

INSTITUTIONAL ECONOMICS AND COMMUNITARIAN PHILOSOPHY ON THE DISCONTENT OF AMERICAN FARMERS IN THE LATE NINETEENTH-CENTURY

Denilson Beal¹

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Discussant: Anne Mayhew, University of Tennessee (Professor Emerita)

ABSTRACT: The chief purpose of this article is to delineate spaces for constructive dialogue between the school of original institutional economics and the communitarian philosophy portrayed by Michael Sandel. Ultimately, three main contact points are emphasized, regarding the interrelated concepts of individual, community and freedom that, according to the philosopher, informed the republican tradition. Moreover, it is claimed that the two main causes of democracy’s discontent suggested by Sandel might be understood in a more comprehensive way when both institutionalism and communitarianism are considered. Overall argumentation is supported by the historical example of socioeconomic and political distress experienced by American farmers especially during the second-half of the nineteenth-century, a period characterized by increasing industrialization and commercialization along with the establishment of a quantitative ethic based on individualism and monetary canons of value.

Keywords: Original Institutional Economics; Communitarianism; Michael Sandel; Individual; Community; Freedom; Political Economy of Citizenship.

1 - INTRODUCTION

Michael Sandel is renowned as a leading political and moral philosopher. His writings cover from critiques against rights-oriented liberalism to plural debates about social justice and the moral limits of markets (e.g. 1998; 2005; 2009; 2012). “*Democracy’s Discontent – America in Search of a Public Philosophy*” (1996, henceforth DD) is perhaps one of his lesser-known works. However, much of Sandel’s philosophy is displayed therein through a historical analysis of the political, juridical and economic history of the USA, from the hopes of the Early Republic to the somewhat generalized feeling of distrust towards government in contemporary days.

The book’s central story discusses the advent of a liberal public philosophy² favorable to a world of individuals who share no strong sense of community, public purposes or civic engagement, but rather experience satisfaction through extensive consumption possibilities in the private sphere of market relations. Nevertheless, in contrast to their enhanced market freedom, Americans’ life experience has become increasingly “*disorienting and disempowering*”

¹ PhD candidate at the Graduate Program on Economic Development, Federal University of Paraná (UFPR), Brazil. E-mail: denilson.beal@gmail.com.

² “By public philosophy, I mean the political theory implicit in our practice, the assumptions about citizenship and freedom that inform our public life” (Sandel 1996, p. 4).

over time (ibid., p. 340, emphasis added). Correspondingly, it is said, two are the main public disconcertments in modern-day America. On the one hand, the fear of “erosion” of communities, that is, of the dismantling of the “moral fabric” that binds men together through shared collective identities and common projects (p. 3). On the other, the fear of “loss of self-government”, that is, that “individually and collectively, [people] are losing control of the forces that govern [their] lives” (p. 3).

Drawing inspiration from DD, the chief purpose of this article is to delineate spaces for constructive dialogue between the school of original institutional economics³ and the communitarian philosophy portrayed by Sandel⁴. Ultimately, three main contact points are emphasized, regarding the interrelated concepts of *individual*, *community* and *freedom* that, according to the philosopher, informed the republican tradition. Moreover, it is claimed that the two main causes of democracy’s discontent suggested by Sandel might be understood in a more comprehensive way when both institutionalism and communitarianism are considered. Overall argumentation is supported by the historical example of socioeconomic and political distress experienced by American farmers especially during the second-half of the nineteenth-century, a period characterized by increasing industrialization and commercialization along with the establishment of a quantitative ethic based on individualism and monetary canons of value.

The paper is divided into five main sections, including this introduction. Next, we will contextualize the reader to the decline of the agricultural sector during the nineteenth century. In order to introduce farmers’ disquietude in face of the emerging monetary canons of value that came to motivate socioeconomic life, the third section follows Anne Mayhew and Thorstein Veblen in their institutional appraisals of the *époque*. In light of the same historical context, the fourth section claims that institutionalism and communitarianism might be consistently engaged by means of the concepts of *individual*, *community*, and *freedom*. The article is finished by a brief conclusion that suggests further grounds of contact between the two schools of thought.

2 – THE DOWNGRADING OF THE AGRICULTURAL SECTOR

In his political letters from 1785, Thomas Jefferson emphasized his appreciation of small landholders and cultivators of the earth as “the most precious part of a state” and America’s “most valuable citizens” (Appleby and Ball 1999, pp. 107 and 549, respectively). Accordingly, from the Revolution to the dawn of the twentieth-century, American overall scheme of life was at least partially—although in diminishing intensity—grounded on what Richard Hofstadter (1955, ch. 1, part. 1, para. 1) critically termed “the agrarian myth”, that is, a deeply

³ Considering that this article focuses mainly on institutionalists that followed the tradition of Veblen and Commons, the term “original” will be henceforth omitted from the applicable cases.

⁴ Firstly, it is noteworthy that Sandel is not entirely comfortable with the “communitarian” label, inasmuch as it can be somewhat misleading (see e.g 1998, preface; 2005, ch. 30). Furthermore, given this paper’s scope, the work of other leading communitarians such as Alasdair MacIntyre, Amitai Etzioni, Charles Taylor, and Michael Walzer will not be directly addressed herein. This does not mean, on any grounds, that one should disregard the importance of their contributions.

influential set of ideas denoting a “sentimental attachment” to the values promoted by small-scale rural life.

For purposes of clarity, the agrarian fundamentalism of the period may be condensed into three correlated domains expressed in social, economic and political terms. (i) *Socially*, Americans shared strong constitutive bonds with their fellow citizens and shaped collective identities within relatively isolated “island communities”, to use Robert Wiebe’s phrase (1967). Strongest among such collective identities was that shared by yeomen farmers, taken as ensigns of the righteous and good life or, as Margaret Woodward (1963, p. 135) puts it, “repositories of all the moral virtues”. (ii) Correspondingly, *economic* life “moved by the rhythms of agriculture” (Wiebe 1967, p. 2). Bearing resemblances to the philosophy of the Physiocrats, agriculture was said to be “the source of all true wealth” (Chambers 2008, p. 34) and, consequently, small-scale and self-sufficient production was enough to provide landowners with economic independence. (iii) *Politically*, it is revealing, for instance, that in the mid-1880s, not long after Abraham Lincoln had founded the U.S. Department of Agriculture, he referred to it as “The People’s Department”. Farmers were thus virtually indistinguishable from “the people” (e.g. Chambers 2008; Mayhew 1998), regarded as the purest manifestation of the Founding Fathers’ projects and of the nation’s voice in its claims for the common good.

Nonetheless, reality was neither static nor unalterable. Whilst industrialization pierced its way throughout American territory, overall productive technologies and routines suffered fundamental changes that in due time undermined the historical agrarian supremacy. Moreover, in addition to mechanization, farmers were directly affected by a “second great transformation” (Barron 1997) marked by political and economic power concentration, due to the emergence and consolidation of large-scale corporations and management professionalization, ultimately leading to a dominion of big businesses and urban consumerist culture.

Interestingly, Robert Margo (2000, p. 213-214) points out that the shift of labor out of agriculture deserves highlight amongst nineteenth century structural changes, listing manufacturing, trade, transportation and construction as the main sectors that received inflow from the previously rural workforce. Indeed, conflating Stanley Lebergott’s (1966, p. 117, 118) and Thomas Weiss’ (1986, p. 649) data, one might find evidence of a drop from approximately 75% to roughly 40% in the share of labor force employed in farming over the century; correspondingly, absolute labor force in manufacturing increased almost twice as much as it did in the agricultural sector from 1850 to 1900. By century’s end, according to Walton and Rockoff (2014, p. 300 and 362, respectively), “the annual value of manufactures was more than twice that of agricultural products” and factories and cities were “nearly synonymous”.

In this respect, urbanization and rural exodus complemented the changes occurred in the economic structure of labor and sectorial output distribution. Anne Mayhew (1987, p. 972), for example, remarks that around 7.5% of the American population lived in cities with more than 50,000 people in 1870, a figure that exceeded 20% three decades later. Similarly, the US Bureau of the Census (1975, vol. 1, pp. 11-12) indicates that the participation of urban population doubled from 1860 to 1900, rising from 20% to 40% of total population in America. In

the words of David Donald (1967, p. vii), the last decades of the century were characterized by a “shift of both numerical preponderance and political power from the farm to the city”.

Therefore, while on the supply-side mass production and commercialization were sown by the “visible hand” (Chandler 1977) of modern corporations and monopolies, on the demand-side the growing urban population departed from rural traditions. Finally, in a third way, the agricultural sector started to lose government support, bent in favor of “corporate behemoths” (Orwin, 1998, p. 88). Accordingly, government representatives were “wielded as agents of oppression *against* the people” (Chambers 2008, p. 166, emphasis in the original), “usurped” to generate private gains and “irregular distribution of public favors” in aid of modern business interests (Wiebe 1967, pp. 5-6).

No matter the perspective, farmers—once regarded as America’s representative and ideal citizens—have had their lives expressively impacted during such a transformative *époque*. Ultimately, the trilateral basis that underpinned the agrarian fundamentalism were dissipated inasmuch as, in Chambers’ words (2008, p. 1), “farmers [had] lost much of their economic, political, and social power and status” during the late nineteenth-century.

3 – INSTITUTIONAL ECONOMICS: A CRITIQUE ON MONETARY CANONS OF VALUE

Echoing Anne Mayhew (1987, pp. 971 and 991; 1998, p. 25), it was in the historical setting outlined in the previous section, characterized by industrialization and the downgrading of agriculture, that the school of institutional economics had its dawn. Importantly, in accordance with Mayhew, it was precisely upon such *changing reality* that Thorstein Veblen and John Commons drew inspiration for the “substance of their analysis” (1987, p. 991). In view of that, consider the following quotation by Veblen on the intricate connections between habits⁵, institutions, and institutional changes, all basilar concepts upon which the school is grounded:

Institutions must change with changing circumstances, since they are of the nature of an habitual method of responding to the stimuli which these changing circumstances afford. The development of these institutions is the development of society. *The institutions are, in substance, prevalent habits of thought with respect to particular relations and particular functions of the individual and of the community*; and the scheme of life, which is made up of the aggregate of institutions in force at a given time or at a given point in the development of any society, may, on the psychological side, be broadly characterised as a prevalent spiritual attitude or a *prevalent theory of life*. As regards its generic features, this spiritual attitude or theory of life is in the last analysis reducible to terms of a *prevalent type of character*.

The situation of to-day shapes the institutions of tomorrow through a selective, coercive process, by acting upon *men’s habitual view of things*, and so altering or fortifying a point of view or a mental attitude handed down from the past. (Veblen 2007 [1899], p. 126, emphases added)

The possibilities of approaching farmers’ distress through institutional lenses are therefore straightforwardly grasped. As the overall material conditions of life in the USA were

⁵ Importantly, the institutional concept of “habit” does not imply repetitive behavior. Conversely, habits are “submerged repertoires of *potential* behaviour [that] can be triggered or reinforced by an appropriate stimulus or context” (Hodgson 2004a, p. 652). That is, habits are human acquired *propensities/dispositions* to think and act in a particular way under particular circumstances. They are not necessarily expressed in *actual* behavior, but are essentially *potential* ingrained mental and behavioral proclivities.

being profoundly altered by industries and large-scale commercialization, it could be argued that the period was one of institutional changes, that is, of transformations in the “settled habits of thought common to the generality of men” (Veblen 1909, p. 626). Particularly, facing emerging market habits and money-based valuations, yeomen’s agrarian fundamentalism was gradually losing touch to American public philosophy. Not inert to such disturbances in their living, farmers organized public protests against big corporations, monopolies, unfair price-exploitation and the deterioration of what had been once recognized as the American way of life.

3.1 - Anne Mayhew’s Reappraisal of the Causes of Farm Protest

Altogether, self-claiming herself “an institutional economist and economic historian” (1998, p. 25), Mayhew’s interest in the context of farm protests in the USA is no surprise. Accordingly, an article of hers from 1972 revisits farmers’ discontent by means of an institutional reappraisal of the causes that led them to engage in public protests during the late nineteenth-century (such article is henceforth referred to as RFP). Mayhew’s argumentation is constructed on the basis that, against farmers’ expressed objections, empirical data suggest that their real income and material wellbeing were *not* deteriorating in *absolute* terms⁶. Similarly, Veblen himself had previously affirmed that at least during most of the 1870s, “American farming paid unusually well” (1892, p. 82). Hence, although the post-Civil War period had been marked by general deflation and the price of commodities had, indeed, fallen, farmer’s purchasing power⁷ had mostly improved (Libecap 1992, p. 243; Walton and Rockoff 2014, pp. 273-274). Therefore, farmers’ discontentment had to be explained in grounds *diverse from purely economic ones*.

Mayhew’s RFP is conducted by two innovative lines of reasoning. (i) *Firstly*, she contends that the protests were not against the specific monetary prices paid by farmers, but against the increasing commercialization and importance of prices, *per se*, in everyday life. This is historically crucial given that rural communities, once habituated to the “noncommercial, nonpecuniary, self-sufficient aspect of American farm life” (Hofstadter 1955, ch. 1, part 1, para 1), were now submerged by a “new need for cash” in order to cope with a “coldly economic world”, as Mayhew sharply puts it (1972, pp. 469 and 474, respectively). Bluntly speaking, farmers got increasingly tangled up in a large-scale commercial system—“one in which there is dependence upon purchased inputs and a consequent necessity for sale of output”, according to Mayhew (1972, p.469)⁸.

Moreover, in line with Robert Wiebe (1967, p. 48), connection and dependence are inherent in each other. Consequently, farmers’ integration into a large-scale network of capital suppliers and eager consumers was translated into greater vulnerability to monetary debt

⁶ In Mayhew’s words (1972, p. 467), if it weren’t for the protests in the first place, researchers “would lack evidence that economic conditions were deteriorating during this period”.

⁷ Agricultural terms of trade in front of industrial items, transport costs and interest rates.

⁸ This does not imply that farmers had not been previously engaged in market transactions. Nonetheless, it does mean that they did not *depend on the market* for their living, inasmuch as they could cope with their small-scale material needs through self-sufficiency, local production, bartering and other informal and personal arrangements—market involvement being but residual.

obligations (Atack, Bateman, and Parker 2008, p. 282; Walton and Rockoff 2014, p. 274). Eventually, in order to acquire cash and sustain the new demands of rural production, farming could no longer be planned and directed at meeting farmers' own local needs. Rather, farmers *had to* comply with an economic reality that was not entirely theirs; an unpredictable reality reflected by the requirements of the national and international markets and transmitted by the impersonal signaling of the price-system (Atack, Bateman, and Parker 2008; Chambers 2008; Mayhew 1972, McGerr 2003).

Mayhew's *second* main argument concerns citizenry and addresses how the new material conditions of life had altered Americans' definition of "success". Accordingly, farmers were torn and disoriented between "two compelling identities: the yeoman farmer and the agricultural businessman", the former judged for his moral virtues, the latter judged for his profits (Chambers 2008, p. 129). In the late nineteenth-century, successful ones assumed the form of businessmen, whether rural or urban; individuals who proved their ability to manage market transactions in their own benefit. Consequently, should one stick to the ideal of the yeoman farmer, inclined towards local self-sufficiency, he/she would most probably be regarded as a failure in "the test of business success" (Mayhew, 1972, p. 473)⁹. At the end of the day, "[t]he machine process—the shift to industrial production and employment—altered the way people thought", indeed (Mayhew 1987, p. 978).

Therefore, on one side, farmers echoed in protest for a return to the "purity, honesty, and frugality"¹⁰ of the early Republic; on the other, however, they "had very little choice" but to adapt to the ever-increasing number of businessmen to whom they were connected and upon which they depended and, consequently, to the cumulative market habits of commercialization (Mayhew 1972, p. 473). Ultimately, by century's end farming turned out to be habitually regarded more as a profitable business than as a virtuous way of life (e.g. Barron 1997; Atack, Bateman, and Parker 2008; Hofstadter 1955; Woodward 1963). As promoted by some agrarian journals of the time¹¹,

"[n]ow the object of farming is not primarily to make a living, but it is to make money. To this end, it is to be conducted on the same business basis as any other producing industry",

and

"(...) the one who sells best will have the best success...Watch and study the markets, and the ways of marketmen, and dealers in all kind of goods, and learn the art of 'selling well'".

⁹ Although neither of them was completely averse to big businesses, both Veblen and Commons shared at least partially the discomfort arising from the bewildering new era. Commons himself (*apud* Mayhew 1987, p. 973) commented on how his father's failure as a businessman could be traced to his troublesome adjustment to the money-based commercial economy. By his turn, Veblen, the son of Norwegian farming immigrants, felt alienated from overall American society—conceivably one of his motivations for writing "*The Theory of the Leisure Class*" (2007 [1899]), a bold critique against American rising consumerist habits and pecuniary judgments.

¹⁰ Quoted by Wiebe (1967, pp. 4-5).

¹¹ Quoted by Hofstadter (ch. 3, part 3, para. 5).

3.2 – Beyond Mayhew’s Reappraisal: Conspicuous Consumption

Mayhew’s take on the advent of a monetary scale of “business success” is enlightening. However, although necessary, it is not sufficient to reveal the depth of the institutional changes that distressed farmers. Therefore, inspired by Veblen, this subsection seeks to go beyond Mayhew’s RFP and addresses farmers’ discontent in relation to their *inferior consumption patterns* in comparison to urban masses.

Following this line of thought, in an era of new technologies of transportation and communication, the material prosperity enjoyed by urban populace clashed with the simplicity of rural areas. Importantly, back in 1891, Veblen had affirmed that “[t]he cause of discontent” that afflicted many in turn-of-the-century America was to be found in a *relative* decline of individual “comparative economic importance” (1891, p. 61). On similar grounds, Hofstadter (1955, ch. 1, part 1, para. 12) states that “[r]ank in society (...) was close to the heart of the matter”. By her turn, Woodward (1963, p. 135, emphasis added) remarks that, in comparison to the “splendiferous effusions” of consumption in big cities, farmers “grew ever more resentful of [their] *inferior position* in American society”.

In line with Veblen (2007, pp. 60-61) and Dorothy Ross (1991, p. 206), in the large-scale industrial society the individual becomes exposed to the observation of many others to whom there is no more effective way of displaying one’s *social worth* than through the “demonstration of ability to pay”, thus turning wealth into “*the common standard of success*”. Consequently, there are strong incentives for individual respectability to be witnessed and measured monetarily in the basis of “pecuniary strength”, that is, by public exhibition of the amount and luxuriousness of one’s possessed (and wasted) consumer goods. Up to present day, Veblen’s own words are those which best express the idea of conspicuous consumption (ibid., p. 26):

So far as concerns the present question, the end sought by accumulation is to rank high in comparison with the rest of the community in point of pecuniary strength. So long as the comparison is distinctly unfavourable to himself, the normal, average individual will live in chronic dissatisfaction with his present lot; and when he has reached what may be called the normal pecuniary standard of the community, or of his class in the community, this chronic dissatisfaction will give place to a restless straining to place a wider and ever-widening pecuniary interval between himself and this average standard.

Overall, considering that the ethical code of social distinction “must adapt itself to the economic circumstances”, individuals became habitually driven by “a desire to live up to the conventional standard of decency in the amount and grade of goods consumed” (Veblen 2007, pp. 72 and 70, respectively). As a result, human propensities to invidious comparison¹² and to pecuniary emulation¹³ acted together to spread new parameters of individual reputability

¹² “[T]o be, and more immediately to be thought to be, better than one’s neighbor” or, in other words, the impulse that “prompts us to outdo those with whom we are in the habit of classing ourselves” (VEBLEN, 1891, p. 319; 1899, p. 71, respectively).

¹³ In his article from 1891, Veblen termed this human trait “economic emulation”, but preferred “pecuniary emulation” for the industrial society of “*The Theory of the Leisure Class*” (2007). In any case, it can be understood as the propensity to copy and replicate the material habits of those regarded as relatively more

throughout the nation's meadows. Consistent with Atack, Bateman, and Parker's conclusion (2008, p. 283, emphases added),

"[c]ommercialization beyond some critical point is a *one-way street*; once family self-sufficiency began to unravel, skills were lost, equipment abandoned, *values altered*, and tastes changed. The dividing line between demand patterns among farm families and those of town dwellers became obscured or obliterated. *Prestige was inherent in what money would buy or had bought.*"

In conclusion, we support Mayhew's RFP whilst stating that, on the supply-side, farmers were distressed by their increasing obligations as market producers facing an ethic of *individual "business success"*. In addition, we follow Veblen while arguing that the institutional changes that affected them were complemented on the demand-side by evaluations of social reputability based on *how conspicuous was the individual consumer*. From both dimensions, the public sphere had been diluted and confounded with the somewhat predatory private interaction between self-seeking, and autonomous *individuals, whose social worth were to be judged, on the one hand, by the ability to profit and, on the other, by the ability to consume, both measured in a scale of monetary success*¹⁴.

Next, both in abstract and in considering the historical context discussed so far, we aim at delineating complementarities between institutional economics and Michael Sandel's communitarian philosophy.

4 – INSTITUTIONAL ECONOMICS AND COMMUNITARIAN PHILOSOPHY

Expanding the scope of Malcolm Rutherford's (1984, p. 336, emphasis added) assertion, Veblen, Commons *and also Sandel*, all concede that "*facts are theory-laden*". Let us recall that, according to Veblen, men's very practical "scheme of life" may be understood, on the psychological side, as a "prevalent *theory of life*" in regard to "particular relations and particular functions of the individual and of the community" (2007, p. 126, emphasis added). The similitudes between such a view and Sandel's philosophical orientation are remarkable (1996, p. ix, emphasis in the original):

"[P]hilosophy inhabits the world from the start; our practices and institutions are embodiments of theory. We could harshly describe our political life, much less engage in it, without recourse to a language laden with theory—of rights and obligations, citizenship and freedom, democracy and law. Political institutions are not simply instruments that implement ideas independently conceived; they are themselves embodiments of ideas. For all we may resist such ultimate questions as the meaning of justice and the nature of the good life, what we cannot escape is that we live some answer to these questions—we live some *theory*—all the time."

successful ones. The importance of this feature of human nature is such that, for Veblen (2007, p. 75), "[w]ith the exception of the instinct of self-preservation, the propensity for emulation is probably the strongest and most alert and persistent of the economic motives proper".

¹⁴ "Pecuniary success" would fit best the author's original intentions. However, Veblen uses this phrase even when referring exclusively to the demand-side of the issue, i.e., conspicuous consumption. Thus, to avoid terminological confusion or ambiguity, "monetary success" was used instead, meaning the *conflation of both supply- and demand-side habits of the new institutionalized parameters of a successful individual life*.

The (institutional) link between theory and practice may precisely be among Sandel's motives to uphold a public philosophy that promotes *self-governing communities*, instead of *self-centered individuals*, as the *means and ends* of socioeconomic and political reasoning in the public sphere. By doing so, the author seeks to revitalize what he calls "the political economy of citizenship" in America [or anywhere else, for that matter], that is, a *civic line of reasoning* whose primary attention is not directed at monetary questions of "how much" and "for whom", but rather at the *civic consequences of different economic arrangements* (1996). Moreover, Sandel is particularly concerned with the habits (in the institutional sense) bred by a political economy devoted to fueling the supremacy of individual consumers via market relations ruled by *private*—instead of *public*—purposes.

Pursuant to Robert Wiebe's thesis (1967, pp. 20, 40-42, emphases added), in their "search for order" during the turn to the twentieth-century, in a new world that defied (and redefined) their understanding of social life, Americans found guidance and pride in their "dollars-and-cents wisdom", a "*quantitative ethic* that became the hallmark of their *crisis in values*". Individual and social worth were measured and put into figures and, at the same time as "people were *judged* in the public arena *by dollars*", "[s]uccessful businessmen (...) led the nation in the quest for *goodness in bigness*". Moral and political issues thus came to be evaluated by "*[q]uantity of results, not quality of belief*". Echoing a farmer's lament from 1873, wealth was overtly taken to be "the great aim of human life [for it was regarded as] the standard by which all are to be measured"¹⁵.

Importantly, as Veblen had professed at the end of the nineteenth century (2007 [1899], p. 78, emphasis added), "[h]abits of thought with respect to the expression of life in any given direction unavoidably affect the habitual view of *what is good and right in life* in other directions also". In other words, *the principle of individual monetary success* would become one of the "habitual verities of life in the community" of which Veblen wrote, functioning as a "bench-mark" by which the "goodness" of non-economic lines of behavior are judged and "to which all conduct is accommodated" (1918, p. 50). As a result, the overall scheme of socioeconomic arrangements was no longer appraised by how "hospitable" it was to communitarian self-government or to the "habits of self-rule", but rather by the material wellbeing and, mainly, consumption possibilities it offered (e.g. Sandel 1996, pp. 6-7, 197 and 282). Ultimately, although the *monetary canons of value and institutionalized rules of market reasoning* stemmed from the economic conditions of life, their effect surpassed the purely economic sphere and solidified social, political and juridical institutions as well, engendering notable civic consequences—among which one could place farmers' discontentment and public protests.

Notably, thus, the historical transition from the civic considerations of the political economy of citizenship to the quantitative ethic of the political economy of growth and consumption¹⁶ may be consistently addressed in accordance with the Veblen-Ayres tradition of

¹⁵ Quoted by Chambers (2008, p. 189).

¹⁶ Despite the rigorous treatment given to the matter, Sandel might have been somewhat inaccurate as to the precise moment when the civic strand of reasoning was overshadowed by considerations of material—and, more directly, consumer—welfare. As usual with historical analysis, it is often difficult (if not

institutional change (Bush 1987; Rutherford 1984)¹⁷. The new material conditions of the industrial and commercial age had affected American reality through the unfolding and deepening of market habits or, specifically, by altering the prevalent habits of thought as to what constituted individual or collective freedom, what constituted the good life, and how to “conduct the community’s affairs” (ibid., p. 1077).

4.1 – Individuals and the Erosion of Community

Comparable to the historically specific and multileveled social ontology claimed by institutionalists (e.g. Hodgson 2001; 2004b), Sandel follows Alasdair MacIntyre and argues for a “constitutive” or “narrative” conception of agents and structures (e.g. Sandel 1998; 2005). It catches the eye that both institutionalism and communitarianism are based upon the idea that there is no such thing as an *ahistorical* or *asocial individual*, an insulated, freely-choosing and self-fulfilled unit. Accordingly, Sandel states, one’s life story “is always embedded in the story of those communities from which [he/she] derive[s] [his/hers] identity” (2005, p. 153). Community membership, thus, implies

“not just what [individuals] *have* as fellow citizens but also what they *are*, not a relationship they choose (as in voluntary association) but an attachment they discover, not merely an attribute but a constituent of their identity.” (Sandel 1998, p. 150, emphases in the original)

According to such a view, communitarian life is more than the mere *amalgamation* of interests and preferences of individuals and even more so than mere *cooperation* among individuals connected by physical proximity or mechanical interdependence as established by commerce and trade (Sandel 1996). For Sandel (ibid., p. 294), a genuine community implies a sense of membership that “situate[s] us in the world and give[s] our lives their moral particularity”. It emphasizes the “loyalties and responsibilities whose moral force consists partly in the fact that living by them is inseparable from understanding ourselves as the particular persons we are—as members of this family or city or nation or people, as bearers of that history, as citizens of this republic” (ibid., p. 14).

Outstandingly, despite some commonly recognized differences between the theories of Veblen and Commons (e.g. Broda, 1998; Hodgson 2004b, chap. 13; Ramstad, 1989), Edythe

impossible) to determine a cut on the timeline, so that the element under scrutiny permeates different phases of the narrative, in this case being diluted throughout nearly all (if not all, at least indirectly) chapters of DD. Nevertheless, Sandel does make explicit in one occasion that, for him, it was in the late 1930s that the “shift in the terms of economic debate” began (1996, p. 250). Considering the case of farmers’ discontent and insofar as “economic debate” is interpreted as “economic reasoning in the public space” (thus not restricted to academic debates), we contend that such shift began at least half a century earlier, during the second-half of the nineteenth century.

¹⁷ What is more, such transition might be sustained simultaneously by the traditions of both Veblen-Ayres and Commons—formation, diffusion and consolidation of new habits of thought and action that, in the former case, are bred by the new material conditions of life and, in the latter case, are guided by the formative role of law and decisions of Constitutional Courts. In DD, Sandel deals extensively with the role played by Constitutional decisions in shaping America’s public philosophy. Considering that such issue deserves separate attention, the communalities between the formative role of law in Sandelian communitarianism and in Commonsian institutionalism are an open topic to be presented in future research.

Miller (1998) brings solid argument that the corresponding point in their thoughts is exactly their concept of *community*. Miller's most distinct conclusions point to the fact that for both Veblen and Commons individuals are *social beings bound together by a common history and by strong senses of connectedness and mutual responsibility in order to achieve public purposes, at which public policies and collective action should aim*. There can be no individual life apart from social life; individual identity and agency are therefore inseparable from institutionalized shared memories, social identities and the moral bonds and public projects they entail¹⁸. In sum, individual habits of thought and behavior as well as purposes and beliefs are to some extent socially formed through communitarian life.

At this point, two of the main assertions of the present paper—exclusively in regard to the concept of “*individual*”—should be made clear. On one hand, *in abstract*, we claim that institutional economics and communitarianism are parted by no more than a matter of terminology, since the institutionalized individual is precisely what Sandel calls an “encumbered self” or a “*reflectively situated being*” (1996, p. 16, emphasis added). Otherwise said, the individual that Commons (1934, p. 73) identified as “the Institutionalized Mind” is but someone charged with particular collective identities, social and moral attachments and responsibilities as well as ingrained habits of thought and action towards life—all of which are at least partly previous to free will or free choice. On the other hand, *in concreto*, a reconceptualization of the institutionalized individual as a *citizen of or member in* properly contextualized socioeconomic and political communities could be both theoretically enlightening and function as an imperative guideline to policy reform. Again, this has been somewhat previously suggested by Commons (*ibid.* p. 74, emphasis added) when he wrote that, in social life and through collective action, “[i]nstead of *individuals*, the participants are *citizens* of a going concern”.

This also means that, similar to institutionalism, Sandelian philosophy (e.g. 1996, 1998, 2005) is reminiscent of Tony Lawson's teachings (1997; 2003), so that individual identity is in part defined in regard to the social positions, relations and roles one performs. Accordingly, when discussing different conceptions of the person, Sandel endorses the view that one's “basis of respect is tied to social institutions” and to one's “place in the social order” (1996, pp. 81-82). Nonetheless, as previously argued, farmers had their “traditional status and role” undermined during the late nineteenth-century (Woodward 1963, p.134). Manufactures and industries supplanted agriculture as the chief sector of the American economy; businessmen overtly replaced farmers as the ideal image of successful American citizens.

What is more, even the meaning of the *American* identity was being fractured, insofar as “in virtue of its scale, the modern industrial system actually undermines the common identity

¹⁸ Arguably, the human disposition that Veblen termed “parental bent” (or “parental solicitude”) would be among the best examples of communitarian moral bonds in institutional thought. Such human trait could be broadly defined as a mutual commitment or propensity to care for those with whom one is attached due to some group identification (or as Sandel might put it, a “sense of belonging”) of any possible scale. In Veblen's words, the parental bent is part of a “sentimental concern entertained by nearly all persons for the life and comfort of the community at large, and particularly for the community's future welfare”; an “impulsive surveillance of the common interests of the group and a tutelage of the incoming generation” (1918, pp. 27 and 44). Accordingly, despite the terminology, the parental bent is not restricted to blood relatives, but rather expansive enough to encompass multileveled spheres of communitarian attachments.

of those whose activities it coordinates”, as Sandel has remarkably put it (1996, p. 207). As a consequence to the increasing commercialization highlighted by Mayhew’s RFP (1972), long standing traditions of reciprocity-based transactions were fading into impersonal payments in kind (Atack, Bateman, and Parker 2008, p. 247; McGerr, 2003, ch. 1, part 5, para. 10). Crops became “part of an impersonal, homogeneous supply to be traded to unknown, anonymous, distant consumers who cared nothing for [their] source” (Atack, Bateman, and Parker 2008, p. 257). Whilst transactions were ever more conducted by means of a “price list”, farmers—and even small urban businessmen—felt a sacrifice of “a certain personal latitude, a certain sense of [personal] worth” (Wiebe 1967, p. 49). Near century’s end, considering that the most impactful changes upon farmers were those “that affected [their] daily relations in the community”, their sense of belonging to the republic was virtually—if not practically—broken.

By means of the concepts of *individual* and *community*, in this subsection we established some linkages between institutional economics and what Sandel termed the fear of the “erosion” of communities. Next, we turn our attention to the fear of “loss of mastery” in front of “impersonal structures of power that defy [public] understanding and control” (pp. 294 and 202, respectively), so as to suggest another complementarity between institutionalism and communitarianism through the concept of *freedom*. As before, argumentation will be supported by the example of farmers’ discontent in late nineteenth-century.

4.2 – Reconstitutive Effects and the Loss of Self-Government

Institutionalists have for a long time regarded the *agent-structure problem* a central and recurrent issue, for even though the individual is subjected to history- and context-dependent circumstances, he is still endowed with agency and the potential capacity to actively influence his environment. Geoffrey Hodgson’s contributions are most relevant to this topic. Hodgson bases his institutional theory on the feedback streams between upper and lower ontological levels of social reality, treating agents and structures as mutually (re)constitutive of each other. That is, institutions continuously shape and are shaped by human action (Hodgson 1998; 2000; 2001; 2002; 2003; 2004b; 2006) and thence “[e]xplanations of socio-economic phenomena are reduced neither to individuals nor to institutions alone” (Hodgson and Knudsen, 2004, p. 41).

Following Hodgson, on the one hand, through *downward effects*, individuals are influenced and shaped by pressure of social institutions to which adaptation, even if unnoticed, is frequently compulsory—meaning that individual habits of thought and action, aspirations, purposes and beliefs may all be partially informed and altered by life circumstances. On the other hand, precisely because institutions are constituted by—but not reducible to the aggregation of—individuals and their interactions, they too may be reconfigured via *upward effects*, so that individuals might be able to transform or even guide their social reality. Otherwise said, individual agency is not reduced to institutional determinism (Hodgson 2004b, p. 187) and, consequently, agents and structures—individuals and institutions or, in some cases, citizens and communities—are in continuous *retroactive reconstitution*.

Importantly, according to Hodgson (2000), these *reconstitutive effects* are the *essence* of institutional economics. Moreover, given that they work “by creating and moulding habits” (2003, p. 167), reconstitutive effects could be part of the key to understanding human intentionality and reasoning in social life. In accordance with institutionalism, there is no such rhetorical or teleological device as a *deus ex machina* when it comes to setting social reality. As Edythe Miller has pointed out (1998, pp. 21 and 27, emphases added), what lies beneath the institutional perspective are “purposive human beings acting as *members of communities*”, as both “creatures” and “architects” of their societies, as agents “*actively engaged in shaping their futures*, rather than as mere pawns in an alien grand design”.

The notion of retroactive reconstitution, by its turn, points to what Sandel pictures as civic or republican *freedom* (1996, p. 5, emphases added):

“Central to republican theory is the idea that *liberty depends on sharing in self-government* [, which] means deliberating with fellow citizens about the *common good* and helping to *shape the destiny of the political community*. (...) It requires a knowledge of public affairs and also a *sense of belonging*, a concern for the whole, a *moral bond with the community whose fate is at stake*.”¹⁹

To make it more explicit, republican freedom, according to Sandel (1996, pp. 348 and 202, respectively, emphases added), “consists in *acting collectively to shape the public world*”, so that, “to be free is to share in *governing a political community that controls its own fate*”. Civic freedom, thus, does not depend on free or voluntary individual choices in the *private sphere*—on the contrary, it implies collective action in the *public sphere* (Sandel 1996). Remarkably for the purposes of this paper, such conceptualization of civic freedom is particularly adherent to John Commons’ definition of an institution as “collective action in control, liberation and expansion of individual action” (1931, p. 648) and, moreover, to his volitional theory that, in Miller’s words (1998, p. 15, emphasis added), focuses on “both individual and concerted action, *governing and being governed*”. Thus, to quote Walter Neale (1987, p. 1179, emphasis in the original), “*govern* does not mean ‘as the springs of a pinball machine govern the movement of the ball.’ People do consciously manipulate the rules and values of their institutions in their efforts to achieve their ends”. In sum, in line with Sandelian communitarianism, *an institutional sense of citizenship and freedom entails shared moral bonds and civic responsibilities, as well as empowered collective action towards shaping the institutions that inform communitarian life*.

Again, this issue is intrinsically connected to farmers’ discontent and protest. Following Wiebe (1967, p. xiii), “[t]he health of the nineteenth-century community depended upon two closely related conditions: its ability to manage the lives of its members, and the belief among its members that the community had such powers”. However, as acknowledged by the author (*ibid.*, p. 44), both conditions have been dissipated during the century and citizens of small communities struggled “to preserve the society that had given their lives meaning”. Similarly, several scholars have highlighted that throughout the nineteenth-century farmers became increasingly dependent upon a complex world to which they didn’t identify themselves and

¹⁹ According to such a view, economic freedom precedes political freedom, inasmuch as, “[f]or republicans, democracy requires citizens capable of civic virtue, and civic virtue requires freedom from material dependence that demands constant attention to self-interest” (Regan 1998, p. 293).

which, in the words of Walton and Rockoff (2014, p. 274), they could “neither control nor even fully comprehend”. “Powerless”, “dependent”, “vulnerable” and “at the mercy” of “forces beyond their control” were some of the phrases used to refer to farmers of the *époque*, subjected to the growing authority of big corporations, fluctuations of prices and money interests, and unresponsive government officials (Atack, Bateman, and Parker 2008, p. 279; Barron 1997, introduction, para. 16; Chambers 2008, p. 2; Woodward, 1963, p. 134).

Back to the terminology of institutionalism, it might be argued that agrarian discontentment was intrinsically related to the asymmetric dynamics of downward and upward effects that emerged together with a large-scale market system. Farmers actually found themselves *disempowered* in front of massive downward effects compared to which their upward effects weren't expressive enough. Subdued by the new material conditions of life, they were no longer capable of self-government. As a consequence, even though farmers' market freedom might have been expanding, their civic freedom had been lost; their collective identity shattered; their institutions and public philosophy repressed and often forcefully reconstituted outside of their control. In sum, whilst market habits transformed “yeoman into yokel” (Wiebe 1967, p. 147), farmers were disturbingly “challenged in their roles as *citizens*” (Barron 1997, Introduction, para. 23, emphasis added).

5 – CONCLUSION

“If economic policy is not about the size and distribution of national wealth, what else could it be about?”
(Michael J. Sandel, *Democracy's Discontent: America in Search of a Public Philosophy*, 1996, p. 250)

Although institutional economics and political communitarianism might be consistently engaged by means of the concepts of *individual*, *community*, and *freedom*, these parallels *do not* exhaust the topic, and we believe that there is still great margin for intensifying the complementarities between these two schools of thought. In view of that, the interpretation that guided this research appraises that when Sandel asked the rhetorical question used as epigraph to this conclusion, he did so with a rather simple purpose: to remind his readers—from regular citizens to social planners, economists included—of its answer. In addition to issues about material wellbeing and distributive justice, questions that revolve around *public philosophy* were an essential part of a “broader moral and political purpose” once attributed to economics by the republican tradition, which Sandel vehemently endorses (1996, p. 241).

Remarkably, in line with Sandel's appeals (2013), multiple reasons for economics to re-engage with ethics and moral and political philosophy have been raised by institutional economists over time (e.g. Ayres 1918, 1935; Hodgson 2013; Timan 2008). Significantly, in Paul Bush's words (2009, p. 293), ever since Thorstein Veblen “institutionalists have maintained an acute awareness of the importance of philosophical preconceptions that lie at the foundations of all economic analysis, including their own”. From its inception in the late nineteenth-century up to present day, the institutionalist school has been concerned with the

“civic consequences of economic arrangements” (Sandel 1996) by addressing the institutions—habits of thought and action common to the generality of men—and the institutional changes that might improve the “life process”. Following the founding fathers of the school, contemporary institutionalists—many of whom honored with the receipt of the Veblen-Commons Award—continue to put the scientific spotlight on matters as varied as human nature and multifaceted motivations that surpass pecuniary judgments; the limits of markets and of the price system; the formation of social values and rule-systems; justice and reasonableness; legality, ethics and morality; as well as democracy, public purposes, and the role of an active state and citizenry in social and political reform (e.g Ayres 1918, 1935, 1951; Bush 1987; 2009; Commons 1990 [1934]; Dugger 1980, 2005; Hodgson 2012; 2013; 2015; Mayhew 1972; 2001; Tilman 2008; Veblen 2007 [1899]).

However diverse, all such institutional topics share at least one central communality: they are distinctly driven by social criticism along with theoretical and/or methodological proposals of how to better conceptualize and address the economic problem; the problem—*both philosophical and practical*—of maintaining *and improving* social order or, to use Rick Tilman’s words (2008, p. 293), of “social amelioration”. All things considered, echoing the lessons of the institutionalists Clarence Ayres (1918, p. 57) and Wesley Mitchell (*apud* Ramstad 1989, p. 762), economics is part of the greater *moral problem* that consists in contributing to “the solution of the problem of living”, such that the “only reason (...) for the study of economic theory is to make this world a better place in which to live”.

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