

"The Teleological Impulse:
Thorstein Veblen, the Philosophy of Science, and Existentialism"
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ABSTRACT

The central theme of this paper is the proposition that the science of Economics has assumed an unjustifiable degree of determinacy in its modeling of reality. And that this is the essence of the Veblenian critique of Neoclassical Economics.

- My thanks to Roger Koppl for many comments that improved this paper substantially. Of course all remaining errors are the author's sole responsibility.

The Teleological Impulse has always plagued the science of Economics. The desire to believe that we are all part of a grand design is irresistible to some, and seductive to all. Simply put, the belief in a purposeful world makes people feel better. This is a fact of human nature. The belief that all events are part of a master plan makes the individual immune from self-doubt, and inures them to suffering. When the World has a goal, a person's life gains extra meaning. It becomes something greater by being part of a grand design. People prefer this view of the World. And their choice to believe in it is not the result of evidence, but is rather the result of emotional passion.¹

In the realms of normative economics and public policy this muddies the waters of all discourse. For if the World is not driven towards a preordained end, then all economic policy prescriptions that embody a teleological component are suspect. In Economics this teleological component is embodied in the interpretation of the concept of long-run competitive equilibrium. The interpretation that this equilibrium is 'optimal' in the normative sense of that word is a teleological interpretation. That long-run competitive equilibrium is a maximizing state (optimal in a technical, mathematical sense) is indisputable. The interpretation that it is optimal in a normative sense because it is a maximizing state, is certainly open to debate. (While this question of identifying maximizing states with optimal states is related to the questions addressed in this paper, it is really tangential to the discussion. Let us leave this now after simply noting that almost all economic analyses involve an implicit assumption that maximization and optimality are synonyms. Whether this is a useful assumption or a flaw, is an empirical question, not a theoretical one.² It is

¹ No one should ever discount this type of motivation in human behavior. People are always more strongly motivated by their emotions than by their reason. If we attempt to ignore the emotional power of ideas, we will become slaves to that power. For if we do not take that power into account consciously, it will work through our subconscious, and we will adhere to ideas for emotional reasons without even knowing that we are doing so. Of course the Sophist would argue that we always adhere to ideas for emotional reasons, but that reasoning is the result of the Sophist's redefining the term 'emotional reasons' to suit his own purposes.

² Theories are useful because they aid us in making judgements. If a theory is associated with correct judgements then it is useful. If it is associated with incorrect judgements then it is not useful. There is much to be said for Friedman's Methodology of Positive Economics, as long as we don't take it to

useful if it helps us arrive at sensible answers, it is a flaw if it tends to obscure the truth.)³ And since the bedrock of all economic discussion is that long-run competitive equilibrium is 'optimal' in a normative sense, any advice that draws on this tradition may only be valid for a teleological reality. And most economic policy prescriptions are built on the idea that competitive equilibrium is optimal. This concept of equilibrium has acquired an aura not unlike that of a godhead in economic discussions. What many economists tend to have is faith in equilibrium, not necessarily scientific knowledge of it.⁴

As a science, Economics is firmly entrenched in the Platonic traditions of philosophy. And an unquestioning (perhaps even unconscious) adherence to the patterns of thought from this tradition lead to a bias towards teleological thought. Economists think of competitive equilibrium as a State of the World that has all of the qualities of a Platonic Ideal. An almost mystical aura surrounds it in the minds of economists. However, when viewed dispassionately, it has only one thing in particular to recommend it, the criteria that more is better than less. Which however, is not what Economics is about. Economics is about there being more of one thing because there is less of another. Focusing on the comparison of economically inefficient states to the economically

logical extremes. And this is not quite the same as saying that a good theory makes falsifiable predictions.

³ While no economist would argue that technical maximization logically implies normative optimality, they do feel free to act as though it were true, in the absence of any other explicit criteria. It is seductively easy to simply say that more must be better than less and move on. But of course the real question is more of what for whom at the expense of less of what for whom. However, if we simplify the models enough, we never get to ask that question because that part of the analysis has been simplified away in homogeneity assumptions.

⁴ The capacity for faith exists in every individual to some degree, irregardless of the nature of their personal belief system, it has little or no place in the realm of science. Since within the context of having faith, the concept of proof in its logical sense is irrelevant. And for things which can be proved or disproved, the concept of faith is irrelevant. It is a fruitless exercise to invoke faith when we seek proof. And of course, I am using the word, faith, in its religious, mystic, spiritual aspect, not in its ordinary usage as an invocation of hope for success in a worldly endeavor. And no one who has listened long to economists speak will doubt that their affection for the model of Perfect Competition is religious or mystical in its nature and fervor.

efficient state is focusing on a problem that is in its essence not a problem in Economics as defined by the Neoclassical Tradition.⁵

Which brings us to Thorstein Veblen and to Existentialism. Each of which will be necessary both to outline the nature of the Teleological Impulse in Economic thought, and to outline an alternative conception to it.

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Thorstein Veblen wrote a series of papers around the turn of the twentieth century on the nature of science and the nature of Economic thought. As with all his writings, they are intellectually dense and idiosyncratic. In other words, difficult to understand and interpret. Putting aside other interpretations, let's focus on three key ideas in these works; teleology, taxonomic science, and evolutionary science.⁶

Teleology is the key idea in Veblen's discussions of science and of Economic thought. The essential points of his discussions of taxonomic science versus evolutionary science turn on the concept of teleology. For Veblen, a taxonomic science is a descriptive science, an evolutionary science is an explanatory science. A taxonomic science does not imply the presence of teleology, but the presence of teleology implies that a science is taxonomic. You can describe reality without assuming that it is purposeful, but if you think reality is purposeful outside of subjective human desires, then all that is left for the scientist to do is to describe the process by which the purpose is played out. For if reality is purposeful in the teleological sense, then there is no room for explanation, the teleology is the

⁵ It could be argued that I have constructed a Neoclassical Straw Man, but at least one of the founding fathers of the Neoclassical Tradition, Leon Walras, bears a striking resemblance to him. His mixing of the positive and of the normative reveal a mind cast very much in the mold presented here. And to paraphrase Paul Samuelson, 'We tip our hat to Marshall, but we walk with Walras.'

⁶ Institutionalists have always focused on the legal structures of society, customs, and habits of behavior to the exclusion of the traditional subject matter of Economics. However, if one examines their work, it is no more immune from teleological conceptions than is Neoclassical Economics.

Mirowski's view is that it is the idea that methods from physical science can carry over to Economics that is wrong. Where Veblen's ideas can be used to support his thesis they are called insightful, where they do not they are termed naive. I would argue that Mirowski mistakes misuse of method for use of the wrong method.

explanation. Veblen did not believe that reality was teleological. So for him the highest form of science was what he termed evolutionary science.⁷ Science that seeks to explain the reality around us, the questions of 'why?' and 'why not?' stripped of their teleological garments, standing naked before the mind's eye.

A teleological reality requires a force outside of itself to define its meaning. And one cannot say that reality gives itself purpose. Godel's work on the incompleteness of logical systems shows us that a system cannot define itself completely. For complete definition, it needs the assistance of a system greater than itself. And if reality is teleological, it demands a complete definition of itself.⁸ So, in the end, a teleological conception of reality requires the existence of a godhead, or something analogous to it, that is greater than reality itself.

If we accept Veblen's conception of a non-teleological science, where does that leave us? We will now exist in a reality without external purpose. We must view the actions we observe around us as destined for no particular end. No longer can we classify processes around us as either serving or opposing the

⁷ His use of the terms evolutionary and taxonomic are a by-product of his affection for the scientific insights of Darwinian evolutionary biology. It is not an accident that evolutionary biology is the science where there is the least resort to teleological modes of thought.

⁸ If reality is a machine built to attain a specific goal, then if it is not completely deterministic, then it does not necessarily have to achieve that specific goal, and therefore must not have been built to achieve that specific goal. And is therefore not teleological. Determinism is necessary to the logic of teleology on a reality-wide basis. If you try to bypass this argument by saying that reality is meant to achieve that specific goal but it is a flawed machine that works imperfectly, then you are arguing for a designer. Reality is everything that can be. If reality is less than everything that can be, then it is not the whole of reality. Which means that there is something more, which defined it, which made it flawed. This is an argument for a designer. Which is of course the ultimate in teleological arguments. If we think of reality as a whole and of reality as a whole having a purpose, then arguments for teleological interpretations are arguments for determinism. And arguments for determinism are arguments against freewill. Arguments against free will are arguments that the act of choice does not exist. And if the act of choice does not exist, then the science of Economics is specious. I will under no circumstances argue for that interpretation.

attainment of the Platonic Ideal. The very idea of a Platonic Ideal is meaningless in a non-teleological reality. Now meaning rises from the conscious actions of individual people instead of devolving down onto the individual from the Ideal. This view is an existentialist one. Veblen's view of science is, in its essence, an existentialist view.

Veblen viewed reality in general, and human society in particular, as an ongoing process unfolding through time with no tendency towards any one particular outcome. For Veblen, the questions answered by Neoclassical and Classical Economics are questions of form and not of content. What is explained is the structure of the constraints that physical reality places upon the individual and the ways in which the individual can respond to those constraints in the effort to satisfy subjective desire. And that this is a different set of questions from those whose answers will explain the causes of human action. Veblen believed that purpose arose from human action, that people are the active creators of subjective reality, not simply passive reactors to physical reality. And that the key to understanding economic behavior lay in an understanding of the subjective reality that is human society, and not in understanding the constraints placed upon us by physical reality.⁹

What Neoclassical Economics does is to treat that part of behavior that relates to people's interaction with physical reality as deterministic in regards to their interactions with each other. If this were true then human society would indeed be teleological. We would be, as Veblen so quaintly put it, mere Benthamite globules of pleasure and pain. Since people are not simple hedonic machines, this process leaves a great deal of human behavior unexplained. What economists do instead of making an effort at explanation is to ignore all of it. Gary Becker's quaint use of Latin, 'De gustabus non est disputandum,' epitomizes this approach. Economists' smile and say, 'That's a question of tastes and preferences,' and make no further inquiry. Veblen tried to make that further inquiry. That is the essence of his work in The Theory of the Leisure Class.¹⁰

⁹ Although I am limiting my discussion to mainstream Neoclassical Economics, Veblen did not do so. His critique of Marx makes essentially the same points as he does in his critique of Neoclassical Economics. To speculate and cast the net even further afield, Veblen might have some quite pointed things to say about the quest in Physics for a "Theory of Everything," if he were alive today.

¹⁰ His attempt to ground the creation of tastes and preferences in an analysis of human nature and of social interaction is at best incomplete and at worst tangential to the problem. But it was a noble endeavor. However, his resort to

This author has always accepted the Neoclassical strictures, always viewing Economics as a limited science. A science that only partially explains human behavior. This may be the correct approach, it may be a totally misguided approach. But it is the only approach available to an Economist working within the Neoclassical tradition who does not believe in a teleological reality.

If reality is driven towards a particular deterministic outcome, then it must be a teleological place. If it is 'going' somewhere in particular, it must be completely defined. If there are 'loose ends,' then a possibility must always exist that it is not going to a particular 'destination.' And for it to be completely defined, there must exist some agency whose acts define it. And that agency cannot be internal to the reality. It must be external to the reality. If long-run competitive equilibrium is such a 'destination,' then there must exist an agency that drives it there. Explanation therefore comes from that agency, not from within the system. If the convergence of an economy to long-run competitive equilibrium must occur, then Neoclassical Economics can only be a taxonomy of social reality. It represents knowledge only of the 'symptoms' of social activity, not of the 'causes' of social activity. This was Veblen's critique of Neoclassical thought. However fruitful we have found the Neoclassical program to be, Veblen's critique still makes valid points.

Veblen thought that if Economics was to move beyond being a 'taxonomic' science to being an 'evolutionary' science, it must abandon all vestiges of teleological thought. And of course he must be correct, because he is defining all of the ideas to suit himself. But what he is correct about in a fuller sense is that the abandonment of the teleology does not necessitate the abandonment of the taxonomy. The difference between one and the other is not a difference in model structure, it is a difference in point of view and in interpretation. It is how Economists think about their models that can be troubling, not the models themselves.

The Neoclassical tradition is the base for all our knowledge of Economic behavior. It tells us what can happen and what can't happen. Unfortunately, it does not tell us what must happen. And the mistake that many individuals make in their interpretation of this tradition is to believe that it tells us what must happen. The difference between can happen and must happen seems trivial when stated in this way, but it is a vital distinction. It is exactly the distinction between necessary conditions and

eugenics in his explanations is, to say the least, repugnant.

sufficient conditions in the Western tradition of logic. And a fundamental distinction if we are to use that logic. Almost all statements about behavior in Economics are 'weak' statements rather than 'strong' statements. Which is to say that they are statements of what could happen rather than statements of what must happen. That is, they are statements about the bounds that physical reality places on human behavior. Which is a far cry from saying that they are 'laws' of human behavior. Statements in Neoclassical Economics that state how people must act are confined almost exclusively to the conditions where competitive equilibrium occurs (one cannot escape that concept in a discussion of Economics). This is a very strict set of conditions that cannot describe the environs of all individuals at all times. But it is a light of bright determinism in a dark sea of indeterminacy.¹¹ And Economists cling to it in the same way you would cling to a full canteen in a desert. It is the determinism available and it is abused unmercifully. However, the abuse of the concept should not blind us to the deep knowledge that it represents. The nature and structure of the Economic model of competition tells us about the place of Man in the Universe and the limitations of Man's actions. This is something quite extraordinary and profound. It is not trivial knowledge.

To go beyond this however, we must ask questions that do not naturally fall out of the Neoclassical Tradition. The question that interested Veblen most was how did tastes and preferences arise and evolve over time. This is a question that someone who was not trained in Economics would think of as an important and fundamental question that the science of Economics would try to answer. Ask a trained Economist this question and they will shrug their shoulders and murmur, "Don't know, don't care." It is a question that training in Neoclassical Economics teaches you not to ask. For it is a non-teleological question. For if tastes and preferences are formed and shaped, then there must be multiple possible outcomes in the future. If there are multiple possible

¹¹ When one assumes a condition of perfect competition, one is assuming that everything is completely deterministic. In my view, this is the purpose of invoking the rigid assumptions of Perfect Competition in analyses. As the rigid assumptions of Perfect Competition are relaxed, the outcomes that result from our analyses become more indeterminate. Some models retain more determinacy than others when certain assumptions are relaxed and others are maintained, but as more and more assumptions are relaxed the determinacy dissipates. Economists tend to treat this invocation of certainty as a good thing in and of itself. However, rather than being that, it is instead a necessary action taken to enable us to proceed with an analysis, it is neither good nor bad in and of itself. On its own merits, it has nothing in particular to recommend it over indeterminacy.

outcomes for the future, then there is no particular long-run competitive equilibrium that the economy is tending towards.¹²

To be fair, few Neoclassically trained Economists believe that the future is set in stone. However, we are not questioning their internal belief systems, we are questioning how they act, how they inquire, how they analyze, how they advise. We are questioning the process of socialization within the science, not the tools the science uses. Their actions, their inquiry, their analysis, their advice is teleologically based, even if they don't believe in a teleological universe.

If we are looking for easy judgement criteria, a teleological reality is the best reality. There is only one true rule and that is, 'follow the teleology.' What else could make any sense? This certainly simplifies the interpretation of morals and ethics. Only ideas consistent with the teleology can be valid, so the necessity of making moral and ethical judgements is removed except in the case where two or more possibilities are consistent with the teleology. This is the bedrock of Benthamite Utilitarianism. And if long-run competitive equilibrium is unique, then there can only be one possibility consistent with the teleology. Any argument that advocates deviation from the process of convergence to long-run competitive equilibrium can be deemed an invalid argument on that criteria alone, if reality is teleological. Competitive behavior and competitive equilibrium acquire moral and ethical stature in a teleological reality.¹³ However, if there is no teleology, they do not possess those dimensions. Then they become things people might do and outcomes that may happen, that we can consider as having some desirable characteristics and we can also consider as having undesirable characteristics. There is very little talk in the Neoclassical Tradition of there being anything 'undesirable' about competitive outcomes.¹⁴

¹² Or, even more damning would be to say that the processes that determine tastes and preferences fall outside the purview of the science of Economics. That all Economics is, is the study of convergence to long-run equilibria. So, that all there is to Economics is a teleological process.

¹³ This may explain why such great prestige has accrued to the Arrow-Debreau proofs on the existence, uniqueness, and stability of equilibrium and to economists who work in that area.

¹⁴ And for many Economists this would be the most jarring possible change that could occur in their view of reality, the idea that perfect competition must be the best possible outcome is so deeply ingrained in their belief system that to challenge it is to challenge everything they know about Economics. That they feel this way is however, a result of socialization not of

The Neoclassical Tradition has painted itself into a corner where the only answer in normative analysis or in policy prescription is, "long-run competitive equilibrium." Nothing else will do if you have the teleological end-game at your beck and call. However, a reality without the teleological end-game of competitive equilibrium, is a much more difficult one for an economist. It is a reality without easy criteria for moral and ethical judgements, where the particulars must be reasoned through, and a choice must be made.

Of course, even without the teleological baggage an economist can find the competitive solution compelling. It would be expected that usually most economists would do so. But it would be a decision that would require justification that would be unnecessary in a teleological reality. And that justification would have to be a moral and ethical justification, not a technical exercise. The present state of affairs is that any policy argument in Economics is an argument as to which policy results in a solution closer to competitive equilibrium. This is a valid criteria only under a regime of teleology.¹⁵

The main divergence between a teleological view of reality and an existentialist view of reality in Economics is that in the former, moral and ethical decisions are dictated by the external reality, they must conform to the teleology of perfect competition, while in the later, moral and ethical decisions are an entirely subjective matter, internal to the individual, in which an advocacy of competition is valid only if it conforms to the individual's moral and ethical standards.

scientific inquiry. So, challenging the sacred position occupied by perfect competition is not challenging the science of Economics, it is simply a question of point of view.

¹⁵ To simply take an obvious example, the policy invariance result from Rational Expectations Theory really needs the teleology to work. It is really based on the assumption that the Economy must be converging to long-run competitive equilibrium, and not on the assumption of unbiased forecasting. Unbiased forecasting serves as a proxy for the assumption of convergence to competitive equilibrium. In a teleological reality these two things imply each other. In a non-teleological reality, the convergence to competitive equilibrium implies unbiased forecasting but unbiased forecasting does not imply convergence to competitive equilibrium.

Where does this now leave us? If Economics is not the tale of humankind's inevitable convergence to long-run perfectly competitive equilibrium, what is it?

Economics now becomes a story about possible actions; actions which individuals may undertake singly or in groups, actions that may move society towards a competitive outcome, or actions which may prevent the attainment of such an outcome. But above all a story of active human intellect, not a story of reactive animal desire. A story of actions which are mandated on the basis of their moral and ethical validity, while leavened by the knowledge of what can be and what cannot be.

Questions of morals and ethics have become second class questions in discussions of Economic policy because they have been subsumed under questions of whether a given policy advances or retards the economy's march towards competitive equilibrium. It is always assumed that a competitive result is a moral and ethical result. And that there is only one such result. If competition is stripped of its teleological cloak, no such assumption can be made. And we also can no longer assume that human society is on an inevitable march to long run competitive equilibrium. Then we must assess our policy prescriptions on the basis of their effect on each and every human being involved, not on its consistency with some over-riding rule of judgement.¹⁶

Economists have tended to act as though normative questions can be turned into positive questions if only they can be phrased in the correct way. If this were possible, then we would have the burden of responsibility lifted from our shoulders. Since we would not be making a moral and ethical decision, we would simply be describing the correct result to pursue. This is part of the allure of teleological thinking. If we adopt an existentialist view of reality, we must accept personal responsibility for the results of our actions and advocacies.

Moral and ethical questions have tended to have a stunted life in Economics. This is a direct result of the teleological bias in Economics, our desire to perceive the 'Grand Design.' If we admit that there is no grand design, and that we live in a society of our own making, then we will have to acquire a much richer set of arguments based on our moral and ethical values. And a deeper and more enlightening set of positive theories that describe all possibilities, not just one.

¹⁶ One would think that the 'Possibility Theorem' would have cured Economics of this, however instead it has created a whole minor industry in attempts to develop ad hoc ways to bypass the non-existence of a Social Welfare Function.

If we can no longer simply perform the optimizing ritual, then we must look deeper into the behavior of human beings, we must clarify what aspects of behavior are the results of our interaction with the constraining reality around us and what aspects are the result solely of human action and interaction. We must abandon our role as upholders of a romantic, naturalistic tradition. The Enlightenment and the Romantic Revival echo loudly through the interpretations of theory in modern Neoclassical Economics. And this has become a bad thing. For competitive equilibrium has become a Panglossian answer, for is it truly, "The best of all possible Worlds?"

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