

JOHN ADAMS, THORSTEIN VEBLEN, AND THE SOCIAL FOUNDATIONS OF THE ECONOMY

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Several matters require clarification at the outset. The John Adams of my title is not the John Adams of my author. The former was the second President of the United States, from Massachusetts; the latter is the speaker, who hails from Texas, partner. The speaker's name is actually John Quincy Adams, which is the name of the titular John Adams's eldest son, who was the sixth President of the United States. The speaker has been president only of the Association for Evolutionary Economics and of the Eastern Economic Association, and appears before you today in this latter guise. He suppressed the Quincy when he began doing economics in order to reduce the frequency of exclamations about his name, such well-meant intrusions into his privacy having dogged him since his earliest remembered childhood moments. The Q as a middle initial is retained as a relic only in his financial and testamentary affairs, with the exception of its lonesome use as a quick memo signature, conveying amity to the intended recipient.

The speaker's father was named John Quincy Adams, whose father was either John Quincy or John Quinlan Adams, of Greenville, Texas.¹ The speaker's full handle is actually John Quincy Adams III, although there was no II, I, or Jr. His son is another John Adams but that heir's middle and employed name is Michael. Beyond the common denominator of Adam and Eve, there is no familial connection with the presidential lineage of Quincy, Braintree, and Boston.² The speaker was victimized by the Southern tradition of pinning famous names on children as an alternative to tagging them with Billy Bob or Larry Jack. In his high school senior class of only 14 there was a Patrick Henry. The speaker's father had a moderate lifelong interest in reading about the real Adams family. He acquired the six-volume *Writings of John Quincy Adams*, edited by Worthington Chauncey Ford [1913].³ A genealogical probe he commissioned traced our faux Adams ancestry back, not to New England, but to Georgia, where they were jus' folks. Faux Adams père certainly noticed that Mr. Ford carried the surname of his mother's family, who are by the way not related to the Michigan Fords. I retain this collection of the younger Adams's papers. When I was still John Quincy Adams in my youthful preprofessional phase, my first girlfriend was named Louise. She was happily aware that Quincy Adams's wife was a Louisa.

All of these nomenic and biographical ruminations head in the direction of explaining how John Adams finds himself in the posture of offering a tract on the social and economic thought of John Adams and Thorstein Veblen. It all started with a coincidental name. I hope it does not offend Veblenophiles to observe that if it had to come down to this particular choice, the Adams option has served me much better

than the rival. Indubitably, as Thorstein Bunde Veblen III, in the face of the rampant hostility among the modern proponents of economics to deviant institutionalists and their offspring, I would have enjoyed even more slender success than I have. These biographical meanderings do help nudge us in the direction of pursuing my thesis by reminding us that all economists do indeed have families and social origins, that all economies have social foundations, and that all economic science that denies the pertinence of institutions is at best incomplete and at worst inconsequential.

There was an inevitability about my move north, and ultimately to Boston, and I say this without the facetiousness of which I am so often accused. The Adams legacy has been a lifetime lodestar and I have repeatedly dipped into the family's papers and the major histories. A steadfast intention has been to write about the economic thought of the two Adams presidents and about the economic programs of their administrations. At the first opportunity I toured the wonderfully preserved Adams family home in Quincy, a domestic time capsule crammed with artifacts and memorabilia. A few months later, still in an elevated mood, I scurried from my office at Northeastern across the Fens to the sanctified edifice of the Massachusetts Historical Society in order to broach the issue of gaining access to materials germane to the Adams's economics. When I asked a curator about initiating research on this topic, he chuckled and unknowingly vaporized a child's lifetime dream, saying, "They had none. They were lawyers."

CHILDHOOD DREAM REDUX

In the summer of 1995 I took up reading Joseph J. Ellis's *Passionate Sage: The Character and Legacy of John Adams* [1994]. By and large, this erudite and penetrating treatment of Adams's mind and its application to human affairs confirms the great man's inattention to what we would today perceive as narrowly economic matters. Ellis recognizes that Adams was not wholly mute about the material realm of life. Wealth and the means of its acquisition were subjects about which Adams worried personally and as a student of human behavior. He strove throughout his life to generate sufficient income to sustain his family's gentrified status, even as he watched other, less able men make fortunes in real estate, commerce, and finance. Adams thought introspectively and intently about people's psyches and motives, and how their values and aspirations shaped their everyday conduct. At the heart of his economic and political psychology was Emulation, by which he meant the predisposition of people to compare their material and social achievements with those of others. Ambition, envy, and the quest for wealth, power, and status stemmed from this common base. All these impulses were salient in Adams himself, and were more than amply revealed in his public performances and private writings.

This line of march leads straight to our second character, Thorstein Veblen. After all, as Ellis discerns, John Adams's identification of the psychological basis for consumption and acquisition will be echoed by Veblen, observing Sumptuary Capitalism in full blossom.⁴ At last, the present slow-witted speaker had been shunted onto the right track. If he had been tortoise-gaited in connecting Adams and Veblen, he was rabbit-swift in abstracting a generalization. One had to think about Adams as an early institutionalist, as a thinker who reasoned in an integrative way about econom-

ics, politics, society, and human nature. With the lock blown off the mental door, parallels and sympathies between Adams and Veblen scampered out. The two were obviously comrades in ideas: economic holists, political cynics, and humanistic misanthropes. Further, their appraisals of American social, political, and economic life constitute a continuing and resounding challenge to what Veblen would call The Modern Economic Science, at the dawn of the 21st century. I will illustrate the nature of this challenge by presenting their views on consumption, politics and constitutions, and finance capital.

COMMON SENSIBILITIES

John Adams (1735-1826) and Thorstein Veblen (1857-1929) were penetrating analysts of American society and its economic life, Adams in the great incubation of the United States, Veblen in the heyday of rampant capitalism. Adams's political and social writings have been much scrutinized for their philosophical and legal messages, but his grasp of economic topics has not been assessed, perhaps because he did not conceive of material activity as something apart from the seamless webbing of a moral society. The affinities of Adams's and Veblen's contemplations of the American way of life have not been widely, or even narrowly, recognized.⁵ Yet they share a deep concern about the future of the United States, predicated on a perception of how narrow the balance is between the best impulses of the human spirit, and the worst. They recognize that the brute compulsions of Emulation and Acquisition continuously tear at and shred the fabric of civil society. Each was fully conscious of the disjunction between the great hopes embodied in the Republic's Constitution and the mean corruptions of everyday politics. Their notion of the role of the material orbit in people's commonplace lives, as sublimated to cultural forces and values, is another allying intellectual trait. They were in this sense holistic rather than reductionistic thinkers. Although both were well known and successful in their chosen vocations, politics and scholarship, the two men struggled with the entrenched establishments of their times, experienced rebuffs by powerful critics and enemies, and were alienated and truculent throughout much of their long careers. Their shared perceptions of the foibles of American society were matched by similar personal traits.

Linking Adams and Veblen, and then transposing their ideas into the modern arenas of economic debate, are chores that confront Augean obstacles. They were men of different epochs and regional cultures. Adams lived to be 90 years of age, dying as did Thomas Jefferson (b. 1743), on 4 July 1826, in one of history's most improbable coincidences. On Adams's side at least, he simply willed himself onwards through his last days so that the timing of his death could serve as a final historical symbol of his often underrated role in the transformational events of 50 years earlier. With typical Adams luck, the always more popular Jefferson stayed with him until the bitter end. Estranged after Jefferson's victory in the presidential election of 1800, the two subsequently resumed reflective correspondence about politics and the unfolding events of the nation's adolescence.⁶ Adams's and Jefferson's absorption with American politics was as complete as Veblen's was with the nature of American capitalism. Veblen's life overlapped as perfectly the rise of the United States as the world's bastion of free enterprise as theirs did the country's emergence as the cockpit of glo-

bal political revolution. If Adams and Jefferson were men of the eighteenth century, who lived into the nineteenth, then Veblen was a man of the nineteenth, who lived into the twentieth. Each had the chance to assess his early prognostications and handiwork against the historical record and found much vindication.

None of the Founding Fathers, with the exception of Alexander Hamilton, thought or wrote much about the economy or about economic policy in the modern sense, nor was Veblen much drawn to the contemplation of constitutional questions or the conundrums of popular governance.⁷ Veblen was familiar with portions of early American social thought, but never developed a coherent theory of politics or government, rendering impossible any systematic contrast. Adams certainly had no direct influence on Veblen. If there are parallels between Adams and Veblen they must be found at a deep level, in the turbulent currents of American intellectual advance, in a mutual appreciation of the play of universal human traits, and the peculiarities of the American experience.

In a stimulating tour de force, Paul K. Conkin has written a study of America's *Puritans and Pragmatists*. He explains the import of his title as follows:

I intend the brief, alliterative title, *Puritans and Pragmatists*, to suggest some degree of continuity, some elements of underlying unity in the varied and always idiosyncratic thought of these men. . . . But the continuity, however labeled, was most often a matter of striking similarities than of direct, causal influence.

The eight men that Conkin chooses include three Diverse Puritans, Jonathan Edwards, Benjamin Franklin, and John Adams; a Transitional Personage, Ralph Waldo Emerson; three Pragmatists, Charles S. Peirce, William James, and John Dewey; and, advancing in a different direction, a Figure In Retreat, George Santayana. One does not have to throw a stone very far or accurately from these three Pragmatists to hit Veblen squarely. Conkin believes the Puritans and Pragmatists share at least three traits, a "common moral tenor," an "instrumental conception of knowledge," and a "broad ethical conception" of society [1968, v]. In dealing with Veblen, and certainly with many modern American institutionalists, a third P, Populism, should be added to Conkin's title, although this would lead us back in the direction of Andrew Jackson and Thomas Jefferson rather than to Adams.

From the institutionalist stance, Adams and Veblen are perceived to share the vision of social inquiry as an holistic exercise. In institutional economics, holism refers to the imaging of the economy in its total cultural, social, political, legal, ideological, psychological, ethical, and natural context. This perception extends to the insistence that even in the modern capitalist market system, sketched as a more-or-less detached, autonomous self-regulating mechanism, economic operations are predicated on institutional conventions and cannot be adequately interpreted outside them. The absence of this precept from *The Modern Economic Science* leads its practitioners into two fields of error. The first is to critique early writers about economic affairs, such as Aristotle, the Scholastics, the Mercantilists, and India's Kautilya, for not truly understanding supply and demand relations in an integrated system of

markets; and, therefore, for not being real economists. The same charge could be levied against Adams and his revolutionary comrades. The second is to underweigh or ignore in their analysis and policy nostrums the forces of power, tradition, and emotion in human affairs, certainly a prime cause of why their meticulously mathematized reasonings and convoluted pleadings are so widely disdained as incomprehensible and irrelevant at this period of the industrial age, when almost everyone but the economist grasps instinctively the import of institutions, technology, and human knowledge and values for our material growth and welfare.

Adams's holism is well attested in his own writings. Rather than quote any of many passages, I rather will capture the point more succinctly by taking advantage of Ellis's intuitions, contained in his reply to my inquiry about his remark on the affinity of Adams and Veblen. He wrote,

That said, I *do* think the Adams-Veblen connection has merit (throw in Schumpeter, too, and then note the European flavor to the destructive resistance they all demonstrated to Enlightenment or 19th century "scientific" presumptions about human motivation. Adams predates the full-scale emergence of capitalism, so his thinking can be regarded as a pre-modern vestige of sorts. But I think [in] his insistence on the irrational urges that underly human ambitions he (like Shakespeare) forecasts Freud. And precisely because Adams also predates the segmentation of disciplines, he cannot imagine a discussion of economics *per se*. This will all be rediscovered by Veblen, writing in the shadow of Freud and Darwin and uninterested in the clamor about being scientific. [personal communication, 2 August 1995]

THE THEORY OF CONSUMPTION

Curiously, but as a willful oversight, *The Modern Economic Science* lacks a theory of consumption, or a theory of tastes and their formation. Preferences are simply taken as given; by whom or from where they are given is not conjectured. There is, in brief, an absence of the cultural standpoint from which to study economic behavior. In contrast, Adams and Veblen have a shared and persuasive theory of consumption, which is worth contemplation on its own merits, but more widely illustrates the indisputable linkages between economic features of personal conduct and their social settings. Adams's ideas are grounded in his psychology of Emulation. People's cravings for elegant attire, splendid houses, fine coaches, and exquisite food and wines stem from their desire to emulate and exceed the standards of exhibition attained by others. When applied to the realm of business, Emulation is manifested in the unquenchable pursuit of wealth and pomp. Adams asked, "Why do men affront heaven and earth to accumulate wealth, which will forever be useless to them?" His answer was, ". . . because riches attract the attention, consideration, and congratulations of mankind. . . . [The businessman's] imagination expands, and his heart dilates at these charming illusions. His attachment to his possessions increases as fast as his desire to accumulate more; not for the purpose of . . . utility, but from the desire for illustration" [1993, 166-67].

Those who find Adams's notion of Emulation far removed from the lineage of economic thought will be reassured to know that he was merely elaborating and applying a proposal of that most eminently respectable sire of our subject, Adam Smith. Adams thought well of Adam Smith's *Theory of Moral Sentiments*, written in 1759, a copy of which he had in his library [(1759) 1966]. Zoltán Haraszti overstates the case when he says that Adams's sense of human nature is "... based upon a single chapter in Adam Smith's *Theory of Moral Sentiments*" [1952, 169]. Most likely, Smith's chapter resonated with Adams's preexisting divinations about the human character and he was delighted to find authoritative sponsorship for his economic conjectures.¹⁰

Adams wrote extensively in the margins of many of the 3000 or so volumes he had in his Quincy library, carrying on a challenging dialogue with many of history's greatest minds, living and dead. Even though Smith's *Moral Sentiments* touched Adams mightily, a more substantive question is what he would have made of *The Wealth of Nations*. I surmise that Adams would have been attracted to parts, including its hostility to the Mercantile order, but would have been repelled by its major theme of the ascendancy of the self-regulating market system. It is possible that he would simply not have grasped the full implications of the book's chief thrust because of its novelty and its incompatibility with his ingrained world view.¹¹ The greater part of Adams's library was given to the city of Quincy in 1822, when he was 87 years of age, and thence was moved to the Boston Public Library in 1893.¹²

Your diligent servant visited the collection to determine whether it contains a copy of Smith's *Wealth of Nations*, and if so, whether Adams had critiqued passages in the book via his customary marginal jottings. He reports that, yes, there is a copy of the book but, no, there are no markings. Adams had sometime acquired a two-volume set of the second edition [Smith, 1778]. He did sign the frontispiece of both volumes, showing they passed through his living hands. The first volume appears unruffled and offers no mark of wear; its spacious page margins remain unsullied.

When, with sinking spirits, your investigator opened the second volume, it revealed tantalizing secrets. The first discovery, in the seam between pages 200-201, was of a dried, pressed flower petal, perhaps that of a colonial rose. Chance or not, it is here that Smith begins chapter VII of book IV, which is devoted to an excoriation of Britain's noxious Navigation Acts. Did Adams mark these pages in this curious fashion to signal his enthusiasm for Smith's critique of those Mercantile policies that, Smith said, distorted the structure of profits in Britain and caused that nation's resources to flow disproportionately away from their most productive uses? Or was the petal an accidental intruder? Not so. Double petals will be found thereafter every ten pages through 300-301, all at points of potential intrigue for Adams.¹³ There is the stain of a paper bookmark on pages 232-233 at a juncture where taxes are mentioned; then, a folded bit of old newspaper is used to mark Smith's section on the several types of taxes which commences on page 480. A summary supposition is that Adams never read *Wealth of Nations* in its entirety, but scanned it, and once, perhaps, consulted it as a reference book in order to elevate his understanding of the sources of public revenues.¹⁴

We can doubt neither the pedigree of Adams's espousal of Emulation as the fount of a theory of consumption nor the wide application of this psychological maxim to his diagnosis of political and social rivalry. The transposition to Veblen's equivalent rea-

soning is facile. Veblen's devastating critique of late-19th century American capitalism pivots on his identification of the pursuit of conspicuous leisure and conspicuous consumption as the motivation for material engorgement. Adumbrated at length in *The Theory of the Leisure Class*, this theory is the best known component of Veblen's thought and its distinctive phrasings have seeped into the language [Veblen, (1975) 1899]. The theory is developed with heavy reliance upon shrewd reading of ethnography and western history. He writes,

The motive that lies at the root of ownership is emulation . . . the possession of wealth confers honor . . . [(1899) 1975, 25-26]. From the foregoing survey of the growth of conspicuous leisure and consumption, it appears that the utility of both alike for the purposes of reputability lies in the element of waste that is common to both. In the one case it is a waste of time and effort, in the other it is a waste of goods. [*ibid.*, 85]

Although this brief rendering does no justice to the richness of Veblen's enduring treatment of the institutional theory of consumption, it suffices to show the connection to Adams's reflections. Further, their common embedding of consumption in the interplay of envy, rivalry, and the social ordering illustrates the merits of the holistic or cultural approach to economic analysis. An economics without a theory of the dynamic, evolutionary character of consumption is incomplete. Furthermore, we cannot gauge individual and collective well-being or happiness in terms of a constant measuring rod, since human satisfaction, for better or worse, depends on our ongoing comparisons of our wealth and status with that of others, once technology, or as Veblen would say, the industrial arts, have advanced amply enough to move society beyond bare subsistence.

POWER, POLITICS, AND PHILOSOPHY

Adams and Veblen cohabit in the perspective that societies are inevitably stratified and agree that property relations underlie social divisions. Adams's study of the law imbued him with a richness of understanding of the nexus of property rights that lies at the core of every society's differentiation into aristocratic and plebeian divisions.¹⁵ Every people parades and admires its aristocrats. Inheritance, natural abilities, physical charms, and acquisition all contributed to the accumulation of wealth and its associated social stratification. Adams recognized that there always occurred a circulation of elites, even in royal and feudal constituencies, as a sequel to humankind's constant jousting for approbation. In America, wealth and popularity propelled a few men into the limelight and granted them superior influence. Economic interests, factions, and parties comprised smaller or larger entourages surrounding the republic's untitled monied aristocrats and aspiring politicians.¹⁶ Adams devoted all his genius to devising a constitutional regime that would confound the historically observed concordance of economic and political power. The zealotry of his industry cannot be calibrated except with knowledge of how strong he thought these almost irresistible compulsions were.

Veblen more than matches Adams's cynicism about the capacity for men of wealth to acquire influence over government, which they can then turn to their own purposes and further aggrandizement. Guilty are the Captains of Finance and Captains of Industry and their myrmidons.¹⁷ Veblen defines a vested interest as "... a marketable right to get something for nothing. . . . Vested interests are immaterial wealth, intangible assets" [Veblen, (1919) 1964, 100]. He explains the rise of vested financial claims on streams of capital income by tracing the evolution of property rights. The rights of nobles and kings to incomes from their landed estates have been transmogrified into claims on the net pecuniary earnings of modern industry. Those claims are legitimized within the complicitous framework of the courts and the state. Veblen is blunt about the business-government junction, writing "Representative government means, chiefly, representation of business interests" [Veblen, (1975) 1904, 286]. Well, folks, if you want political economy, there you have some political economy, and it is not for the faint of heart. Perhaps Veblen's proposition is even conceivably researchable by a few inquisitive young acolytes of The Modern Economic Science, should they possibly tire of mumbling memorized incantations while kneeling before the sacred altar of competitive general equilibrium.

So far we have imagined Adams and Veblen marching side by side, but they have now come to an orthogonal crossroads. Adams never quite abandons faith in representative government subject to a proper phrasing of the ground rules. Surely, tyranny of the masses is as threatening on the one side as tyranny of the elite is on the other, but a middle ground exists, so that collective representation and workable government are potentially viable. Veblen will have none of it. He writes,

The mantle of princely sovereignty has fallen on the common man--formally and according to the letter of the legal instruments. In practical effect, as "democratic sovereignty" it has been converted into a cloak to cover the nakedness of a government which does business for the kept classes. . . . That such has been the practical outcome is due to the fact that these enlightened principles of the eighteenth century comprise as their chief article the "natural" right of ownership [Veblen, (1919) 1964, 125].

Veblen's gauntlet lies at Adams's feet. Veblen's hostility to the natural-law, natural-rights tradition of philosophy within which the Founding Fathers mostly reasoned is palpable.¹⁸ His position is completely consistent with an instrumental philosophy in which natural, permanent, or fixed values are untenable. To translate this into the lexicon of The Modern Economic Science, Veblen and evolutionary pragmatists hold that even superrules are ever obsolescent and transient. For Veblen, all existing laws and the American Constitution itself are merely provisional institutional arrangements.¹⁹ Like any such social constructions, they quickly become obsolete as the industrial arts evolve.²⁰ Economists as a tribe habitually take a jaundiced view of governmental function, but rarely do even the most extreme of the liberal champions of The Modern Economic Science attain Veblen's fully malarial condition.

ADAMS AND THE CONSTITUTION

Some notable proponents of The Modern Economic Science have immersed themselves in contemplating the constitutional foundations of a just, fair, or at least functionable economy. As praiseworthy as is this activity, which verges on a concession that rules and institutions matter, it is too often premised on purely rational conduct and spontaneous negotiation in a putative state of nature by parties astonishingly familiar with the present-day rites of contract. Among these otherwise most learned academicians there is scant cognizance of the components of that remarkable process that yielded the Constitution of the United States, an historical benchmark of the most momentous redirection of modern global history up to the present time. Adams and his confreres were neither Robinson Crusoe and Friday nor a band of Noble Savages on the brink of Hobbesian anarchy. They knew what was needed, they had grasped the instant, and their leadership, most notably Adams, Jefferson, Hamilton, Monroe, and Madison, had spent their lives tutoring themselves for the event. They were as concerned with passions as with reason, as much with revolution as with stability, as much with society as the economy. They did not rely upon unanimity or even consensus; therefore, the achieved Document masks irreconcilable disagreements. No unambiguous voting rule could have ensured the tolerable outcome of the Philadelphian deliberations. Perchance the American Constitution has succeeded precisely because no one, thentimes or thenceforwards, has found it to one's exact liking.

James Buchanan, another presidentially named Southerner, must be excepted from the hallucinatory clique of contemporary constitutional masterminds which labors in our profession. Buchanan distances himself from the bulk of the corpus of The Modern Economic Science and explicitly acknowledges that the legal foundations of the economy are of paramount significance. In his quasiautobiography, he has printed a collection of epigrams that he regards favorably. One is drawn from John Adams; to wit, "It will never be pretended that the men who set up the American governments had interviews with the gods, or were in any degree under the inspiration of Heaven" [Buchanan, 1992, 133].

Adams was the axis around which the American constitutional endeavor rotated. Although he was not present when the national charter was actually drafted (Neither was Jefferson; both were in Europe), his imprint is all over the document. Because Adams saw no self-set limits to human aspirations in the conjoined political and economic realms, domination or capture of the national government could be avoided only by rules of law embodied in a constitution that made it impossible for any individual, coterie, or democratic majority to secure sway over others. Neither education, good will, nor concern for the public good would reflexively rein in the pursuit of power. Adams's thoroughgoing historical and juristic scholarship convinced him that only a republican constitution that established countervailing powers among a bicameral congress, a strong executive, and an independent judiciary could restrain tyranny in its myriad forms. To keep social and economic aristocrats from becoming political autocrats, the checks and balances of a republican constitution were crucial. The task was to encumber ineluctable competition for recognition and domination

with the self-correcting cross-stitches of the constitutional *modus operandi*. Adams did believe that the franchise should be restricted to property-holders precisely because they were stakeholders. The unpropertied masses were simply not in the game at all. Mob democracy would inevitably threaten a redistribution of ownership and undermine the social order.

Like the other Founders, Adams was fully aware that the Constitution would serve as a basis for the nation's future economic life. He did not conceive of economic department as something apart from political and social endeavors. Adams read virtually every major work in history, politics, law, and social thought available in his time. He certainly knew exactly what Greek, Roman, and Scholastic philosophers, sages, and theologians had said about the material sphere of life. He displayed knowledge of French Physiocracy and admired the axiom that most wealth, at least honestly got wealth, originated in agriculture. Of course, toil in crafts, services, and the small industries of the times was meritorious as well. Adams accepted Smith's doctrine of free trade, as did Veblen, and certainly recognized the potential contribution of liberated foreign and domestic commerce to America's expanding economy. His approach to economic policy was pragmatic and unprejudiced on either a bias towards state action or the market. He believed in the law-and-order and contract-enforcement functions of government and the need for an independent and responsible judiciary. In this sense, he demonstrates his lawyerly mien, which still so dominates Washington and state-level policymaking in the United States, and so frequently bedevils those enthusiastic, well-intended economic policy counselors who seek instant and rational application of the principles of The Modern Economic Science to the complicated material affairs of the nation's and states' commonwealths.

Adams favored universal education, full-reserve banking, and the construction of canals and roads. He was uneasy about assuming national debt, creating a central bank, and adopting Hamilton's protectionism. As President, he pushed to float a navy strong enough to confront incursions along vital American shipping routes. During his later years, Adams perceived the growing schism between the northern and southern states as their economic structures and interests diverged. Because he would not subordinate human rights to property rights, he consistently opposed slavery and explicitly forecast the civil war. Adams died during the initial stage of his son's presidency (1825-1829), so he did not know of John Quincy Adams's subsequent 17-year-long struggle in the House of Representatives, to which he was elected in 1830, after he left the presidency, against slavery and against attempts to quash legislative debate on the topic. Adams père would have expected nothing less; any Adams paterfamilias is child-proud.

SHARED TREPIDATIONS CONCERNING FINANCIAL CAPITAL

Adams and Veblen grew up in surroundings in which everyday toil, contact with soil and livestock, and craft skill were requisite and esteemed. Each was highly aware of the contrast between earnings honestly got through involvement in immediately productive actions, and the windfall gains that came from speculation and financial manipulation. Their agrarian roots led both men to harbor the gravest misgivings

about recrudescent monetary capitalism. The Adams homestead was a working farm upon which the family depended for a large part of its subsistence and income. Adams himself was an avid, knowledgeable, and experimental farmer. His wife, Abigail, was at least John's equal as a prudent superintendent, and took full charge during his long absences. Veblen was raised on a Minnesota farm. His father, Thomas, was respected as a careful cultivator and adept craftsman. Veblen did not share with Adams a love of the agrarian life, nor accept the physiocratic canard that only land could create wealth. There is strong sentiment that Veblen acquired at least the embryonic sense of his instinct of workmanship from observing and sharing in his father's handiwork.²¹

Adams watched the New England economy shift during his lifetime from an agrarian, artisanal productive base to a more complex commercially propelled system, and did not much admire the drift. As his nation's emissary in Europe, Adams was constantly involved in tedious negotiations with European governments about issues of debt and commerce. He was confronted with many demands from a beseeching American merchantry. These exposures only deepened his distaste for financiers and men of business. Numerous passages in his writings show disdain for these Emulation-driven emissaries of banking, commerce, and outright speculation. In a letter to John Taylor of Caroline, Virginia, Adams wrote,

You say, sir, that "inhibitions upon monopoly and incorporation are remedies for an aristocracy founded on paper wealth." Here, sir, once for all, let me say, that you can write nothing too severe for me against "paper wealth." Paper wealth has been a source of aristocracy in this country, as well as landed wealth, with a vengeance. Witness the immense fortunes made *per saltum* by aristocratical speculations, both in land and paper.²²

Adams was a practicing attorney in Boston who before committing himself to public office had the largest, but not the most remunerative, practice in New England. Debt, property, inheritances, greed, and family squabbles were his clients' everyday affairs. He was no more a naif about credit and property dealings than a New England physician was about splenic and humoric disorders.

In his reconnoiter of American capitalism, Veblen devised a famous and portentous dichotomy between industrial capital and financial capital. The distinction is a crucial component of the work of Karl Marx and John Maynard Keynes. Veblen perhaps emphasized the firm- or microlevel contradiction between the industrial system and the pecuniary system more than did Marx or Keynes, but all agreed that at the aggregate or macroeconomic level, the consequence was that form of collective instability known as the trade cycle. A representative passage in Veblen describing the conflict, as it is frequently phrased between making money and making goods, is,

The adjustments of industry take place through the mediation of pecuniary transactions, and these transactions take place at the hands of business men and are carried on by them for business ends, not for

industrial ends in the narrowest meaning of the phrase. [(1904) 1975, 27]

Industrial managers sought to make goods by mobilizing and organizing machines, engineers, and workers. Financial capitalists pursued the maximum net financial return by pulling strings labeled stocks, bonds, and credit that turned the industrial managers into puppets pursuing balance-sheet profit, even if this meant holding physical output below plant capacity and shedding workers into the ranks of the unemployed. In monetary precapitalist economies, money was the medium of exchange. As Marx, among others, depicted it, the commodity-money circuit went,

$$C \Rightarrow M \Rightarrow C'$$

where a commodity, C , is exchanged for a sum of money, M , which in turn is used to purchase another commodity, C' . In capitalism, goods become the medium of profit in the cycle,

$$M \Rightarrow C \Rightarrow M',$$

where M' exceeds M by an amount equal to net earnings.

The incapacity of The Modern Economic Science to propose a satisfactory macroeconomics relating money, credit, interest rates, and real economic flows to one another in a way that is at once plausible and empirically efficacious stands as an uncomfortable reminder of how little is known about money and the nature of a financial economy. The interests of CEOs, plant managers, financial accountants, research scientists, engineers, workers, bankers, stockholders, mutual fund managers, and the public at large are scarcely identical. The presumed scope for successful governmental intervention when various levels, ratios, balances, and rates of change are judged to be out of kilter shrinks or widens with the scholarly vogue of the moment. The Federal Reserve is a rogue elephant ever poised to rampage through the glass houses of the nation's financial markets, steered by a blind mahout who alleges his powers of inner vision are mystically fixed on a point some eighteen months into the future. What are the connections between the real economy and the monetary economy and what leeway should be granted to duly empowered policy agents? The doubts that Adams and Veblen shared are still with us.

TERMINUS

I have stressed the futility of looking for direct links between Adams and Veblen. Really, there is no reason to expect any connected pathways. Although their personalities and demeanors diverge in patent ways, they share many attractive attributes. At their best they are masters of English style. They raise irony to an almost unreachable height. The incisiveness of their minds is matched by the precision of their words. They understood the efficacy of rhetoric in the duel of ideas. Even when they

are stretching to cover ground, as anyone who is driven to write so much must be, they are rarely dull or careless. They ghost gracefully atop the wide currents and tiny eddies of the rivers of western social thought. Adams's use of what the Annales School dubs total history, in his pursuit of the facts of everyday life in the classical and medieval worlds, is skilled and modern. Veblen's borrowings from the emerging discipline of anthropology serve him in the same fashion, as a mine of comparative human experience. They grasp common threads: the interlacing of passion and reason, the interdependence of pain and pleasure, the mingling of optimism and pessimism in the human outlook. Each has an exceptionally balanced vision of what we now call the agency-structure problem in the social sciences. Adams in particular is hugely prescient in sensing the constant tension between individual action and institutional restraint. How could rowdy Americans succeed in sustaining a civilizing order, when so many prior societies had collapsed in mires of sloth, greed, and rivalry? It was Adams's unequalled genius to see that the answer lay in devising a set of constitutional rules that would bound and channel the exuberances and excesses of a free society. Order does not emerge spontaneously, the erudite Dr. Friedrich Hayek and his precursors notwithstanding; it will always be threatened either by the folly of the mob or the arrogance of the aristocracy, blind to any sense of common purpose.

Adams and Veblen achieved success in their respective careers to the highest levels. Adams's career needs no recounting. Veblen was elected to the Presidency of the American Economic Association and edited *The Journal of Political Economy*, accomplishments hard to countenance in today's enmitic professional arena in which the guardians of The Modern Economic Science hold sway. The Aristocrats of Economics have outmaneuvered the Barons of Institutionalism in the postwar era. Institutional economists lament that the singularly distinctive American economist, Thorstein Veblen, is now disdainfully called a sociologist by that modern Tory aristocracy of The Modern Economic Science which traces its genealogy offshore to Edinburgh, Cambridge, and Oxford. It is a curiosity that American institutional and evolutionary economics is now more widely practiced and better understood in Europe than in the United States. A Japanese Association for Evolutionary Economics has just been founded.

Adams and Veblen saw themselves as outsiders despite their engagement in affairs of their times. Each drew strong attacks from their respective establishments grounded in the political and academical worlds. Towards the end of both careers, there was a period of reflective decline, and both moved through their last years without appreciable economic resources, although Adams was cushioned by the comforts of his family home and its sustenance. Veblen fell from whatever favor he enjoyed and died embittered and impoverished in the environs of one of the finer institutions of the higher learning in America, a beneficence of that great railway plutocrat, Leland Stanford.

Let me conclude my essay in Romantic Economics by conveying a final sentimentality. Adams and Veblen speak as authentic American voices, putting as great a distance as possible between themselves and their European heritage. Adams never moved as easily in Europe's drawing room circles as did his traveling confreres, Benjamin Franklin and Thomas Jefferson, most specially among the feminine company

they all so much cherished. Adams's very Jamesian, very American detachment abroad elevated the already high alienation quotient he harbored on his home turf. As much as they were part and parcel of their ages, Adams and Veblen were in their historical moments detached commentators, floating like preternaturally observant eagles over the society they simultaneously loved and distrusted, always challenging it, and us, to make the best of itself, and ourselves, and the best history has ever known. This remains the American Hope.

ENDNOTES

1. The father, John Quincy Adams, was a lifetime executive of Interstate Theatres, a regional chain that dominated the Texas market. In a famous antitrust action, Interstate was accused of controlling bids for first-run pictures, in effect blocking independent movie houses and smaller chains from the most profitable releases. A consent decree compelled Mr. Adams to spend most of his time as CEO selling off about one-half of Interstate's movie houses, a sad activity, but fortuitously consistent with the decline in audiences that followed the introduction of television. I recall helping him dispose of boxes of incriminating documents he brought home from the office so that the Washington trustbusters could not get their hands on them.
2. When I am in India, Indians do not hear the "s" sound at the end of my surname and call me Dr. or Professor "Adam," usually jesting, "You are named after the first man!"
3. My father's mother's maiden name was Eddie Ford and her sisters, brothers, and their children comprised the larger part of our extended family.
4. Speaking of Adams's psychology of Emulation, Ellis writes, "Over a century later Thorstein Veblen would develop a similar theory of economic behavior and give it the memorable label 'conspicuous consumption'" [Ellis, 1993, 167].
5. In 1995, I wrote to Ellis, who holds the Ford Foundation Chair in History at Mount Holyoke College, about his Adams-Veblen paragraph to ascertain whether he had anywhere or anywise pursued the comparison. He kindly replied but alased that the insight had not been elaborated but urged to me take up the task.
6. The personal and intellectual relations between Adams and Jefferson are extremely well detailed in Ellis's recent book [Ellis, 1997].
7. On Hamilton's and Jefferson's economic thought see my "Hamiltonian Wolves Wearing Jeffersonian Fleece: The Founding Fathers and the Spirit of American Capitalism," presented at the European Society for the History of Economic Thought (ESHET), Marseille, France, 27 February-2 March 1997.
8. My most unavoidable typing error is Adams Mith. My own work could be called Adams' Myth. A copy of *Moral Sentiments* is not in the Boston Public Library's Adams collection; one may remain at the Adams house in Quincy. I am unknowledgeable how the link between Adams's ideas about Emulation and Smith's jottings was first unearthed.
9. The chapter referred to is Smith's ch. III. Haraszti concedes that Adams's ". . . phrasing is often more powerful than Smith's." Ibid.
10. An interesting conversation to imagine would be one between Adams and Smith, a tandem whose ideas have probably done more to shape the character of American society than any other. They would have found much to agree about and much to disagree about, but this could be said of Adams and almost anyone. It is impossible to imagine that Adams would have accepted either of *Wealth of Nations'* cardinal premises: the accordance of dominance in human motivation to covetous self-interest or the conclusion that human affairs could be satisfactorily regulated by the spontaneous catalactics of a market system. Here is certainly a broad line of concurrence between himself and Veblen and modern institutionalists.
11. Of course, it is probable that not even Smith himself had any sense of the influence his ideas would have on economic thought and policies over the ensuing two or, likely, three centuries. Adams's published and unpublished writings are so vast that the subject of his precise reaction, if any, to Smith's prescient vision of market capitalism will require considerable exploration.

12. The collection is separately held in the Rare Books division. Its contents are enumerated in *Catalogue of the John Adams Library in the Public Library of the City of Boston*, published by the Trustees, 1917. All in all, the collection contained 2,756 titles at the time of its transfer. Notable is the admixture of classical and contemporary tomes with commonplace books on gardening, husbandry, fruit trees, brewing, and progressive agriculture. An example of the latter listings is John Billingsley, *General View of the Agriculture in the County of Somerset; with observations on the means of its improvement* [1744]. There is an 1806 copy of the Koran. Adams admired Shakespeare and his collected works were readily at hand. As Ellis observes, one who has read Shakespeare hardly need await Freud.
13. The topic remains Mercantilism, the role of the English and Dutch companies, the physiocratic view of the primacy of agriculture, and free trade. Why the insertions every ten pages? It may be a result of Adams's approbation or curiosity or the act of a playful child or bored young reader.
14. Of course, Adams could have read another copy of *Wealth of Nations*, or been very tidy and calm in his perusal of his library set, with the exceptions I have noted. The library contains a six-volume French edition of the book, dated 1781, as well. An interesting item is John Gray, *The Essential Principles of the Wealth of Nations, illustrated in opposition to some false doctrines of Dr. Adams (sic) Smith, and others* [1797]. Apparently I am not the only one who has had trouble typing or typesetting Adam Smith's name.
15. Adams's library contains several books on the law of the sea, hardly surprising for a New England barrister, as well as books on commercial law and land tenures.
16. Adams waded into a sea of controversy in the early days of the union by suggesting that the officials of the central government might usefully be awarded titles, emblems of rank, and ceremonial costumes. This proposal followed from his notion that Emulation undergirds the pursuit and acquisition of status and power, and that in a sense, an aristocracy is not only inevitable, even in a democracy, but in some ways is necessary. Worried that the new government and its leadership might not immediately command legitimacy, he sought to create an instantaneous aura of authority and honestly believed that the populace would be dazzled. Adams totally failed to anticipate that his recommendation would subject him to the volume of calumny and ridicule that ensued and rubbed raw his always sensitive skin. He never fully escaped the royalist label that his enemies pinned on him, to the glee of those who already saw him as pompous and arrogant. It was a stupid idea.
17. These are substantive ideas, not quips. See chapter II, *The Industrial System and the Captains of Industry*, and chapter III, *The Captains of Finance and the Engineers*, in Thorstein Veblen [(1921) 1963].
18. Veblen mounts another ferocious attack on Natural Law principles in ch. VIII in *Theory of Business Enterprise*. See, for example, "Hence modern politics is business politics, . . . This is true both of foreign and domestic policy. Legislation, police surveillance, the administration of justice, the military and diplomatic service, all are chiefly concerned with business relations, pecuniary interests, and they have little more than an incidental bearing on other human interests. All this apparatus is also charged with the protection of life and personal liberty, but its work in this bearing has much of a pecuniary color" [269, 1975]. Also see, Veblen, [(1919) 1964, 18-25].
19. Although we have been examining congruencies in the social and economic analysis of Adams and Veblen, I would be remiss not to point in another intriguing direction. John R. Commons and Veblen are usually twinned as the principal founders of American institutionalism. It would be quite fruitful to pursue an inquiry into Adams's and Commons's shared interest in the legal foundations of capitalism, to use the title of the latter's most trenchant book. If Adams anticipated Veblen's theory of human nature, he preceded Commons in recognizing that economic organization and social order stem from an evolving legal, judicial, and legislative system. I am unaware whether Commons devoted much time to the writings of the Constitution's authors, but he sweeps forward from British common law in his surveys, so a plausible surmise is that there must be some consideration.
20. This nihilistic judgement regarding the workability of representative government makes it impossible for Veblen to develop a constructive theory of government or suggest how the productive powers of industrial society might be fully realized. His best effort, which came at the end of his productive life, was to speculate that a Soviet of Engineers might acquire directive authority [Veblen, (1919) 1964, 132ff]. This was a silly idea.

21. The Veblen home is being restored by a new generation of Minnesota craftsmen. Thomas's unusual attention to woodwork and design are everywhere in evidence. A young Thorstein B. Veblen carved his initials on an interior beam, where they may still be seen.
22. Letters to John Taylor, of Caroline, Virginia, in reply to his *Strictures on Some Parts of the Defence of the American Constitutions* in *The Works of John Adams*. The greatest concentration of Adams's social and economic thought is found in *Discourses on Davila, A Series of Papers on Political History*, found in the *Works*, VI, [223-403].
23. The 20th century history of the American Economic Association illustrates how an ill-devised constitution, lacking checks and balances and a commitment to plural participation, can lead to domination of a society by a self-appointed aristocratical group pursuing and defending power and status. Whether the shanghaiing of this distinguished professional organization was an act of tyranny committed by a majority or a minority is capable of ready diagnosis, but is irrelevant to Adams's point.

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