

Veblen and Fitzgerald: *Absentee Ownership* and *The Great Gatsby*

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Abstract: *This article compares and fuses the insights into American culture and society of perhaps America's foremost economist and one of its leading figures in American literature. Coming from Middle America yet each consciously expressing his own social background, they offer unexpectedly similar accounts of American economic and social life. Thus, this combination of a socio-economic and a literary psychological analysis illuminates the regional as well as the more general social tensions of American society.*

Key words: *Irresponsible or 'absentee' ownership – wealth – leisure class establishment – class interaction – criminality – Midwestern versus Eastern attitudes*

Juxtaposing fellow Minnesotans Thorstein Veblen and F. Scott Fitzgerald offers a unique insight into American culture and society. Veblen is likely the most underestimated theorist in American intellectual history while Fitzgerald is probably the most vulnerable “golden boy” of American literature. The ironic style of Veblen contrasts with the lyrical sense of wonder in Fitzgerald. The Veblenian sounding counterpoints Fitzgerald's elegant prose.

Yet their most perceptive masterworks, *Absentee Ownership* and *The Great Gatsby*, are more than comparable; they are alike in their conception of the twenties postwar American society – one in idiomatic socio-economic expression and the other in simple literary metaphor, symbol, and style. Indeed, in these works they are often more illuminating about American culture than in some of their other masterworks, notably Veblen's *The Theory of the Leisure Class* or even Fitzgerald's *Tender is the Night*. Veblen's *Absentee Ownership* was published in 1923. Fitzgerald's *The Great Gatsby*, in 1925. They portray Gertrude Stein's “lost

(in her French sense of damned) generation.” They convey the notion of a society adrift.

The Gatsby milieu of immigrant Lutheran farmers in Minnesota was, ironically, not unlike that of Veblen. But Veblen had the wit to recognize in American society the rule of an oligarchy of “absentee owners,” who would be Gatsby’s undoing. These “absentee owners” were the “very rich” whom Fitzgerald characterized as “not like the rest of us.” Their class exempted them from the social responsibilities that constrain those whom Veblen labeled “the underlying population.” Fitzgerald’s novel turns on the very notion that these “rich” make messes that they leave to others to clean up.

In his use of the phrase absentee owners Veblen intended the notion of irresponsibility; owners of American enterprise represented a financial interest in businesses that they themselves did not run. Henry Ford, the innovative entrepreneur, was in Veblen’s view the exceptional maverick in this group. Hill, the railroad magnate, Fitzgerald’s neighbor in St. Paul and model for Dan Cody, was one of Veblen’s absentee prototypes.

Fitzgerald’s novel might be called a tragedy of manners. It remained for Veblen to analyze wherein lay the tragedy. The novelist stated the problem in the final soliloquy of Nick: “I see now that this has been a story of the West after all – Tom and Gatsby, Daisy and Jordan and I, were all Westerners, and perhaps we possessed some deficiency in common which made us subtly unadaptable to Eastern life.”¹ Veblen might have agreed that the institutional baggage with which they traveled East was too fragile to sustain them, but then he would have asked why.

Fitzgerald suggests the answer in hints through the rest of the soliloquy. Veblen locates the source in their upbringing. The protagonists sprang from different cultures. The tensions, which allowed them to negotiate their differences in a familiar Midwest setting, were ruptured by their move to the East.

Veblen defined cultural mores as institutions. “Institutions are formed because, ‘Man is a social animal. Social life is a necessary fact of civilization.’” Institutions comprise “something of an immaterial sort, a habitual way of doing things, or habitual manner of relations in society.

1. F. Scott Fitzgerald, *The Great Gatsby* (New York: Scribner’s, 1925) 155. Hereafter cited parenthetically in the main text and abbreviated as GG.

Not a material growth through not disconnected from the material or outward expression which it largely modifies. These habits are not inherited but are acquired or learned by the young as they grow up. [They are] the immaterial things of life, habits, customs [which are] after all the most substantial elements of life.”²

The Buchanan couple was seemingly so rich that they hardly felt it necessary to be concerned about the consequences of their behavior to others not in their set. They manage to rid themselves of burdensome social irritants almost by chance. Nonetheless, the outcome seems to imply purposive action, if not on their own part at least on the part of some *deus ex machina*. Interestingly, Daisy’s social origins are more implied than defined in this novel that customarily makes a point of identifying social status. It is her voice, not her speech that suggests a background of wealth that is bred in the bone. Nick remarks that she has an indiscreet voice to which Gatsby responds by saying, “Her voice is full of money” (GG 107). Tom hesitates briefly before including her in the company of the Nordic race, the “only race that ever amounted to anything” (GG 17).

Tom’s source of wealth is clear. The family owed its fortune to copper, a raw material in the burgeoning electric industry whose importance to the industry of the period was identified in Veblen. The owners – that is, the stockholders – of copper mines were no longer the producers of copper. Their connection was a financial one.

Veblen traces several changes that have led to this result. He believes that the growth of technological knowledge, largely in his view a social product, has increased the scale of production to the point that individual entrepreneurs cannot carry on the “key” industries in small establishments. Engineering management is required. The engineering management of industry, however, is not ultimately in control of the output. The social control of production is in the hands of a business community, whose institutions derive from an earlier historic period.

Veblen understood the economic life of a community to be a continual process; one that required an adjustment in the institutional setting that

2. Thorstein Veblen, *Absentee Ownership and Business Enterprise in Recent Times: The Case of America* (New York: August M. Kelley Reprints, 1964 [copyright 1924]) 257, footnote. Hereafter cited parenthetically in the main text and abbreviated as AO.

necessarily lagged behind productive activity. The rate of adaptation to the changed circumstances varied among social groups within the community depending on their proximity to the changes. He did not see the evolutionary process as one of amelioration except in so far as there was an accumulation of knowledge of the ways and means of production.

In Fitzgerald, the people are perceived in terms of their social position, both from their own sense of it and that of the other characters. It is a society in process rather than one of a seemingly clearly defined establishment. Nonetheless and although the social setting is not a given but takes shape through the behavior of the characters, its rigidities are no less real. It encapsulates a particular time and place in American history. Veblen sought in economic analysis the mainspring for this emerging society that Fitzgerald was describing literarily.

In the contemporaneous organization of industrial production Veblen understood that the traditions of individualism no longer obtained, though the mythology not only lingered but was used to justify the hold of the absentee owner oligarchy over the underlying population. Gatsby was permitted to nurture the illusion that he could "make it" when, in truth, the doors to society were closed to him. Veblen argued that

the absentee owners are working together in a joint plan in a joint pursuit of gain. So that in effect such a corporation is a method of collusion and concerted action for the joint conduct of transactions designed to benefit the allied and associated owners at the cost of any whom it may concern. In effect, therefore, the joint stock corporation is a conspiracy of owners; and as such it transgresses that principle of self-help that underlies the system of Natural Rights; in which democratic institutions as well as the powers and immunities of ownership are grounded. (AO 207)

In Veblen's analysis, the interpretation of the fourteenth amendment to the Constitution that created the fiction that a corporation is a person in law enabled the divorce of ownership from "absentee ownership." The limited liability corporation was a person with none of the obligations and responsibilities of a citizen.

There is no hint that Tom has ever been near a mine; unlike Dan Cody, who after amassing a fortune from copper mining, came East as a rough-neck miner. He died mysteriously while Gatsby was in his employ. This difference in the generations of copper mine owners constitutes Veblen's thesis.

Gatsby, the son of Minnesota farmers who, unlike the Veblen family,

were described as shiftless, rejected the mundane course to a mediocre livelihood that working his way through St. Olaf College might have offered him. The Veblen family had chosen to educate their children in the New England Congregationalist Carleton College in their same town of Northfield, a move toward secularism and a liberal education that represented a break with the Lutheran religious tradition of the Norwegian community. So that, while the real-life Veblens grew up from their roots, Gatsby, of a later generation, had the imagination to aspire to the grander life style of the then "new economy." Unlike Veblen, who viewed American society through the prism of his own background, Gatsby believed that he could live the American dream of reinventing himself.

His opportunity came when he became the yacht boy for Dan Cody, a position that introduced him to the way of life of the very wealthy. The dream would be realized and romanticized when he became Daisy's lover. The novel hints at its tragic denouement when Nick hears the gossip that Cody was murdered and that Gatsby was suspected of having been implicated. The true story is not made clear except for the outcome, which was that Gatsby was abandoned by the Cody entourage who profited from Cody's death, and was left penniless to fend for himself.

His subsequent wealth, motivated by his love for Daisy, was achieved through the "wheeler dealer New York Jew." This anti-Semitic symbolic phrase is short hand for the fact that the means to Gatsby's wealth were not of respectable origin. In the Veblen analysis, respectability was a matter of degree. Gatsby might have violated the social conventions but not the morality of the "absentee owner" class. "In point of natural endowment," Veblen wrote, "the pecuniary man [read Tom] compares with the delinquent [read Gatsby]. ... The ideal pecuniary man is like the ideal delinquent in his unscrupulous conversion of goods and persons to his own ends, and in a callous disregard of the feelings and wishes of others and of the remoter effects of his actions..." (AO 82-83).

The institution of absentee ownership was causing severe hardship to the underlying population by its disruption of production that followed the war. Unable to earn a profit, the owners preferred to curtail production at no matter what cost to the well-being of the community. Veblen is accusing the owners of corporate America (the financiers) of vetoing the production that was badly needed to satisfy the wants of the "underlying" population. His friend and student Wesley Clare Mitchell estimated a fall

in production of some 60 % in the aftermath of the war. Veblen was keenly aware of the even greater deprivation of people in Europe.

By contrast, the Gatsby enterprise, which appears to have been bootlegging and corrupt lobbying of state officials, was a peccadillo and probably socially harmless, since it catered to the vices of the well-to-do. Gatsby's mansion and lavish entertainments were an exaggerated example of what Veblen had earlier labeled "conspicuous consumption." Despite Veblen's dramatic phrasing, "conspicuous consumption" did not connote ostentation. Its use was Veblen's polemically theoretical analysis of neo-classical theory. In the benign free competitive market concept, which actuality Veblen was disputing, consumption beyond subsistence is a pleasurable activity that satisfies the wants of the consumer. Thus went the argument that it maximizes the greatest happiness of the greatest number. Veblen demonstrated that wants are largely socially determined and the consumer is under some pressure to maintain the standards of his social group in order to maintain his own self esteem. One's consumption must reflect in the eye of the beholder one's ability to pay under pain of ostracism. The ostentation of Gatsby reveals that his attempt to live up to these social expectations illustrate that he was not to the manner born.

By the time Veblen wrote *Absentee Ownership* consumerism had become a major social force. In *The Theory of the Leisure Class* Veblen had shown that consumption was not motivated by individual satisfaction alone but that the individualism of the economists was in fact a social construct. In *Absentee Ownership* he examines consumerism from the production side. Business could not handle the increased productivity of industry and maintain the price level needed to cover the costs of the tangible and intangible assets. The emphasis had shifted from competitive selling to competitive producing. Advertising had become a major component of distribution.

Ronald Berman in *The Great Gatsby and Modern Times* is aware of this in his chapter describing events in Myrtle's apartment.³ Myrtle is the complete creature of modern advertising. She lives by the magazines from which she derives her notions of behavior and dress. Berman notes the strong French influence in the overly furnished apartment, calling

3. Ronald Berman, *The Great Gatsby and Modern Times* (Urbana: University of Illinois Press, 1994), passim.

attention to their courtly pastoral motifs in Nick's reference to his vision of a flock of sheep on Broadway and 157th Street. For, although he does not make the point that Fitzgerald hints at, it was the French who were the innovators in retail sales through department stores and, consequently, the mass marketing of household furnishings. The point he does make that relates the scene to another Veblén insight into social group behavior is that Myrtle is not an emancipated woman. She is a kept woman of the lower orders and Tom reminds her of it by hitting her hard enough to break her nose when she dares to mention Daisy. Tom comes from a higher order of the "kept classes." His wealth insulates him from being in touch with modern times. His choice of mistress is old-fashioned.

Tom had been a football hero at Yale and he was the owner of a stable of polo ponies. According to Veblén, an interest in sports is a typical rite of passage of an upper class boy:

So long as the individual is but slightly gifted with reflection or with a sense of the ulterior trend of his actions – so long as his life is substantially a life of naïve impulsive action – so long the immediate and unreflected purposefulness of sports, in the way of an expression of dominance, will measurably satisfy the instinct of workmanship. ...It is by meeting these two requirements of ulterior wastefulness and proximate purposefulness that any given employment holds its place as a traditional and habitual mode of decorous recreation. (AO 260)

It is interesting to note in this connection the gossip that attached to the Buchanan friend Jordan, the golfer and occasional romantic interest of Nick. She was said to have cheated by changing the lie of her ball during a tournament. This gossip indicates that she is *déclassé*. It signals that Nick would reject her finally. The question arises as to whether she violated a moral code by cheating or an unwritten social convention of "it matters not whether you win or lose but how you play the game." Her purpose was to win and thus golfing was not a game to her but a means to earning a living.

Jordan is perhaps more closely adapted to modern life than the others. One scene depicts her reading to Tom from the *Saturday Evening Post*. She is more articulate than Tom, despite his university education. Nick, too, is of patrician origin but also must earn a living. They are the go-betweens of Gatsby and Daisy.

Daisy and Tom represent the substantial wealth of American society's

establishment. Tom had brought railroad carloads of friends to his wedding to Daisy. The social rules of this class are the earlier ones of what Veblen has designated "conspicuous leisure." *The Theory of the Leisure Class* challenged the economic theory that peoples' lives are driven by a rational choice between pleasure and pain, the economist terms for idleness and work. As in his definition of "conspicuous consumption," the use of the word "conspicuous" describes the social context that drives the exercise of leisure. Daisy is in fact too busy to take care of her child. Her strenuous social obligations preclude this chore.

The couple belongs to the wealthy leisure class. In *The Theory of the Leisure Class* Veblen noted, "It is for this class to determine ... what scheme of life the community shall accept as decent or honorific."⁴ The comparison of the Buchanan couple to Gatsby and Myrtle implies that just as the latter aspire to the life of the former, their very aspirations authenticate the social position of the Buchanans. They are the barbarians at the gate without whom life in the City would lose interest. Fitzgerald notes the symbiotic nature of the relationship of the Buchanans to the rest of society at the very beginning of the novel. Daisy in speaking to her distant cousin Nick exclaims,

"God, I'm sophisticated!" The instant her voice broke off ... I felt the insincerity of what she had said. It made me uneasy as though the whole evening had been a trick of some sort to exact a contributory emotion from me. ... she looked at me with an absolute smirk on her lovely face, as if she had asserted her membership in a rather distinguished secret society to which she and Tom belonged. (GG 21)

Gatsby's display betrays at once both his higher aspirations and his inability to attain them. That his display is symbolic rather than self-indulgent is revealed when Nick notices that his own quarters are simple. When Nick acts as go-between to arrange the coveted meeting of Gatsby with Daisy in order for them to resume in adultery their earlier romantic affair, Gatsby's ostentation offends the refined taste of this former belle of Louisville. Gatsby is disappointed by her reaction but she is not sufficiently put off to end the affair. The hold he has over her is his own response to what she represents to him.

Fitzgerald described Gatsby's mansion as one of the magnificently

4. Thorstein Veblen, *The Theory of the Leisure Class: An Economic Study of Institutions* (New York: The Modern Library, 1934) 104.

lavish domiciles owned by the elite "old money" social group on Long Island. Nonetheless, the setting itself argued the inauthenticity of this French chateau. Daisy reacted with typical upper class sentimentality to the fact that it had replaced an "authentic" fishing village. It had been thought that Fitzgerald had modeled Gatsby's home on the famed Swope mansion, so advertised by realtors until someone noticed it had been built three years after publication of the novel. Nevertheless, to Fitzgerald, Gatsby's extraordinary ambition to be realized in his possession of a magnificent Long Island dwelling was at least to own physical evidence of being among the elite despite its being inhabited regularly by the flotsam and jetsam of the theatrical, demimonde, speculator, and spectacular crowd populating Gatsby's parties.

The all-seeing, ever-present eye of the abandoned optometrist billboard hangs over every visit of the denizens of the great Long Island estates to the great hub – the heartstring of American society – Manhattan. Alongside it are the ashes, the slagheaps, the waste, a reminder of the uncreative side, the sterility of its elite. Every journey from Long Island is consequently a reminder of the expense of the social process, of the destruction wrought in the wake of the dominant elite.

Although Fitzgerald is not particularly interested in the history of his characters or the source of contemporary events, that is, he does not articulate a historically informed vision of their roles, he is aware of their idiosyncratic differences from prototype and their symbolic function. Daisy may possess the underlying cold, ruthless iron of the Southern belle, but not the will to shape and control, for example, life with Gatsby. Tom may have all the characteristics of the irresponsible very rich but not the force nor energy that brought his ancestors to power and great wealth. His football prowess is of the Ivy League amateur, not of the professional athlete. Jordan's goal may be that of the professional golfer but she lacks the force and the will of the professional athlete. Her cheating is on a small scale, not the grand Black Sox scandal obliquely associated with Gatsby and Meyer Wolfsheim. Nick is a trader and bond salesman on Wall Street, not a producer of goods or creator of wealth but only a purveyor of a product created and produced by more aggressive and independent "captains of finance." Yet, although they close ranks and retreat into their own world when things get rough, the novel describes significant interaction between the Buchanan couple and the outer world. That

Daisy is attracted to Gatsby is obvious. This romance is paralleled by a more conventional liaison between Tom and Myrtle. Gatsby and Myrtle have the vigor and charm to tempt the Olympian gods but they are cursed by Hera/Daisy who while being responsible for their deaths will emerge unscathed.

Only Nick and the unassimilated Greek merchant who sits the mourning vigil with Myrtle's husband seem capable of human empathy. The latter's authenticity is a poignant reminder of the profundity of mourning in ancient Greek tragedy. Indeed, the genuineness of this minor character and objective human response contrasts sharply with the inability of the major characters to experience full-throated emotion.

Nick on his return to St. Paul at the end of the novel comments on the fact that the Buchanan couple, Gatsby, Jordan, and he were all Midwesterners. However, where Fitzgerald saw a dichotomy, Veblen would see a continuum. The flaws of the protagonists were present before they moved East, so that it is difficult to comprehend the important role of the East in the tragedy. Yet both Veblen and Fitzgerald seem to be conscious of the ability of the East to manipulate the lives of Midwesterners. Few people from the East appear in the novel. The crowds that frequent the soirées of Gatsby never emerge as individuals except in their monstrously inhuman reaction to his death. The roles of Myrtle and her husband are passive, despite her death and his murder of Gatsby. Thus the contrast between East and Midwest must exist in the perceptions of the Midwesterners. And so they probably did in the consciousness of Fitzgerald and Veblen.

Veblen interpreted the Midwest through his ethnicity. To him the towns of the great farming districts are the very flower "of self-help and cupidity standardized on the American plan." Veblen thought the analysis of these towns had been omitted from economics, at the same time that they explained much about the economic life in the American that preceded the era of Big Business.⁵ Nick reminisces about nostalgic Christmas homecomings from prep schools of the children of the wealthier merchants like his father whose family was in the hardware business. What Nick remembered as comforting, Veblen would characterize more sharply as a "system of intellectual, institutional and religious hold-

5. *Absentee Ownership* 142 and the chapter on "The Country Town."

overs." The business of retail sales in which they were engaged discouraged opinions that ran contrary to the "commonplaces of the day before yesterday." The reasons for Veblen's attack on the complacency of Midwestern townspeople are not far to seek. Their merchants enjoyed a monopolistic position to the nearby farmer so "that as it runs today it imposes on the country's farm industry an annual overhead charge which runs into ten or twelve figures." Nick confirms Veblen's observations of conflicts of interest by the snobbish callousness with which he dismisses the farmer. With Babbitt's complacency, he fails to make the connection between the wealth of the St. Paul merchants and wheat production. "That's my Middle West – not the wheat or the prairies or the lost Swede towns, but the thrilling returning trains of my youth" (GG 155).

Though Veblen would not be moved by it, he could account for the nostalgia experienced by Nick. "The road to success has run into and through the country town, or its retail trade equivalent in the cities, and the habits of thought engendered by the preoccupations of the retail trade have shaped popular sentiment and popular morals and have dominated public morals. ... That is what is meant by democracy in American parlance ... and it is for this ... that the Defenders of the American Faith once aspired to make the world safe" (AO 151).

Nick does not recognize that the life he had known is over as he continues to muse on his return, "I am part of that, a little solemn with the feel of those long winters, a little complacent from growing up in the Carraway house, in a city where dwellings are still called through decades by a family's name" (GG 155). Veblen states that the best days of the retail trade are past in the sense that the

once masterless retailer is coming in for a master, that the massive vested interests that move obscurely in the background [read the East] now have first call on the 'income stream.' Technological changes in the means of transport and communication have lead to increased use of advertisement, increased size of business concerns, increased resort to packaged goods, brands and trade marks, increased resort to chain-store methods, etc. The market has become national and the monopolistic situation of urban areas has deteriorated. (AO 151)

Finally, it might be said that the East operates to the West as a kind of absentee owner in the Veblenian sense. The main characters are associated with the Midwest – Tom, Chicago – Nick, St. Paul – Daisy, Louis-

ville – Gatsby, Minnesota – yet for each the East is a control, a contrapuntal force. For Tom great wealth operates irresponsibly and exploits leisure underneath Eastern gentility. Daisy, with her overlay of Southern tradition, acts irresponsibly under the stimulation of Eastern manners. Nick, with an Ivy League education, tries to function professionally under Eastern dominion. Gatsby is free-wheeling out of Minnesota but he is influenced to illegal and non-traditional modes of acquiring wealth by Eastern ways and sinister cosmopolitan figures. The East not only influences the central life patterns of Midwesterners; it offers a cultural challenge, which their own values cannot withstand.