

Take It From Thorstein Veblen...

... the hard times, they are a-coming. The tip-off is that the minimum wage is edging up by a few niggardly pennies.

Professor Veblen published *The Theory of Business Enterprise* in 1904, during a period of business consolidation similar to our own. The consolidators of the day were known as “Lords of Creation,” but not because they created anything. They merely absorbed one another amoeba-fashion, as Time-Warner and America Online have just done. The principal object of the Lords was not to create anything new and useful, but rather to siphon money out of already existing corporations and into the pockets of those who controlled them. This resulted, then as now, in a peculiar form of surface prosperity that never seems to get down to the men and women who actually do the nation’s work.

Here is how Professor Veblen viewed the rising tide which in his day was lifting all yachts.*

“To the workmen engaged in industry, particularly, substantial benefits accrue from an era of prosperity. These benefits come, not in the way of larger returns for a given amount of work, but more work, fuller employment, at about the earlier rate of pay. To the workmen it often means a very substantial gain if they can get a fuller livelihood by working harder or longer, and an era of prosperity gives them a chance of this kind.

“Gradually, however, as prosperity—that is to say, the advancing price level—rises and spreads, the increased cost of living neutralizes the gain due to fuller employment, and after the era of prosperity has been under way for some time the gain in the amount of work obtainable is likely to be fairly offset by the increased cost of living.

“As noted above, much of the business advantage gained in an era of prosperity is due to the fact that wages advance more tardily than the prices of goods. *An era of prosperity does not commonly bring an increase of wages until the era is about to close.* (Emphasis added.)

“The advance of wages in such a case is not only a symptom indicating that the season of prosperity is passing, but it is a business factor which must by its own proper effect close the season of prosperity as soon as the advance in wages becomes somewhat general. Increasing wages cut away the securest ground of that differential price advantage on which an era of prosperity runs.”

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* This figure of speech, now a political cliché, was originally used by Walter Mondale during his 1984 presidential campaign against Mr. Reagan. At least I thought it was original when I wrote it, and will continue to think so unless someone can point me to an earlier occurrence. I hope no one can, as this is the only cliché birth to which I imagine myself ever to have given.