrong in trying to elicit answers from the numerology of price, their questions still confront us.

What students of economics need today is to make a fresh start. If they would do this, they would discover almost immediately that they enjoy a very great advantage over the social philosophers of four and five generations ago. An immense quantity of water has passed over the scientific dam during the years that separate us from Adam Smith. In particular this period includes the Great Flood of 1859. The whole post-Darwinian conception of the nature of man, of the pattern of human behavior, and of social process,

differs from that of the eighteenth century no less than the chemistry of the present day differs from that of Cavendish. The economist after all is a member of the scientific community, not a solitary castaway. Great sums of knowledge have already been deposited to his account by philosophers and sociologists, psychologists, historians, and anthropologists.

In this book I have tried to draw a few checks on that account. To students of the other social sciences there is nothing new about this way of thinking; and since the basic problems of social behavior are the same for all of us, what I have to say may prove to be of greater interest to them than to case-hardened economists. The problems are those which underlie the science of economics; but the ideas are drawn from a common fund, and the audience to which this statement of them is addressed is not limited by any professional barriers.

I am told that my chapters are "closely reasoned," and I hope that such is indeed the case. Does this mean that they are therefore inaccessible to non-economists or even to non-academic readers? I hope not. Stephen Leacock once remarked that there is no such thing as a book on economics for reading in a hammock, and that dictum certainly applies to the present volume. But I see no reason why anyone who is sufficiently concerned about our common fate to be willing to give close attention should be unable to follow my analysis. If such is the case, then I have failed. And the failure is a serious one, for the world cannot be saved by specialists. As I have said from the first page to the last, these ways of thinking are the result of a general social process in which the whole community participates.

Chapters VI and XII have appeared as articles in the *Antioch Review*, Chapter XI, as an article in the *Southwest Review*; and Chapter X makes use of passages from an arti-

cle in the *American Journal of Economics and Sociology* and others from a chapter which I contributed to a symposium edited by Professor Seba Eldridge: *Development of Collective Enterprise* (Lawrence, Kansas, 1943). I wish to thank the editors of these publications for generous permission to reprint.

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There is the economic life process still
in great measure awaiting theoretical
formulation. —*Thorstein Veblen*

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