

*The psychology in the beginning of the Original Institutional Economics: how Freud's insights can complement Veblen's theory*

**Resumo:** Thorstein Veblen foi um dos fundadores da Economia Institucional Original, ou Velha Economia Institucional. Como objetos e pensamentos são socialmente e evolucionariamente utilizados é um elemento central na abordagem desenvolvida por Veblen. Em sua análise, Veblen destaca elementos psicológicos, sociais e econômicos; o primeiro considera abordagens baseadas em instintos e cognição. A proposta aqui apresentada consiste em uma aproximação entre os escritos de Veblen e Freud. Essa aproximação é realizada em busca de uma melhor compreensão de como motivações instintivas à ação e o processo de socialização geram o comportamento individual. Nessa perspectiva, o artigo discute a função dos instintos, os objetos do mundo externo que se relacionam com tais instintos (com destaque para a propriedade privada), o instinto do trabalho eficiente, os hábitos e como todos esses elementos influenciam o consumidor conspícuo. Esse artigo enfatiza como a abordagem instintiva de Veblen clama por elementos cognitivos.

**Palavras-chave:** Thorstein Veblen, Economia Institucional, instinto do trabalho eficiente, instintos, propriedade privada

**Classificação Jel:** B15; B31; D01

**Abstract:** Thorstein Veblen was a founder of Original, or Old, Institutional Economics. A social and evolutionary usage of things and thoughts are in the center of Veblen's approach. In his institutional studies, Veblen dealt with psychological, social, and economic issues. The psychological content of Veblen's writings takes instinctive and cognitive issues into consideration. The proposal of this paper is to take other psychological perspective of Veblen's approach into account. This proposal is strongly connected to an instinctive reading of Veblen's approach. As the purpose here is to bring Veblen's and Freud's studies closer, looking for a better understanding of how inner forces to act and the socialization process culminate in behavior. In such task, this paper discusses the role of instincts, objects of the external world (private properties), the instinct of workmanship, habits and their influence on the conspicuous consumer. This paper highlights that Veblen's instinctive approach clams for cognitive issues.

**Keywords:** Thorstein Veblen, Institutional Economics, Instinct of Workmanship, Instincts, Private Property

**Jel Classification Codes:** B15; B31; D01

## ***Introduction***

Published in 1899, Thorstein Veblen's *The Theory of the Leisure Class* deals with psychological, social, and economic issues of how institutions interfere in the behavior of people according to an evolutionary perspective. For Veblen neither individuals nor institutions are taken for granted, individuals and institutions are both analyzed by Veblen since the beginning of their existence. The focus of *The Theory of the Leisure Class*, as well as a large number of Veblen's latter writings, is the social creation of habits of thought, institutions and their consequences over the behavior of people in society. After Veblen's first book, other economics studies took institutions into account. Some years later this kind of approach was nominated as Institutional Economics (Hamilton, 1919). Currently, one can perceive a considerable amount of economics studies called, or even self-proclaimed as institutional. Works in a Veblenian tradition are identified with an "Old" Institutional Economics or, in better words, an Original Institutional Economics.

The psychological importance in the Original Institutional Economics is strongly stressed taking into consideration how individuals learn within a society composed by institutions (see Dugger, 1980; Hodgson, 2003; Searle, 2005). This concern has been analyzed more closely by what is recognized today as cognitive psychology (see Hodgson, 1985; Melody, 1987; Redmond, 2006; Stein, 1997). Although cognitive psychology can be seen as generating plausible and important insights, one is left with the fact that Veblen's works was written under the prevalence of another paradigm in psychology and Veblen dealt with it. Insights from this psychological paradigm had been formally introduced as instinctive theory which had been a prominent area in psychology until 1920's. The decline of the instinctive theory relied on analyses strongly based on unconscious and subjective issues. Such analytical perspectives inserted "black boxes" into the instinctive theory.

Veblen developed his institutional approach based on an instinctive psychology (see Asso and Fiorito, 2004, and Twomey, 1998). The decline of instinctive psychology had been coincident with the rise of psychological behaviorism and its behavioral laws. According to Rutherford (2000) the change in psychological analysis deeply contributes to the lessening of the importance of Institutional Economics among economics' studies. As stated by Asso and Fiorito (2004), applications of psychological behaviorism to Economics, Institutional Economics included, showed itself exceedingly restrictive as it did not take into account important issues, such as cognition. The proposal of this paper is deep explore the psychology which supports Veblen's institutionalism. To respect the context which Veblen wrote his studies, the instinctive theory is taken into account. However, an argument here introduced is: Veblen's instinctive approach deal with cognitive issues – actually the former reclaims the latter.

The purpose here is to bring Veblen's and Freud's studies closer. Sigmund Freud is known as the founder of psychoanalysis. The instinctive theory had been formally presented in the beginning of 20<sup>th</sup> under the lenses of psychoanalysis. Hence, Freud's writings were chosen as a guideline to deep explore instinctive features of Veblen's approach. Therefore, this paper searches for a better understanding of how inner forces to act and the socialization process culminate in behavior. This will be done in Veblen's sense of drawing on psychology to having a say in economic behavior in line with Veblen's institutionalism. There are some considerations which should be stressed in this introduction. This study focus on the economics field and thus therapeutic aspects will be not considered. A further point is that, despite its enormous contribution to psychology, Freud's approach holds many "black and white" categories and "black boxes" – such as the already highlighted unconscious and subjective issues. In Veblen's institutionalism there is no space for "black boxes" and "black and white" categories. Here, psychoanalysis supports the hypothesis that there is a much larger grey area concerning decision making.

To accomplish such a task, this paper has been organized as follows. The next section shows Veblen's and Freud's similar concepts of instinct as well as the complementarity of both approaches with regard to how instincts are put in practice. In such perspective the relationship between individuals and objects is emphasized. This discussion offers an important economic insight about how private properties become purposes for instinctive impulses, as well as how private properties

are incorporated in decision making. The second section highlights Freud's structure of mind as Id, Ego, and SuperEgo, discusses how it relates to the previous discussion and its importance to how people establish relationships among private properties. In what follows, the logic built in previous items is applied to Veblen's notion of conspicuous consumption, highlighting the relationship between consumers and goods which allows highlighting other insights of Veblen's approach to consumption. Some final considerations close the essay.

### *Instincts, emulation, and private properties*

Thorstein Veblen is considered one of the founders of the Original Institutional Economics. Veblen's writings had been largely analyzed and documented. Generally, such studies regard the importance of Veblen for Institutional Economics and methodological issues (see Hodgson (2004b), Mayhew (1987), Monasterio (1998), Peukert (2001) and Rutherford (1984)). Regarding methodology two topics are emphasized: the unfulfilled development of the Veblenian Evolutionary approach (see Mayhew (1998) and Rutherford (1998)) and the abduction of Darwinism Evolution to the social field<sup>1</sup> (see Cordes (2007), Hodgson (2004c, 2008)).

*Central aspects of Veblen's institutionalism* – In general lines, Veblen's institutionalism takes into account the evolution of thoughts of people in a society. In the Veblenian perspective evolution does not mean improvement, but a cumulative modification. For Veblen (1909, 1919) a society is a scheme of institutions which are outgrowths of habits. The notion that institutions come from habits is something strong in Veblen's theory, it occurs because Veblen's focus is an evolutionary perspective of societies and how elements socially created impact on personal behavior and decision making. The center of Veblen's theory is how a common usage of things and thoughts take place in the social environment. In such perspective institutions can be understood as manifestations of habits and regularities which generated foreseeable occurrences in thoughts and behaviors. What are usually chosen for lunch, table manners, money, law and dress code are examples of institutions.

Hodgson (1998) defines the Veblenian concept of habit as a largely non-deliberative and self-actuating propensity to engage in a previously adopted pattern of thought or behavior. It is important to highlight the difference between habit and repetition as well as the distinct among that concepts and behavior. A habit is a form of self-sustaining non-reflective thought or behavior that arises in repetitive situations, but habit is not repetition (Hodgson, 2004a). Habits are formed through repetition; they are influenced by prior activity and have durable and self-sustaining qualities (Hodgson, 2002a). Habit does not mean thought or behavior either. It is a propensity to think or behave in particular way in specific situations. Hence, habits can be unused for a long time since they may exist even if it is not manifested. Habits are potential thought or behavior; they can be triggered by an appropriate stimulus or context (Hodgson, 2002a, 2004a).

Despite Hodgson attention on habits of thought and behavior, Veblen focused much more in habits of thought and its consequences in behaviors. In Veblen's perspective of socialization, what people lived, saw, or was taught about things which occurred before is a feature deeply marked in modern civilizations. Consequently, nowadays communities have a historically established system of habits of thought. The conventional accomplishes present in a society can be understood as branches of learning. Concepts of objects and how to use them are subjects of individual comprehension through institutions (Veblen, 1899, 1906, 1909).

*Instincts* – Veblen's institutionalism became well-know by its evolutionary approach regarding habits, institutions and their relationships. Indeed, they are the central elements in Veblen's analysis. However, there are other aspects of Veblen's approach of decision making which can be further explored, such as Veblen's concept of instinct. Veblen's and Freud's concepts of

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<sup>1</sup> Nowadays, there are some researchers who work hard to discuss and develop contemporary insights about the abduction of biological concepts to economic field looking for an evolutionary approach. Among those studies contributions of Geoffrey Hodgson and Richard Nelson are highlighted (see Hodgson (2002b), Hodgson & Knudsen (2006, 2007), Nelson (2006, 2007)).

instinct are similar and complementary. For Veblen (1914) the prime manifestation of human behavior is conditioned by amoral instincts and developing skills naturally endowed<sup>2</sup>. According to Freud (1915a) instinct is an extremely complex concept which can be understood as mental stimulus generated inside the organism. An instinct is a power of constant impact which is impossible to run away from. To perform pressure is common in every instinct; to execute pressure are instincts' own existences. What human beings desire is a response to instincts and it is established by pleasures and pains (Veblen, 1914)<sup>3</sup>. Both Veblen and Freud stressed that the concept of instinct is still hazy (Freud, 1915a; Veblen, 1914). The argument of Veblen (1914) for the use of this concept is that Institutional Economics does not need an extremely precise concept of instinct to analyze nature and development of institutions and habits. Freud (1915a) and Veblen (1914) agree that despite the obscurity of the concept of instinct, it is indispensable to psychological issues of decision making. This affirmation is consistent with the theories they developed.

Another point to take into account regarding Veblen's and Freud's concepts of instinct is that the consequent pleasures and pains generated vary in intensity and according to a large numbers of interrelated factors, such as situation, learning, and goals. Hence, it is impossible to put a mathematical function, as a lot of economists love. The result of an instinctive impulse is a search for pleasure. An instinct motivates such search, but it does not mean that satisfaction always occurs (Freud, 1915b). An instinct can stay in a "state of unpleasure" over time. This unsatisfactory period varies from an instinctive impulse to another and just in rare cases it corresponds to a life time. As example, the instinctive impulse to reproduce the specie can be in a "state of unpleasure" for a long time. The same cannot occur with the instinctive impulse to eat.

The goals of instincts are always clear; they are, mainly: food, water, and protection. Instincts and their goals do not change; what can change is how these goals can be achieved. Such modifications are not a matter of impulse anymore; it is about ways and means to get things done. For example, there is an instinctive impulse to eat; however, people do not eat just guided by this instinct. People use to eat according to a standard: meals are divided through the day; each meal can be divided concerning the kind of nutrients which should be eaten; specific types of food can be avoided because they are seen as not healthy, or some types of food are eaten only in special occasions. The instinctive impulse is put on practice by the interaction of people with the external world, specifically with objects of the external world, such as the instinctive impulse to eat and food (Freud, 1915b; 1923). How people deal with objects of the external world varies from a person to another, such as what and how people eat. What is usual among people is the establishment of a relationship among instincts and types of objects which make the pleasure possible. As example, Brazilians eat different things but there is a Brazilian usual lunch – rice, beans and meat.

*Instincts and objects* – This instinct-object relationship does not originally exist and it can change over time or be rigidly fixed. It is a matter of how people learn to put their instincts impulse in practice. Instincts-objects relationships are social issues since a large number of objects of instincts are presented, directly or indirectly, by other people than the person who is dealing with the instinctive impulse. Such as in the beginning of life, when babies know just a few objects which can satisfy instincts – as example, milk and little toys – the bigger part of those elements is directly introduced by other people – as milk and little toys. Otherwise, baby's survival would be impossible. For a teenager or an adult the direct introduction of an object of instinct by other person

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<sup>2</sup> For Veblen the notion of morality comes from sociability. This concept, as used by Veblen, recovered to its *Latim* origins consequently it is what concerns to custom. When Veblen analyses moral in a society it does not regard to ethic. Hence, actions which occur before the sociability, such as behavior of a baby or a child, are impossible to be moral or they have a low level of morality since its sense has not been comprehended yet.

<sup>3</sup> The pleasures-pains duality in Veblen's theory can be somehow tricky to work with. This point can be illustrated by some of Veblen's words in the introduction of *The Instinct of Workmanship and the State of Industrial Arts*: "Nothing falls within the human of things desirable to be done except what answers to these native [instinctive] proclivities of man. These native proclivities alone make anything worth while, and out of their working emerge not only the purpose and efficiency of life, but its substantial pleasures and pains as well" (Veblen, 1914, p. I).

can also occur. But an indirect introduction is more likely because teenagers and adults have already been socialized.

Even in materially less sophisticated societies adults show to babies and children objects of instincts. In less developed communities, it is a usual matter of subsistence; in developed societies it can be connected to quality of life. Independent of the motive, there is a cultural learning about how to use and acquire objects of the external world to satisfy instincts. The sociability which mediates the acquisition of objects is expressed in institutions and their evolution. For Veblen (1909, 1919) each new situation is a variation of what has gone before. A change of standards is gradual and it almost never totally substitute a previous standard once accepted - it is a cumulative process of institutional change (Veblen, 1899, 1909). In being so, this cumulative process assists the building of instinct-object relationships.

The cumulative process is part of a developed society. The past of a society is essential to understand it, society's historicity is expressed in its institutions. Veblen (1899) stresses a particular type of institution as extremely important for the establishment of instincts-objects relationships: the leisure class, the higher social class in material terms. According to Veblen (1899), the leisure class can be found in its best development in modern societies, because, in modern societies, distinctions among classes are clearly observed as a result of employments differences. As highlighted by Veblen (1899) upper classes are by custom exempt or excluded from industrial occupations and they are reserved to certain employments that contain a degree of honor. To be considered part of an upper class or even part of the leisure class means status. Tasks, situations, and *objects* seemed as components of the leisure class become a strong signal of success. The institution of leisure class is an outcome of discrimination about what is worthy and what is not (Veblen, 1899).

For Veblen (1899) the evolution of culture generates the leisure class coincident with the beginning of ownership. They are results of conventional facts perpetuated into the social structure. The central point is that the leisure class and ownership started together. Both arise from the desire of successful people to put their prowess in evidence. Ownership is not just about property or personal consumption, it is also a question of convention about how to show the use of goods. In this way a consistent system of property is gradually installed (Veblen, 1899). For Veblen (1899) wherever there is private property people are distinguished by the possession of goods which is an efficient way to socially express wealth.

Veblen (1899) stresses that in a society where almost all goods are private properties, the necessity to earning a livelihood is a powerful and a constant incentive for the poorer class. As soon as their substance is granted, emulation becomes a key guideline to behavior. Consequently, for Veblen (1899), there is social selection among people based on the capacity to emulative behave according to the leisure class way of life. In this logic, there is a personal comprehension of how to seek achievements which can be expressed in a concrete and objective way, as to perform leisure class' takes or buy leisure class' goods (Veblen, 1899). In a Veblenian perspective, through the socialization process, institutionalized procedures about which objects – private properties – should satisfy instincts taught people how they should deal with their inner impulses to material ends. This process culminates in instincts-objects relationships which have private properties as objects.

*Instinct of workmanship* – The instinct of workmanship is a concept frequently used by Veblen in his analyses. However, Veblen did not introduce it in a clear or unambiguous way. According to Veblen (1899, p. 29):

As a matter of selective necessity, man is an agent. He is, in his own apprehension, a center of unfolding impulsive activity – “teleological” activity. He is an agent seeking in every act the accomplishment of some concrete, objective, impersonal end. By force of his being such an agent he is possessed of a taste for effective work, and a distaste for futile effort. He has a sense of the merit of serviceability. This aptitude or propensity may be called the instinct of workmanship.

This definition of the instinct of workmanship is based on the analytical object of *The*

*Theory of the Leisure Class*: the importance of the leisure class for the schemes of life in a society. Hence, an additional definition of the instinct of workmanship, which is complementary to the previously introduced, can be useful to understand how that notion is applied in this paper:

Chief among those instinctive dispositions that conduce directly to the material well-being of the race, and therefore to its biological success, is perhaps the instinctive bias here spoken as the sense of workmanship (Veblen, 1914, p. 25).

Despite Veblen's reference to the instinct of workmanship as the sense of workmanship, the instinctive naming is more recurrent. As a consequence, according to the definitions presented, it is possible to affirm that the instinct of workmanship is directly related to the instinctive dispositions whose pressure is satisfied by the material well-being provided by objects. According to Cordes (2005), Veblen's instinct of workmanship is a generic human feature that guides their lives to the use of objects that give purpose to actions. As stated by Veblen (1989, 1914), the instinct of workmanship is one of the most important motivations to action.

The instinct of workmanship represents several instinctive aptitudes in many levels (Veblen, 1914). The instinct of workmanship, however, can be seen as not an instinct *per se*. Institutionalists authors, such as Cordes (2005), accept the conceptualization of the instinct of workmanship as a different category, an almost instinct, as it were. It is part of habits and institutions of the external world that becomes deeply internalized by people's decision making. The instinct of the workmanship, thus, can be seen not an inner property of the self as it is something which belongs to the external world, but it can be seen as almost an instinct. Instead of dealing with a transposition of something which belongs to the external world to the inner part of the decision makers, the instinct of the workmanship can be seen as the deepest element of the external world in people's decision making. Therefore, it is possible to affirm that Veblen (1914) emphasizes a lower level of habituation which mediates the creation of instincts-objects relationships: the instinct of workmanship. As a lower level of habituation, the instinct of workmanship is connected to a collective knowledge regarding ways and means socially created (Veblen, 1914). The instinct of the workmanship includes a defined purpose; it is the idea of the efficient and emulative use of objects satisfactorily to material aim (Veblen, 1914). But, as implied before, the instinct of workmanship is not an instinct itself.

The motive for a special denomination for the habit called instinct of workmanship is its place in, what can be understood as, a habitual procedure chain. The instinct of workmanship is a basic kind of habit which supports every other habitual procedure in the emulative logic. The instinct of workmanship can be understood as a meta-habit. This habitual procedure is extremely deep in the deliberation process and it is central in the emulative behavior. When this emulative demonstration of status through private properties – objects - fails, pains take place (Veblen, 1899; 1914). In Veblen's explanation about the instinct of workmanship, there is the necessity of an overarching, encompassing and well-established system of private properties. Taking into account that features of products are a matter of collective knowledge, the system of private properties must be well-established enough to enable comparisons among individuals' actions.

*Displeasure institutionally built* – According to this logic, the pleasure and displeasure – which are felt as result of the incorporation of private property, as a way to satisfy an instinct – is established through emulative reasoning. By emulation, people learn which properties should be included in their decision making and how to acquire them. So, displeasure can be not physical. Indeed, a large number of cases of displeasure are mental phenomena. The desire for the status established by the leisure class is a consequence of objects successfully incorporated in the relationship with instincts. By comparison with others, a person feels if her/his endowment of properties is adequate or not.

This process is not a deterministic one. It is possible to perceive levels of pleasure as well as properties that can be pleasant in a situation but not in another. As an illustration, consider that the use of jeans for a daily occasion can be extremely pleasant, but not for a weeding. Pleasure varies

according to the habitual use of goods. According to an emulative behavior what can be more expressively shown to other people has a higher social value than what cannot be shown. In addition, what can be compared in a more simple way is more evident in the emulative behavior than what shows a complex comparison. That is why nowadays cars and clothes are so evident in segmenting society. So, a central point is: how private properties highlighted by habits from the leisure class become object which can satisfy instinct taking the decision making process of people into account.

As highlighted before, an instinct is satisfied by the connection to private properties. However, sometimes this connection is not possible and repression takes place. There is a necessary condition for the occurrence of repression: the end of the instinctive impulse must generate displeasure instead of pleasure. This is not a simple process because the satisfaction of an instinct is always joyful, such as when a person is hungry or cold, a meal and a jacket generates pleasure. Hence, when there is repression specific conditions turn pleasure into displeasure (Freud, 1915b). When repression occurs, not only pleasure is felt (as a result of an instinct) but also an unpleasant sensation. As a consequence, in a repressive situation the motivating force of displeasure must be stronger than the pleasure of the satisfaction (Freud, 1915b). For a better explanation of the repression process, the concept of object must be analyzed in further detail.

The concept of object would be reviewed by Freud ten years after his early work on instincts. In *Mourning and Melancholia* (1917) Freud developed the concept of lost object. It represents something which someone had in some sense owned in a previous moment, but then lost it. A belonging is not necessarily a relation of possession, but to be part of an individual's logic. As a consequence, the object is lost when someone had owned it and lost it, as in the case of a physical object; or in the case of an object that used to be present in an individual's logic/habit and it is not anymore. It is possible to emphasize two kinds of lost objects: the object physically lost and the object institutionally lost.

The object institutionally lost is a tension in the emulative logic. This kind of loss is a displeasure which comes from the pressure of a personal incomprehension of the institutionalized way to think and/or behave. Despite the cumulative change of institutions, an institutional modification can be, partly, less understood by people. Because of a change, people will take some time to review their interactively created goals and habits. The process can generate the sensation that some object has been lost, such as the establishment of an alleged higher level of quality of food expressed in a certification. This certification could be imposed by some actor who can obtain advantages with it, such as an entrepreneur or a regulatory agency. As a consequence, the new standard of quality can culminate in an environment partly unknown by buyers of those goods (as for what the certificate means). This lack of knowledge can be interpreted by people as "the environment as we knew it does not exist anymore".

In the case of an object institutionally lost, the displeasure of a repression relies on a negation of the pattern of thought that people were used to. Logics, about how to satisfy an instinct by an object, are not reviewed as soon as the object is not found. Some unsuccessful experiences are necessary to the revision of logics. So, the lost is unsuccessful action(s) in obtain satisfaction by the institutionally created individuals' logics. Not being able to behave according to habits of thought previously established means that goals and concepts which were socially learned are not able to be part of the decision making anymore. The loss of those elements can cause displeasure. This loss is the absence of the object and a failure in obtaining satisfaction on other basis. As a result the object is lost when the instinct is not able to be satisfied.

To accomplish a purpose an instinct establishes a connection to an object. It is only through this link that satisfaction is possible. In a society, people looking for satisfaction of their instinctive impulses adopt habits which generate strong ties among instincts and objects. A social life also introduce to people the logic through which instincts-objects relationships are created – the *instinct of workmanship* and habitual procedures – which show the logic of the appropriation of objects by instincts or the their repression. Accordingly, it is possible to understand repression as a collective

learning through habits and institutions. It occurs not just by repression itself, but also by making instincts-objects relationships possible. People institutionally learn how to satisfy an instinct and how to live with an instinct which cannot be satisfied. The repressive process is not something that takes place once for all generating unchangeable results. When there is a repression the link instinct-object is not established, hence there are two possible results: the instinct will still be repressed or a new connection will occur. This new connection is the replacement of the repressed object by other (Freud, 1915b).

There are two manifestation of repression. The first occurs when people built their instinct of the workmanship. Such manifestation of repression takes place before most part of the instincts-objects relationships is fully established. This repressive procedure happens in the beginning of the life when it is difficult for a learning process takes place. It is more like a convincement since individuals have not built their decision making framework yet. As a bigger part of the decision making is learned by the interaction of people with institutions, in the beginning of their lives such procedure is in its earlier phases or has not been started yet. For example, parents can teach their babies and children, explanation can happen but the usual is: parents show ways and means of life to their sons and daughters looking for acceptance instead understanding when babies and children do not know enough concepts to understand what the parent want to teach. If the explanations of why fruits are healthy food did not occur, children can eat fruits without know why, they eat because they should.

Very young people are more like to be convinced instead of taught because their instinct of workmanship has been not well-established yet. In this moment the repressive feature of institutions is more evident. Freud and other psychoanalysts paid a lot of attention to this phase of life. This is why the psychoanalytical approach of repression has a strong coercive feature. This repressive logic organizes all instinctive impulses in order to generate their connection to properties in an emulative way. This process occurs depending on differences and comparisons socially made which give properties defined ways and means to culminate in pleasure.

The other manifestation of repression involves the performance of institutions and habits of thought. The instinct of the workmanship establishes the basis for action but it is just a method of acting or thinking, it is not the act itself. To act demands that the drive contained in the instinct of the workmanship and habits of thought be put in practice. These activities are socially expressed by habitual behaviors and other institutionalized procedure<sup>4</sup>. The learning of facts and values takes place by the interaction with others. This learning is constantly watched by the “eyes of the society”, the social sanction legitimizes opinion and behavior. The comprehension of facts and values takes place by a sense of what is right, beautiful and successful. To be an owner of right, beautiful and successful objects is to be collectively identified as right, beautiful and successful; this is in itself a major source of pleasure.

For adults or even teenagers instincts-objects relationships are established and reinforced according to individuals’ backgrounds. Consequently, habits and institutions are essential for a person to learn what can give her/him pleasure or not. By the same process people learn what pleasure is. In a world where material things talk for and to people, the success – recognized by others – of the fitting usage of private properties shapes what a decent and desirable livelihood is. It is not something rigid and invariable which must occur. Flexibility takes place by how habituation happens, so an object can be connected to an instinct over a short or a long time, or repression can happen. But once established, a cumulative process starts. When a private property is emulatively connected to an instinct, pleasure is felt. Reputation, status, esteem, dignity are expressions of this pleasure.

In modern societies, institutions change cumulatively and people are in a never-ending process of learning. Society interferes heavily in individuals’ behavior and reasoning, but people who live in the same society can make different uses of the social habitual procedures. People

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<sup>4</sup> The manifestation of repression is always present, as well as the instinct-object relationship. The first and the second manifestation of repression occur in a continuous and simultaneous way.

internalize social aspects by their interaction with parts of the society. Hence, family, religion, education, television, friends, roommates, neighbors, movies, advertising and others play a main role in showing people how they can think and behave. But, how this core of ideas and performances is used is the most personal thing in the individual decision making. Being part of the same society, group or family does not generate coincident people because their experiences are always different. As people have a different perspective of the society, the interaction with the cultural background culminates in results which are not the same. There is no total uniformity.

Table I summarizes the logic of the association between Veblen's and Freud's theories.

	<b>Veblen</b>	<b>Freud</b>
<b>Concept of instinct</b>	<i>Prime manifestation of human behaviors</i>	<i>Mental stimulus generated inside the organism</i>
<b>Result of an instinct</b>	<i>Pleasure or pain</i>	<i>Pleasure or pain</i>
<b>How to achieve pleasure</b>	<i>Instinct of workmanship, habits, and institutions</i>	<i>Objects of the external world</i>

**TABLE I – Veblen's and Freud's conceptualizations**

Table I emphasizes the central aspects of how Veblen's and Freud's theories are put together in this paper. Both Veblen and Freud worked with similar concepts of instincts. According to the authors, instincts can be understood as inner impulses to action, meaning stimulus to action that comes from inside the human organism. Veblen and Freud also agreed that an instinctive impulse ends in pleasure or pain. If a person, who is motivated to action by an instinct, is able to make such pressure to act, then pleasure is felt. If the opposite occurs, a person cannot stop the instinctive motivation to act, pain is experienced. A complementarity between Veblen's and Freud's approaches takes place by their emphases in how people are able to satisfy an instinct – to achieve pleasure. Freud's focus was on what satisfies an instinctive impulse. Veblen's focus was on how to build the decision making framework to satisfy an instinctive impulse. This difference between the studies enables the complementarity between them, an approach which emphasizes not only objects – which satisfy instincts – but also how people generate their logic to use them – instinct of workmanship, habits, and institutions.

### ***Veblen's institutionalism and Id, Ego, and SuperEgo***

*Ego* – How instincts–objects relationships or repressions take place are strongly connected to Freud's structure of the mind as Id, Ego, and SuperEgo. For Freud (1923) each individual is composed by an Ego, which has a less developed part called Id, and another part more connected to the external world named SuperEgo. The Ego is responsible for establishing the connection between instincts and objects. As a result, the Ego is composed by the instinct of workmanship plus habits and institutions which had been internalized by the decision making of the individual. In the personal perspective, the Ego is an individual coherent organization of the mental process. In its turn, the Id is a disorganized set of instincts. The impulsive aspects of the Id are controlled or filtered by the Ego. This is the first manifestation of repression.

*Id* – In our early lives, there is a strong and impulsive Id. The Ego is developed through time. As stated by Freud (1923), the Ego is the part of the Id which had been modified by the external world, hence the Ego means reason and common sense, while the Id means passions. In fact, through the Ego the search for pleasure of the Id can be postponed. The Ego makes displeasure acceptable. The Ego introduces the concept of ownership to the individual's reasoning and it makes

an object and private properties become connected to an instinct, becoming symbols of status. Through the Ego the notion of pleasure of the Id is reviewed and rebuilt. It does not mean that instincts will not seek pleasure anymore. But the concept of what gives pleasure changes. When the Ego develops the concept of pleasure, it does not come from inside anymore. The pleasure has already become a personal issue supported by the collectivity.

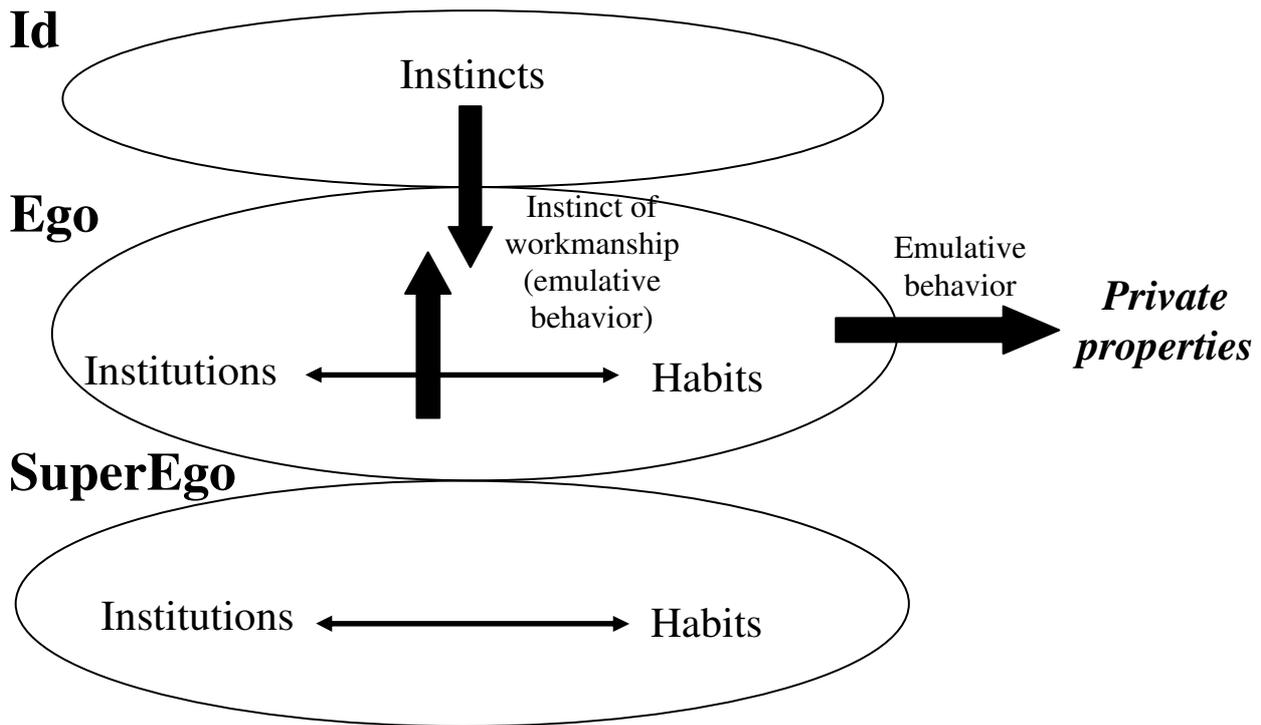
*Groups* – Freud (1921) highlights that groups, as the leisure class, have a strong influence in the constitution and reconstitution of the Ego. The central point is that, in a modern society, groups reinforce the emulative logic of habits and institutions by making social status evident. Groups influence not only instincts-objects relationships but also how the instinct of workmanship is established. When there is a lost object, there is a search for a new object to replace it. A group is a guide for acceptance of this new relationship. In addition, groups show people when objects are lost. The esteem and status of objects varies through time. Groups signalize when an object does not have them anymore and where they can be found. To sum up, groups assist on how the Ego works.

*SuperEgo* – The SuperEgo partly supports the development of the Ego according to institutionalized methods of getting things done. As a consequence, the SuperEgo also strongly suggests ways and means to people and reinforce the establishment of habits of thought. The SuperEgo is an external and non-automatic part of the social structure in the mental activities of people. It is the part of the society which is not intrinsically present in the individuals' habits of thoughts. The SuperEgo is the social pressure to act and think in a way which people have not yet been convinced that is appropriated (and perhaps they never will be convinced of that). The SuperEgo is the part of the collectivity which has not been persuasive enough to be absorbed by individuals (and it may never be). As the Ego means pleasure from what was learned from society, the SuperEgo means a demeaning feeling from the unlearned. Clearly, both Ego and SuperEgo have repressive features.

Habits and institutions of the SuperEgo can redefine ways and means which the Ego enabled, so objects of instinct can be reviewed, replaced or abandoned through the interference of the SuperEgo. If the SuperEgo is well connected to the Ego, probably the change of an object of instinct will be easy since everything is harmonic in concepts and how to do things. In this case, the disaffection and the demeaning feeling of a lost object do not take place because of an easy and quick replacement. However, when the SuperEgo does not have a good relation with the Ego, every modification in the object of the instinct will be felt as strongly repressive – regarding a well-established Ego. The relationship between the Ego and the SuperEgo represents the second manifestation of the repression, so this relationship can be more like learning and less like convincing.

*Socialization* – In the beginning of the mental life, there is a strong Id and a heavily repressive SuperEgo. By socialization, the Ego is developed as a way to canalize Id impulses according to SuperEgo contents. Through time, the Ego tends to become more independent from the SuperEgo so when a person moves from an environment to another or the environment changes, the Ego tends to act in the way it is used to because of the habitual procedures which have been learned.

Figure I summarizes this logic.



**FIGURE I – Veblen’s institutionalism, Id, Ego, and SuperEgo**

Figure I emphasizes how socialization assists on the division of the mind in Id, Ego and SuperEgo taking into account Veblen’s institutionalism. In this explanation the Id is the less developed part of the Ego, being composed by very basic instincts. Another part of the Ego is the SuperEgo, composed of habits and institutions not fully understood by the Ego. In the beginning of the mental life the Id and the SuperEgo are the strongest parts of the mind since the Ego itself is still in formation. The strength of the Id and SuperEgo in the beginning of life occur because the Ego is the most personal part of the structure of the mind which is built by personal experiences in the sociability process of the decision maker. The instinctive impulses of the Id become connected to what the SuperEgo shows as objects for those instincts. Through life this logic is absorbed by the ways and means through which the person thinks. As a result, the Ego is formed and a large number of objects of instincts are discovered as private properties. The process of construction of the Ego also culminates in the emulative logic of acquisition of properties.

Among the elements which compose the Ego some of them are more relevant in the decision making process. A case in point is the instinct of workmanship (the deepest element). The instinct of workmanship represents the first repressive manifestation of the development of the decision making. This pioneering fits the instinct of workmanship in the emulative logic. The Ego is also composed by habits, institutions, and their relationships which are also relevant to decision making. Habits and institutions of the SuperEgo can support the Ego relationship with private properties. If the SuperEgo does not support the Ego relationship with private properties, the individual tends to be dissatisfied with hers/his acquisitions regarding the emulative logic of behavior. Once established the Ego is still suffering influence of the SuperEgo, which can express the other manifestation of the repression. The result is an emulative guide involving private properties, which is cumulatively reviewed trough time<sup>5</sup>.

<sup>5</sup> Some observation must be introduced about Freud’s structure of the mind. After he started to work with the approach of mind as Id, Ego and SuperEgo, Freud gave much attention to conscious aspects of the mind. In fact, Freud developed a first approach of the structure of the mind as unconscious, preconscious, and conscious levels (see Freud, 1915c).

### ***Conspicuous consumption, instincts, and objects***

Consumers' decision making is a less explored theme in economics as an academic discipline. Contemporary microeconomics approaches are strongly focused on the behavior of the firm, technological development and their connections. Usually, the consumer is still a given utility maximization function for economic analysis. As highlighted by Ackerman (1997), in many sciences, the study of consumption has become an expressive and challenging field. A new interdisciplinary area of research on consumption has emerged in the 1980's drawing contributions and participants from sociology, anthropology, history, philosophy, literature, and marketing – even, on occasion, from economics.

Veblen was one of a few economists who took consumption into consideration in his work. Consumer's decision making is a central analytical point in *The Theory of the Leisure Class*. For Veblen (1899), conspicuous consumption results directly from the social importance of the leisure class. Here, Veblen's conspicuous consumption is presented with the help of the previous highlighted psychoanalytical elements. In this modified view, the central point is how objects are connected to an instinctive impulse or repressed in a consumption decision making environment composed by habits, and institutions.

*Conspicuous consumption* – For Veblen (1899), the leisure class regulates the conventionalities of the social emulative logic of consumption and its evolution. By emphasizing a social emulative logic of consumption mediated by the leisure class, Veblen's approach of consumption relies strictly on its conspicuous feature. Conspicuous consumption can be understood as a wasteful expending of money motivated by social esteem. The conspicuous consumer buys products looking for their status; hence she/he pays for such features of those products. As example, a conspicuous consumer who needs an automobile for transportation prefers a luxury than a popular car, in spite of a considerable difference in their prices. Obviously, for this example to make sense, the conspicuous consumer must be able to buy both cars despite their prices.

Members of the leisure class show their wealth by the possession of desired private properties. This process relies on the status displayed through the acquisition of objects. According to Trigg (2001), Veblen's conspicuous consumption means spending money on objects in order to display wealth to other members of society. As something acquired by the drive of social esteem, such objects are not directly related to the satisfaction of instincts themselves. Hence, objects that the leisure class uses to satisfy their instincts and the repression of what does not express status relies on the Ego-SuperEgo relationship (more on this below). Shipman (2004) expresses this point emphasizing that the central aspect of Veblen's conspicuous consumption is the connection of objects to impulses to "waste" despite the "taste". The former can be understood as a taste regarding a social learning through the institution of leisure class, a social shaping of preferences (see Ramstad, 1998). This is not to deny that tastes involve physiological dimensions, but that tastes involve more than just them (Pietrykowcki, 2004). In Veblen's perspective, tastes have a social dimension and conspicuous consumption is the most important factor in influencing consumers' behavior (see Trigg, 2001).<sup>6</sup>

Conspicuous consumption - expressed in the waste of people on private properties as derived from the influence of the leisure class - takes place as a result of a key role played by institutions, their influence on ceremonial features of consumption (Veblen, 1899, 1914). The ceremonial features of products go beyond physical aspects, being institutionally created. Through ceremonial features people do not buy a t-shirt or a soda, but a Hollywood star's clothes and an

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However, Freud himself recognized the limits of such approach. In Freud first approach of the mind as having a conscious level, conscience works as a descriptive term and perception itself means nothing about why something is perceived. Another point is that empirical evidence showed that an object, generally, is not conscious for a long time; simultaneously Freud did not present a clear definition of what the unconscious was. Hence, such approach does not offer a consistent analytical framework, Freud himself almost stopped to work with consciousness after Id, Ego, and SuperEgo formulation.

<sup>6</sup> For some empirical evidence of consumer's emulative behavior as stated by Veblen see Duesenberry (1949).

energetic drink for young people.

As something institutionally created, the ceremonial features of properties are more closely related to the second manifestation of the repression. Ceremonial features thus result from the relationship between the Ego and the SuperEgo. Through this connection people learn how objects should be related to the instinct of workmanship and to other habits in order to culminate in status showing results. However, conspicuous consumption can also concern the satisfaction of instincts – an Id-Ego relationship. As Veblen (1899) highlights, goods are both ceremonial and instrumental - a conspicuous consumer looking for a car to buy prefers a luxury than a plain property, although both perform well as a transportation means. To be sure, the instrumental feature of a private property conspicuously consumed can satisfy an instinct. But instinct satisfaction is only part of the decision making about what to buy, and do not account for the relevance of ceremonial features of goods in modern societies. Considering the instrumental-ceremonial dichotomy of private properties, it is possible to highlight two kinds of objects consumed by the leisure class: (1) a good that is incorporated in the habitual procedure of consumers by its instrumental features and, over time, its ceremonial features are developed; (2) a property that starts to be consumed because of its ceremonial features and, as a consequence, consumers use its instrumental features. The path of the former starts in Id-Ego relationships and migrates to Ego-SuperEgo relationships. The route of the latter is the opposite.

The ceremonial features of goods can also increase through time (see Ackerman, 1997). This means that the evolution of private properties in a society can occur without any change in the satisfaction of instincts. In this case, satisfaction comes from the success of the conspicuous consumer in displaying status through properties. A consequence of conspicuous consumption is that instincts can be satisfied and the person herself/himself may not. This occurs when emulative behavior ends up in displeasure. In this perspective, the displeasure comes from the instinct of workmanship and from the use of leisure class' habits and institutions in decision making. As a consequence, Veblen's analysis of consumption also takes into account impulsive forces which are not instinctual. These impulses are institutionally created and mediated through the leisure class. As a result, the instinct of workmanship is more than a habitual way to organize and canalize instinctive impulses to consumption. It is also a source of emulative impulses which are socially generated. That is why conspicuous consumption is more closely related to Ego-SuperEgo than to Id-Ego relationships.

The consumption driven by emulative behavior or regarding ceremonial features of goods can be called consumerism (Ramstad, 1998; Etzioni, 2004). According to Langlois & Cosgel (1998), in the history of a society there is an evolution from consumption to consumerism. In Veblen's (1899) perspective, consumerism is honorable because it is a mark of wealth and personal success which are socially comprehended as desirable things. To be an owner of emulated goods marks a position of esteem, status, and honor. Such qualities come from the other individuals in the same society since for something to endow prestige it must be seen as reputable by "the eyes of the society". That is why conspicuous consumption influences every consumer and not just the leisure class.

Veblen (1899) also stresses some main features of goods conspicuously consumed. For Veblen (1899), the most usual form of conspicuous consumption is the "wearing of liveries". The "wearing of liveries" is the consumption of objects which is more likely to be observed and seemed by the society, such as food, clothing, dwelling, and furniture. Another kind of product usual to conspicuous consumption is "luxuries". For Veblen (1899) the ceremonial differentiation of luxuries is better seen in costly goods. The cost makes them noble and honorific which generate the pleasure of their consumption. "Wearing of liveries" and luxuries are expressions of ceremonial features of goods which are connected to the reputability of products by wastefulness. According to Veblen (1899), for a good be reputable it must be wasteful<sup>7</sup>.

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<sup>7</sup> As in the dichotomy regarding ceremonial and instrumental features, Veblen (1899) highlights that a given product does not need to be exclusively wasteful in order to come under the category of conspicuous consumption. Indeed they

*Fashion* – As stated by Veblen (1899), the conspicuous waste of goods finds is finely illustrated in clothing, because it is always in evidence which make clothing as expression of wealth more obviously present or, at least, more universally practiced than other kind of consumption. In chapter seven of *The Theory of the Leisure Class* Veblen uses such example as a guideline to illustrate fashion. In that chapter, Veblen (1899) emphasizes two possible explanations for such phenomenon. One of Veblen’s explanations about fashion regards a competition among different features of leisure classes, and their consequences, among countries. This explanation can be questioned on the grounds of being valid only in isolated cases, not as a general rule. The other explanation relies on fashion as constant changes from a season to another – something extremely visible in clothing. For Veblen (1899), these modifications work under the conspicuous waste. The change from a season to another increases the wastefulness of goods. Each variation of the objects by fashion must be in accordance to an accepted standard of wastefulness.

Veblen himself recognizes that this approach does not give a full explanation of how fashion works and that explanation is the focus of one of the criticism Veblen’s conspicuous consumption. Colin Campbell (1994, 1995) argues that Veblen’s conspicuous consumption does not deal with fashion or novelty and that it is “ahistorical” - as if once a person achieved the leisure class standard the evolution of consumption would be over. Campbell’s criticism, however, seems to be misplaced. As highlighted in Veblen (1898, 1899), institutions are outgrowths and mediated by habits of thought, hence they are a usual logic of thinking. That logic makes the connections among thinking and objects, such as in what to wear in jogging and Adidas trainers. Those relationships are not unchangeable, as Campbell (1994, 1995) suggests, for a collective logic can always be transformed by a new one that reaches critical mass (Reebok or Nike trainers, or perhaps we should ask the first teenager we meet in the streets).

Consumers’ habits do not strictly determine what is purchased but they are part of the decision making about how to acquire goods. These objects also change, such as features of Armani’s suits vary through time (but they are still suits, and are still Armani’s). That means that in Veblen’s conspicuous consumption there is evolution in objects of consumption. This is the basis of Veblen’s analysis about fashion and also means that once a consumer is able to practice the leisure class’s logic of consumption, she/he is still stimulated to conspicuously update its consumption choices according to a changing environment in which new or old objects gain or lose status content. As for Campbell’s criticism to be valid, habits of thought must be considered a result of conspicuous consumption. In every single approach of consumption, not only Veblen’s, how to consume is, or must be, different of what to consume. The satisfaction generated by knowing how to acquire wasteful goods takes place by their acquisition; if such achievement is over there is no satisfaction anymore, but the habit can still go on. Then, the emulative logic is a not a result. Campbell’s criticism does not take into account that the SuperEgo presents new objects and ways to acquiring pleasure.

For a socialized person in a modern society, the Ego-SuperEgo relationships tend to harmony through emulative behavior toward the leisure class. Such harmony makes the second manifestation of repression much more like a replacement of goods, or their features, than a repressive happening in itself. Hence, the Ego can easily internalize what the SuperEgo presents to it. In this way, the evolution of the ceremonial aspects of goods themselves occurs according to the wastefulness of goods generated by the existence of the leisure class. The presence of the leisure class in a society, as well as its implication in the emulative behavior and decision making of people as something institutionally built, do not change easily. However, its manifestation in features of conventional schemes of consumption can be modified. This is at the core of Veblen’s explanation of fashion, for instance.

This evolution of wastefulness generated by fashion is understood, by conspicuous

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rarely are. However, the element of waste tends to predominate. The relationship between wastefulness and a social lifestyle is also analyzed by Mitchell (1912) and Stanfield and Stanfield (1980) in an Institutional Economics perspective.

consumers, as improvement in goods. This, in turn, is a higher level in achieving the pleasure generated by the emulative logic. In order to avoid displeasure of a less developed and, consequently, demining standard of consumption people must cultivate tastes and preferences according to the nobility of goods and their evolution. Therefore, in Veblen's institutionalism, the evolution of tastes and preferences is a result of a search for pleasure according to an emulative logic.

To sum up, consumption is a meaning of a standard of life which is supported by habitual procedures. Meanings of standard of life expressed by consumption take place through what is consumed. Institutionalized goods as object of consumption generate what individuals perceive as the desirable result of consumption – satisfaction. In *The Theory of Leisure Class*, Veblen's central point of analysis is how the logic of the consumer is built and reinforced. How decision making towards given products changes is also presented, but Veblen (1899) recognizes that his theory accounts only partially for it, as in the fashion phenomenon.

### ***Final comments***

This paper considered Veblen's writings on consumption in light of a paradigm in psychology focused in behavior as a result of inner impulses that drive individuals to relate to the external world. Freud's writings were used as the canonical text of such paradigm. For Veblen and Freud, people are motivated to act by instincts, but instincts are just motives and do not represent actions themselves. To act, people put their instincts in practice, but in a non-deterministic way. Action thus occurs by the relationship between personal instincts and objects of the external world. These instincts-objects relationships are established through a socialization process. Society is an entangled set of institutions which results form the manifestation of habits and regularities and which generate foreseeable occurrences in thoughts. Those institutions mediate a collective learning through which people comprehend how to use objects of the external world to satisfy their inner impulses.

According to Veblen, in decision making there is a deep habitual procedure called the instinct of workmanship which is responsible for the organization and canalization of instincts to a material end. Hence, the instinct of workmanship has a well-defined goal: satisfaction through the ownership of objects of the external world. Satisfaction of instincts is a consequence of the occurrence of the private property and the leisure class. The leisure class is considered the higher class in a society traditionally linked to honorable activities and standards of consumption. Private properties related to the leisure class become something desirable because of the social esteem connected to such objects. Consequently, the instinct of workmanship and habits of thought work according to an emulative logic reflected in the establishment of instincts-objects relationships.

As for Freud's structure of the mind as Id, Ego, and SuperEgo, the Id consists of instinctive impulses, the Ego consists of the instinct of the workmanship, habits and institutions internalized by the decision maker, and the SuperEgo consists of habits and institutions that are not an inner or automatic part of the decision making. Between the Id and the Ego, and the Ego and the SuperEgo, connections between instincts and objects can happen or be repressed. A strictly repressive procedure is more likely to occur in the Id-Ego relationship, it usually happens in the beginning of life when the person is learning how to deal with instinctive impulses. In this phase of life, taking instincts-objects relationships for granted is usual since the individual's background is being built. Between the Ego and the SuperEgo, a learning process of how to connect objects to instincts is more common. When the Ego is well-developed, the person already internalized some institutional content of decision making. Consequently, how instincts-objects relationships will be established or reinforced depend on the harmony between the institutional content of the Ego and the SuperEgo. If the relationship is harmonic a learning process will take place. Otherwise, repression can occur.

The present approach also revisited Veblen's conspicuous consumption, an application of the emulative logic on the consumer behavior. The conspicuous consumption is a wasteful expending as a result of the emulative logic generated by the leisure class. This emulation works on ceremonial

features of goods. They are characteristics beyond physical and practical aspects incorporated in products which modify them and give them desirable contents. Indeed, acquiring goods with pleasurable ceremonial features is not a matter of instincts satisfaction, but a result of the instinct of workmanship and leisure class' habits and institutions. Consequently, ceremonial features are created by the interaction between the Ego and the SuperEgo. Through this relationship people learn how to deal with the wastefulness of goods to culminate in status showing results. By the same process, changing in wasteful features can be easily incorporated in the decision making of the conspicuous consumer. By emphasizing a psychoanalytical basis of Veblen's theory, mainly the relationship between the decision making and objects of the external world, Collin Campbell's criticism was stressed as a miscomprehension of Veblen's conspicuous consumption.

In this analysis of Veblen's conspicuous consumption there is an important insight to be stressed. Veblen's approach clearly moves from a psychological paradigm to another. When Veblen theorizes about how an individual becomes socialized, his approach is guided by how inner impulses in contact with the external world culminate in behavior. However, when Veblen analyzes an already socialized person, the focus is on how what had been learned about the external world motivates her/him to behave. In fact, Institutional Economics' studies post-1950 has been focused on this other psychological paradigm, a cognitive one. One approach does not exclude the other and both offer important insights to the development and improving of the current Institutional Economics. Indeed, the Ego-SuperEgo relationship relies on cognitive learning.

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