

## **Shared Mental Models and *Habitus*: Towards a Mentality-Driven Economics**

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### **Abstract**

The article shows that the work of Thorstein Veblen and Pierre Bourdieu builds a foundation of a mentality-driven contextual economics. In order to achieve this goal, it will be demonstrated that Pierre Bourdieu's theory of distinction, and his concept of *habitus*, is a widely overlooked descendant of Thorstein Veblen's *Theory of the Leisure Class* and that both approaches highlight the necessity for including mental models into economic analysis. Consequently, the purpose of this paper is to develop a comparative analysis of Veblen's and Bourdieu's theories of cultural capital and mental models to demonstrate the proximity of both concepts to contemporary economic thought. In short, I argue that Bourdieu's *habitus* concept must be understood as a logical progression of Veblen's theory of distinction, and that the findings from both approaches call for a turn towards mentality-driven economic analysis.

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### **1. Introduction**

Recently, the research program of contextual economics gained new interest (Altmann 2011; Goodwin et al. 2014, 2015a, 2015b; Goldschmidt et al. 2016). Contextual economics deals with the relationship between economy and society acknowledging the historical, institutional and cultural roots of economics: "The starting premise for contextual economics is that an economic system is embedded within a social context that includes ethics, norms and human motivation, and the culture that expresses them. It also includes politics – that is, the development of economic and other kinds of power – as well as institutions, and history" (Goodwin 2010, 21). Such a perspective points out that the cultural and historical context is essential for economic analysis since the cultural background, in which individuals are embedded, shapes how they interpret the

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surrounding institutions and how people make sense of their environment. Arthur T. Denzau and Douglass C. North (1994) developed the concept of shared mental models providing a nowadays widely accepted approach for economics to explain how people structure and perceive their environment. In a nutshell, they argue that individuals living in cultural context of the same kind share similar mental models since they are influenced by comparable personal experiences. As there are no individuals who share exactly the same experiences in life, individual mental models differ among people. However, even if mental models are never identical, similar processes of enculturation form similar mental models among societies called shared mental models. This concept allows to include cognitive factors and internal representations influencing the individual perception of reality into economic analysis and helps to understand individuals' economic behaviour.

In the following article, I will demonstrate that the work of Thorstein Veblen and Pierre Bourdieu are best suited to enrich such a mentality-driven contextual economics by adding the aspect of internal representation and the formation of mental constructions to the analysis of economic mental models. In order to achieve this goal, I will first demonstrate that Pierre Bourdieu's theory of distinction, and thus his concept of *habitus* (Bourdieu 1996 [1979]; 1990 [1980]), is often overlooked as being a theoretical descendant of Thorstein Veblen's *Theory of the Leisure Class* (2009 [1899]), and that both approaches highlight the necessity to include mental models into economic analysis. In a second step, I will demonstrate the added value the *habitus* concept of Pierre Bourdieu creates for a theory of contextual economics. Consequently, the purpose of this paper is to develop a comparative analysis of Veblen's and Bourdieu's theories of cultural capital and mental models to demonstrate the proximity of both concepts to contemporary economic thought. As such, questions arise regarding the influence Veblen's *oeuvre* had on Bourdieu's work, including the ways in which they differ. I conclude that an understanding of Veblen's theories had a significant effect on the reception of Bourdieu's life's work and that his work is far more difficult to understand without making proper reference to Veblen's *The Theory of the Leisure Class*. In my view, Bourdieu adopts Veblen's ideas of the formation of taste and of distinction, systematizing them and developing them into a consistent theory of social distinction, one which ultimately forms the foundation of his *habitus* concept.<sup>1</sup> To put it bluntly, I argue that Bourdieu's

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<sup>1</sup> This is a theory shared by Jean-Pascal Daloz, who in this context criticizes the fact that “[s]ome of Bourdieu’s commentators have taken aim at his unwillingness to situate his model of interpretation in relation to the pioneers who paved the way in the study of social distinction. Generally speaking, Bourdieu enters into dialogue with scarcely anyone other than a few select philosophers, or the founders of sociology, and he invokes first and foremost his own *oeuvre*. Readers of *Distinction* will no doubt remember that there was no reference to Veblen (1994[1899]) at all, not even at the latter’s chapter on ‘Pecuniary canons of taste’ or the Veblenesque idea of ‘distance from economic neces-

*habitus* concept must be understood as a consequent progression of Veblen's theory of distinction and that the findings from both approaches call for a turn towards mentality-driven economic analysis.

It has only been lately that the contribution of Pierre Bourdieu to contemporary economics and economic sociology has been appreciated at all (Himmelweit et al. 2001; Trigg 2001, 2010; Leander 2001; Svendsen and Svendsen 2001; Calhoun 2009; Guimaraes et al. 2010; Swedberg 2011; Valiati and Fonseca 2014; Bögenhold et al. 2016). Increasingly popular within social sciences (Sallaz and Zavisca 2007; Silva and Warde 2010; Lamont 2012), Bourdieu's *habitus* concept is seen as a potential tool bridging assumptions about economic and non-economic behaviour since it allows for strategic individual actions and rule-following behavior at the same time (Lenger 2013). With his concept of *habitus*, Bourdieu describes a person's "schemes of perception, thought and action," in which the incorporation of all their prior social experiences is expressed (1990 [1980], 54). For Bourdieu, *habitus* is the underlying structure of behavioural patterns; it can create an infinite number of regulated practices to adapt to new situations, while simultaneously guaranteeing the consistency of an individual's actions over multiple contexts and situations (for more details, see Bourdieu 1996 [1979], 1990 [1980]; Jenkins 2001 [1992]). Thereby, the *habitus* concept allows for an extension of purely rational choice mainstream economics by a praxeological economics without dropping the main issue of economics: the optimal allocation of scarce resources (Lenger 2013).

There are three insights of Bourdieu's sociology that might have an influence on economics: First, he shows that human assets not only consist of economic capital but also of social, cultural and symbolic capital (Bourdieu 1996 [1979], 1986). Second, he rejects the rational choice theory in the strict sense of self-interested, utility-maximizing economic agents in every situation as useless for the analysis of real world economics (Bourdieu 1990 [1980], 2000). Third, he developed a theoretical concept allowing for the analysis of the transmission of social structures and power into specific fields like the economy (Bourdieu 2005 [2000]).

In the following paper, it is taken for granted that both Veblen and Bourdieu emphasize the significance of various consumer activities in the emergence and stabilization of hierarchical social positions, and that both assert the upper

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sity'. When some influential contemporaries (e.g. Elster 1983, 69–70) estimated that, in many respects, the French author was merely building on some of the ideas presented by Veblen (among others), Bourdieu ultimately felt compelled to counter these criticisms – not unambiguously (Daloz 2007, 31–32)" (Daloz 2010, 45). The very same argument is repeated by Frow when he notes that "[m]any of the themes enunciated in Veblen inform the work on the sociology of distinction of Bourdieu (although from memory Bourdieu doesn't ever recognize a lineage)" (2003, 30). For a comprehensive discussion on the legacy of Thorstein Veblen on Pierre Bourdieu, see Lenger and Priebe (2013).

classes' cultural dominance.<sup>2</sup> Whereas Veblen, however, merely outlines a theory of cultural reproduction by way of consumption, and only makes reference to the upper classes in America at the end of the 19<sup>th</sup> century, Bourdieu systematically integrates the dimension of cultural reproduction, and expands the theory of consumption to include all classes. Nevertheless, and this is where the conceptual parallels become clear, Veblen still implies a theory of capital – albeit less explicitly – by assuming that property contributes indirectly to the development of status. Taking all this into consideration, it seems clear that the discourse surrounding Bourdieu's concept of *habitus* would profit considerably from the inclusion of a discussion of Veblen's work, where it is primarily understood to be part of an economy of practice; and this would contribute to the development of a mentality-driven contextual economics.

The purpose of this paper is to reveal the proximity of Bourdieu's concept of *habitus* and Veblen's *Theory of the Leisure Class*, and what consequences this might have for modern economic thought. To this end, the article will be structured as follows: Next, in section 2, Veblen's *Theory of the Leisure Class* is summarized. Building on this, in section 3, the similarities and differences between the two authors' theoretical concepts will be elaborated upon, and their relevance for the concept of *habitus* will be established. As a conclusion, section 4 will discuss further opportunities for development, in particular those of interest for a mentality-driven approach to contextual economics rooted in shared mental models and individual *habitus*. The article ends with a brief summary (section 5).

## **2. The Theory of the Leisure Class: An Economic Investigation of Institutions**

In *The Theory of the Leisure Class*, Thorstein Veblen (1934 [1899]) outlines a historical model of the development of Western societies, with the antithesis between productive labor and demonstrative consumption at its center. Here, the author considers – as Bourdieu would also later – the fundamental principle driving social activity to be the 'invidious comparison' or the 'desire for pres-

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<sup>2</sup> In the literature – and in consumer research in particular – repeated references are made to the material similarities between Veblen's *Theory of the Leisure Class* (2009 [1899]) and Bourdieu's *Distinction* (1982 [1979]), as both examine the connection between social structure and lifestyle (cf. Trigg 2001; Campell 1995; Daloz 2010; Guimaraes et al. 2010; Valiati and Fonseca 2014; Bögenhold et al. 2016). The question as to whether Veblen had a direct influence on Bourdieusian sociology, or whether apparent consistencies are purely coincidental, however remains mostly unanswered. On the one hand, scholars argue that Bourdieu adopted Veblen's observations directly (Trigg 2001, 2010; Daloz 2010); others consider Bourdieu's and Veblen's theories to be independent of one another, merely making reference to the same field of study (Guimaraes et al. 2010; Valiati and Fonseca 2014; Bögenhold et al. 2016).

tige.<sup>3</sup> Based on the insight that the roots of economic behavior must be bound up in social circumstances – that is, in anthropological and socio-psychological explanatory models – Veblen established a research approach to examine the written and unwritten rules of social and economic life (‘institutions’) (Hodgson 1998, 2004).<sup>4</sup>

## 2.1 Instinct and ‘Habit of Thought’ as Anthropological Categories

Veblen’s theory of social change adheres to an evolutionary approach, according to which societies progress in stages from archaic, peaceable forms to predatory, barbarian forms (Cosser 1971, 266). The prerequisite for demonstrative consumption is the formation of a noble class, one which “has emerged gradually during the transition from primitive savagery to barbarism; or more precisely, during the transition from a peaceable to a consistently warlike habit of life” (Veblen 1934 [1899], 7).

The result of this transition is the institution of a class which does not have to work – that is, a leisure class (Veblen 1934 [1899]). Both between and within the classes, differentiations are made with regard to occupations, with the upper or leisure class being characterized by non-productive work, which Veblen separates into four categories: “government, warfare, religious observances, and sports” (Veblen 1934 [1899], 2). For Veblen, a society must both be characterized by a predatory lifestyle, evinced in hunting or in warfare, and be able to produce enough surplus that certain social groups can be made exempt from productive labor (Veblen 2011 [1899], 26–27). Only under these conditions can the formation of a leisure class take place, manifesting itself in demonstrative wastefulness.

Institutions and instincts are key elements of Veblen’s theory (Z’Graggen 1983), which he employs ultimately in a historical and genetic interpretation of the “habits of thought” (Veblen 1906: 592; 2006 [1914], 7) and further consoli-

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<sup>3</sup> “They do not seek to expand their own lives, to live more wisely, intelligently, understandingly, but to impress other people with the fact that they have a surplus” (Veblen 1934 [1899], XIV). Additionally, the shared connection to Max Weber (1978 [1922], 926–939) may be noted, who saw in the pursuit of prestige two opportunities: on the one hand, distancing oneself from the masses by way of a sophisticated, luxurious lifestyle, and, on the other, social dissociation from one’s own group in the form of biological and social reproduction.

<sup>4</sup> As a whole, Veblen’s *oeuvre* is fairly limited: Between 1898 and 1925, he produced a total of only fifteen works (monographs and essay collections). The observations relevant to the assertions made here can be found in his magnum opus *The Theory of the Leisure Class* (1934 [1899]), in the monographs *The Theory of Business Enterprise* (1978 [1904]), *The Instinct of Workmanship and the State of the Industrial Arts* (2006 [1914]), and *Imperial Germany and the Industrial Revolution* (2003 [1915]) as well as in the collection of essays *The Place of Science in Modern Civilization* (Veblen 1961).

dates into a “process of habituation” (Veblen 2003 [1915], 43). For Veblen, instincts are complex constellations of psychological elements, themselves influenced by societal institutions (Z’Graggen 1983, 10). Human beings, as active agents, value serviceability and efficiency, which Veblen refers to as the “instinct of workmanship” (Veblen 1934 [1899], 14; for more detail see Veblen 2006 [1914]); in peaceable societies, this is the result of an absence of competitiveness in providing for the common good, and leads to visible success becoming the decisive factor in determining respect and prestige (Veblen 2011 [1899], 34). With the transition to predatory forms of society, heroic acts become the more effective way of achieving recognition. “Aggression becomes the accredited form of action, and booty serves as *prima facie* evidence of successful aggression,” he writes (Veblen 1934 [1899], 17). Honorable behavior is thus equated to social recognition resulting from superiority; this superiority is itself represented symbolically by trophies.

Veblen thus proposes a vision of humanity in which explicit instincts and collective habits of thought are taken as anthropological categories (Herrmann-Pillath 2000, 222–228). He considers human nature to be the dynamic result of a long-term civilizatory process; it is thus “a classification of certain fundamental human behavioral dispositions, for example parental affection or competitiveness, which, while being part of human nature, are also strongly influenced by cultural progression and the relevant societal context” (*ibid.*, 223).

The central element of *The Theory of the Leisure Class* is thus the institution of the leisure class itself, with demonstrative (or conspicuous) consumption being emphasized as the key characteristic of this class. The formation of a leisure class coincides with the emergence of private property, and “these two institutions result from the same set of economic forces” (Veblen 1934 [1899], 22). Analogously, “the possession of wealth, which was at the outset valued simply as an evidence of efficiency, becomes, in popular apprehension, itself a meritorious act. Wealth is now itself intrinsically honourable and confers honour on its possessor” (*ibid.*, 29). As a result of the invidious comparison between individuals, the unselfish instinct of workmanship is transformed into the competitive desire to possess more than others. But Veblen emphasizes: “In order to gain and to hold the esteem of men it is not sufficient merely to possess wealth or power. The wealth or power must be put in evidence, for esteem is awarded only on evidence” (*ibid.*, 36).

## 2.2 Prestige and Demonstrative Consumption

With the progression to societies based on the possession of wealth, the leisure class acquires a new and more literal significance, for it is “from this time forth a ‘leisure class’ [exists] in fact as well as in theory. From this point dates the institution of the leisure class in its consummate form” (*ibid.*, [1899], 39).

Demonstrative leisure refers here to the non-productive use of time, which occurs in his opinion for two reasons: Firstly, in order to symbolize that it is beneath one's status to take part in productive labor, and, secondly, in order to display one's wealth through inactivity (Veblen 2011 [1899], 58). For Veblen, the symbolic proof of a leisurely life are "immaterial goods" (Veblen 1934 [1899], 45), such things as a knowledge of dead languages, of spelling and syntax, of music, fashion, furnishings, travel, and sports, but also one's physical actions and manners (Veblen 2011 [1899], 59–60). Here, parallels to Bourdieu's concept of distinction can be seen, for Veblen goes beyond mere economic factors in his analysis. Nevertheless, Veblen's analysis – as already mentioned – is concerned only with the American upper classes at the end of the 19<sup>th</sup> century, and as such is far from being a Bourdieusian theory of society which encompasses all its classes.

Essentially, Veblen demonstrates that human behavior is not solely motivated by self-interest, but that it also involves a great number of other phenomena, such as the pursuit of social renown and prestige (Z'Graggen 1983, 32). Nevertheless, Veblen considers the zenith of "vicarious leisure" at the end of the 19<sup>th</sup> century to have already passed (Veblen 1934 [1899], 64). Instead, "conspicuous consumption" becomes more prevalent as a strategy for the acquisition of prestige. The consumption of luxury goods becomes proof of wealth, and thus honorable per se (Veblen 2011 [1899], 84). Here, differentiating between noble and common goods, and thus the acquisition of aesthetic erudition – or taste – becomes a structural obligation. With increasing wealth, these goods can no longer be consumed in sufficient quantity by individuals themselves: Instead, gifts or grand parties become a means for the generation of prestige, with others consuming vicariously. It is through this very process of vicarious, demonstrative consumption that the guests pay witness to their host's wealth (Veblen 1934 [1899], 74).

In this way, demonstrative leisure and demonstrative consumption become recognized strategies for an entire society to generate prestige and for individuals to demonstrate social position via social comparison. However, Veblen himself considers demonstrative consumption the more effective strategy, hypothesizing "that the present trend of the development is in the direction of heightening the utility of conspicuous consumption as compared with leisure" (*ibid.*, 87). The comparison of financial strength is, for the author, thus inseparably related to the evaluation of intellectual and aesthetic accomplishment (Veblen 1934 [1899], 97). For this reason, Veblen – as Max Weber (1978 [1922]) would also later – recognizes that social positions are not only defined by financial superiority. He uses academics as an example who are ascribed a higher social status than their financial circumstances might otherwise justify.

The invidious comparison with others is, above all, defined by an orientation towards higher social positions (Veblen 1934 [1899], 104). Despite the insufficient means of the middle and lower classes, they still try to emulate the classes

above them (Cosser 1971, 269). Demonstrative and vicarious consumption can, consequently, also be found in the middle and lower classes, although Veblen notes that: “In modern civilized communities the lines of demarcation between social classes have grown vague and transient, and wherever this happens the norm of reputability imposed by the upper class extends its coercive influence with but slight hindrance down through the social structure to the lowest strata” (Veblen 1934 [1899], 84).

### 2.3 The Leisure Class

The developments discussed here ultimately influence the norms of taste, so that eventually ‘expensive’ is considered a synonym of ‘beautiful,’ and cheap objects are automatically thought to be ugly: “By further habituation to an appreciative perception of the marks of expensiveness in goods, and by habitually identifying beauty with reputability, it comes about that a beautiful article which is not expensive is accounted not beautiful” (Veblen 1934 [1899], 132). The aesthetic judgment of objects and habits is thus, unconsciously, determined by the prestige that accompanies them; however, in everyday practice this is effectively obscured by their apparent beauty or utility (*ibid.*, 150). Bourdieu (1996 [1979]) also makes use of this insight when he accords taste, or the power of aesthetic judgement, a central role in his theory, although – unlike Veblen – he augments his theory with the concept of cultural capital.

### 3. Taste, Distinction, and *Habitus* in the Work of Veblen and Bourdieu

Both authors conceptualize their class theories with reference to Marx, assuming the existence of multiple, separate class habitus (Veblen 1934 [1899], 22; Bourdieu 2010 [1979], 170). In doing so, Veblen’s observations, too – and this is where the conceptual similarities become clear – imply a theory of capital, albeit a less developed one, when he assumes that property contributes indirectly to the formation of status: “property now becomes the most easily recognized evidence of a reputable degree of success [...] The possession of goods, whether acquired aggressively by one’s own exertion or passively by transmission through inheritance from others, becomes a conventional basis of reputability” (Veblen 1934 [1899], 29).

However, even in Veblen’s work, this observation is augmented by the awareness that capital and social positions are imparted symbolically. Accordingly, Veblen does not consider it sufficient that wealth or power are possessed in order to obtain prestige. Rather, these things must manifest themselves, for respect is paid only to their manifestation, as noted above, “esteem is awarded only on evidence” (Veblen 1934 [1899], 36). A display of wealth and demon-



strative consumption serves not only “to impress one’s importance on others and to keep their sense of his importance alive and alert, but it is of scarcely less use in building up and preserving one’s self-complacency” (Veblen 1934 [1899], 37).

In his analysis, however, Veblen only hints at the role of the relationship between taste and distinction as the common habitual characteristic of the upper class. Bourdieu, on the other hand, develops with his concept of *habitus* a systematic explanation of this relationship. The desire to distinguish oneself from others – that is, the pursuit of distinction – appears to be a coupling factor in the work of Bourdieu and in that of Veblen. According to this rule, all classes orient themselves toward the positions above them in the social space, and the accompanying norms and forms of behavior.<sup>5</sup>

### 3.1 Distinction and Class Tastes

Taste, while certainly of importance in the work of Veblen, is the crucial mechanism for Bourdieu by which one can distinguish oneself from others, thus securing and ultimately reproducing a social position. As such, the observations regarding this issue are similar. Veblen himself states that the selection of goods to be consumed is not merely representative of individual lifestyle, but also, and equally, of structural patterns of reproduction (Veblen 1934 [1899], 74). Taste, then – as in the works of Bourdieu – is the foundation for the differences and distinction between and with the various classes. In choosing which goods to consume,<sup>6</sup> the acting individuals make their social positions visible for others. Because, for Veblen, expensive goods in particular are acknowledged socially, it is only their consumption that brings about the effect of distinction. And because the upper classes, in doing so, set social norms, these practices, preferences, and consumer goods become symbols of social positions: “The law of conspicuous waste guides consumption in apparel, as in other things, chiefly at the second remove, by shaping the canons of taste and decency” (Veblen 1934 [1899], 168).

However, in his *Theory of the Leisure Class*, Veblen – unlike Bourdieu, who also analyzes the behavior and *habitus* of the middle and lower classes – is almost wholly concerned with the taste of the upper class, which can only emerge in the absence of economic necessity: “The knowledge and habit of

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<sup>5</sup> “The social space is defined by the mutual exclusion, or distinction, of the positions which constitute it, that is, as a structure of juxtaposition of social positions (themselves defined, as we shall see, as positions in the structure of distribution on the various kinds of capital)” (Bourdieu 2000, 134).

<sup>6</sup> Veblen’s conception of consumption is not limited to the purchase of goods, but also includes the use or application of social practices, for instance the ‘consumption’ of education or art.

good form come only by long-continued use. Refined tastes, manners, and habits of life are a useful evidence of gentility, because good breeding requires time, application, and expense, and can therefore not be compassed by those whose time and energy are taken up with work” (*ibid.*, 49).

Good taste thus becomes the common characteristic of the leisurely, that is, of the upper class. It is simultaneously the basis for lifestyle and individual preferences in consumption. Taste, and the accompanying habits and lifestyles are consequently, for Veblen, a feature essential for distinguishing between the classes: “It is among this highest leisure class, who have no superiors and few peers, that decorum finds its fullest and maturest expression; and it is this highest class also that gives decorum that definitive formulation which serves as a canon of conduct for the classes beneath. And here also the code is most obviously a code of status and shows most plainly its incompatibility with all vulgarly productive work” (*ibid.*, 52).

In Veblen’s theory, taste takes effect through demonstrative consumption, but is, as a result, apparently limited to economic behavior; still, Veblen considers demonstrative consumption to be increasingly prominent in modern societies (*ibid.*, 86). This practice of demonstrative consumption, also referred to as wastefulness by Veblen, is given a sort of ‘mask of utility,’ in order for it to seem socially legitimate: “So that however wasteful a given expenditure may be in reality, it must at least have some colorable excuse in the way of an ostensible purpose” (*ibid.*, 93).

In fact, Veblen also posits a habitual correlation between practical behavior and socially transmitted and incorporated knowledge: “[T]he scheme of life which men perforce adopt under the exigencies of an advanced industrial situation shapes their habit of thought on the side of their behavior, and thereby shapes their habits of thought to some extent for all purposes” (Veblen 1961 [1899], 105).

It is important to note, in this context, the fact that Veblen’s work already includes, at least implicitly, the notion of *habitus*, in the sense of manifest preferences. He explicitly acknowledges the incorporation of historic experiences in individual lifestyles and behavioral routines: “A standard of living is of the nature of habit. It is an habitual scale and method of responding to given stimuli” (Veblen 1934 [1899], 106).

Finally, Veblen does not just allude to the correlation between “habits of thought” and “schemes of life” (Veblen 1961 [1899], 105); equally present in his *Theory of the Leisure Class* is his assertion that distinction, for instance in the form of demonstrative consumption, plays an increasingly important role in modern societies. Similarly, the connection between habits and class characteristics is emphasized by Coser: “different habits of thought exist side by side and are associated with location in the class and occupational structure” (1971, 270).

This construct can also be found in the work of Bourdieu, although he develops his concept into a comprehensive and structured universal theory of social conflicts. However, the fundamental correlation between social position, the different kinds of capital, distinction, and *habitus* can already be found in Veblen's work.

### 3.2 Dominant Tastes and a Sense of Distinction

Veblen and Bourdieu agree that preferences are formed dependent on social position, and result in class-specific attitudes ('mental habits'). However, Bourdieu conceives of society as a social space in which actors occupy certain hierarchical positions and make use of existing forms of capital (economic, social, cultural, and symbolic capital) in order to improve their individual position. Symbolic capital, which draws on material capital, is used during disputes over legitimacy and positioning to influence the fundamental values of the social order, to alter the entrenched rules of the game for one's own benefit. Veblen and Bourdieu, in particular, share the opinion that a cultural hegemony of the upper classes ('dominant taste') can be observed in social reality: The members of a class lower in the hierarchy will imitate the members of a higher class, copying their practices (Veblen 1934 [1899], 83–84; Bourdieu 2010 [1979], 319–321; 1996 [1989], 313; cf. also Trigg 2001). Both authors also assert that the taste of the upper class will impose itself, or be emulated by the lower classes.

This vicarious consumption practised by the household of the middle and lower classes cannot be counted as a direct expression of the leisure-class scheme of life, since the household of this pecuniary grade does not belong within the leisure class. It is rather that the leisure-class scheme of life here comes to an expression at the second remove. The leisure class stands at the head of the social structure in point of reputation; and its manner of life and its standards of worth therefore afford the norm of reputation for the community. The observance of these standards, in some degree of approximation, becomes incumbent upon all classes lower in the scale. In modern civilized communities the lines of demarcation between social classes have grown vague and transient, and wherever this happens the norm of reputation imposed by the upper class extends its coercive influence with but slight hindrance down through the social structure to the lowest strata (Veblen 1934 [1899], 83–84).

As such, this upward ambition is constitutive for the theories of Veblen and Bourdieu, although they differ on the extent to which practices of distinction are actually conscious (or unconscious) processes of dissociation. "This means that, being 'adapted' to a particular class of conditions of existence characterized by a particular degree of distance from necessity, class 'moralities' and 'aesthetics' are also necessarily situated with respect to one another by the criterion of degree of banality or distinction, and that all the 'choices' they produce are automatically associated with a distinct position and therefore en-

dowed with a distinctive value. This occurs even without any conscious intention of distinction or explicit pursuit of difference” (Bourdieu 2010 [1979], 244).

Accordingly – Bourdieu argues – the relatively effortless distinctive practices of the upper class, which are rooted in the deep structures of their *habitus*, can only be emulated by a social climber incompletely and with great effort (if at all), by way of the deliberate pursuit of distinction (Fröhlich 1994, 50). While Bourdieu, then, explicitly agrees with Veblen on the function of taste as a social signal, he rejects the notion that the practice of luxury is a rational and conscious decision on the part of the upper classes (Lamont and Lareau 1998, 158; Trigg 2001, 109). In fact, Bourdieu conceptualizes *habitus* as a system of “principles which generate and organize practices and representations that can be objectively adapted to their outcomes without presupposing a *conscious aiming at ends* or an *express mastery of the operations necessary in order to attain them*” (Bourdieu 1990 [1980], 53; emphasis added).

However, Veblen does not necessarily conceive consumption as a strictly rational, conscious act (cf. also Trigg 2001, 104–112, especially 108–109). In contrast, it should be made clear that, for Veblen, taste, consumption, and thus distinction occur partially unconsciously. He states that when individuals consume expensive goods, they are not making “a conscious effort to excel in the expensiveness of their visible consumption,” but are rather fulfilling “a desire to live up to the conventional standard of decency” (Veblen 1934 [1899], 102). Veblen himself sees the unconsciousness of these actions corroborated by the fact that this behavior is incorporated to such an extent that more or less invisible consumer goods such as luxury underwear and expensive kitchen utensils are purchased despite yielding no outward gain in distinction, having simply been assimilated as part of ‘taste’ as a whole (Trigg 2001, 108). Even Veblen de facto shares the view that demonstrative consumption need not be made visible to everyone, but simply to the right people. Trigg goes so far as to assert, based on these similarities, that Bourdieu’s concept of *habitus* “can be seen as a formalization of the insights provided by Veblen’s sophisticated analysis of conspicuous consumption” (Trigg 2001, 109).

Although I am of the opinion that the concept of *habitus* was greatly influenced by Veblen’s *Theory of the Leisure Class*, such an interpretation only does justice to the work of Bourdieu if the fundamental differences and further developments are recognized. It is true that, in Bourdieu’s work as in Veblen’s, taste and preference are determined socially depending on individuals’ social positions; that is, taste and preference are created endogenously, ultimately and invariably dependent on where an actor is positioned within the social structure. However, within this context, Bourdieu uses his concept of distinction to develop a theory of consumption considerably more comprehensive than Veblen’s; in doing so, he also, logically enough, puts forward a more comprehensive critique of traditional economics (Himmelweit et al. 2001, 77; cf., also

Lenger 2013). The concept of demonstrative consumption in Veblen's work is solely relevant for the lifestyle of the elites, or the ruling class, and thus represents only one class' *habitus* among the many possibilities.<sup>7</sup> In addition, the members of the lower classes need not necessarily emulate the lifestyle of the upper classes, and these patterns of consumption need not be predominantly conscious and rational. With the help of his *habitus* theory, Bourdieu expands this position and focuses on the subtle distinctions in consumption allowing for the existence, in principle, of different kinds of behavior; in doing so, he succeeds in creating not only a more comprehensive theory of practice, but also a theory which can be applied to all the goods and practices of consumption in the social space, and not merely as an explanation for the consumption of luxury items.

Furthermore, the question of the reproduction of social inequality is of central importance for Bourdieu. Accordingly, he also analyzes the significance of various practices of consumption for the development and stabilization of hierarchical social positions. Whereas Bourdieu focuses his analysis on the implications of taste and distinction for the reproduction of social inequality, the social consequences of consumption seem to receive far less attention in Veblen's work. Both authors anticipate here a kind of social competition for status, which is conceived of as a scarce resource (Guimaraes et al. 2010, 16). Bourdieu, though, supplements these observations with an analysis of the taste of necessity found in the lower classes, resulting in the introduction of a "trickle-up" (Guimaraes et al. 2010, 16) or "trickle-round" effect (Trigg 2001), meaning that the taste of the lower classes can also, in certain circumstances, be adopted by the higher classes (e.g. wearing denim jeans or watching soccer). Distinction is thus, for Bourdieu, mutually interdependent. Consequently it has the potential to be conceived more comprehensively – that is, to enable the conceptual integration of the bi-directional demarcations between the class fractions.

This all originates in cultural capital, which in Bourdieu's analysis – in contrast to Veblen's – is approached systematically. Since incorporated cultural capital plays a crucial role in the reproduction of social positions too, it is not possible for members of lower class formations to effortlessly imitate the lifestyle of the upper classes, as they lack not only the economic capital but also the cultural prerequisites. In consequence, different class tastes and lifestyles represent different social status and different mental models and thereby contribute to the reproduction of social structure. We owe the proof that the education

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<sup>7</sup> Fair enough, Bourdieu notes that if "among all these fields of possibles, none is more obviously predisposed to express social differences than the world of luxury goods [...] this is because the relationship of distinction is objectively inscribed within it, and is reactivated, intentionally or not in each act of consumption, through the instruments of economic and cultural appropriation which it requires" (Bourdieu 2010 [1979], 223).

system reproduces social inequality to Bourdieu (Bourdieu and Passeron 1990 [1970]; Bourdieu 1977).

#### 4. From Veblen to Bourdieu: Towards a Mentality-Driven Economics

In integrating Veblen's observations and Bourdieu's *habitus* concept, we have the potential to conceptualize it as part of the mental constitution of individuals guiding their economic behavior, and thus as the foundation of a modern contextual economics based on the work of Veblen and Bourdieu.

As pointed out before, the concept of mental models allows for the inclusion of motivational dispositions, internal imprints and the individual perception of reality into economic analysis and thus helps to explain individuals' economic behaviour in a cultural and historical context. These internal constructions are subjective representations of reality differing for each person as a result of individual and societal socialisation processes under special and unique conditions. The research programme of a mentality-driven economics therefore acknowledges the fact that social reality is always socially constructed by all individuals involved (Berger and Luckmann 1966).

In other words: All persons being part of society, are always socialized via the process of *ontogenesis* into becoming members of a specific society (Dux 2011 [2000]). A mentality-driven approach to economic behavior has to adequately reflect these receptive and constructive processes of human development. Consequently, developing mental models guiding individual economic behavior is not an unchangeable anthropological constant in human development; rather it passes through new stages of development during the process of socialization and enculturation (Piaget 1997 [1932]). Economic learning, like human learning in general, is always about learning cultural and specific contexts. Each member of a society learns, throughout their development (*ontogenesis*), the abilities they need as a member of that society – namely by way of interaction with that society and the culture which it has developed. Such a process takes place in the course of socialization, forming matching internal mental representations. If the emergence of behavioral patterns and mental models is defined in this way from an evolutionary and socio-constructivist perspective, then the need is for a mentality-driven economics. The cultural parameters and specific conditions of society are constantly being relearned by every new member of modern market societies, necessarily so, as part of the individual process of socialization. The process of enculturation, consequently, does not mean a form of structuralist 'programming' within existing structures, but instead the constructive and evaluative interaction with one's individual experiences and learning processes, as well as ultimately the formation of shared mental models and of an incorporated as well as persistent individual *habitus* at the same time.

This implies, however, that if we want to know how the emergence of shared mental models works in practice, the formation, transmission and incorporation of (economic) knowledge and (economic) decision behavior *into* and *within* each individual has to be analyzed. Consequently, the quest is for a theory enriching the analysis of mentality-driven economics by including the socialization processes, i.e. the imprinting process of existing economic mental models into each individual. As pointed out before, the *habitus* concept of Pierre Bourdieu offers such an approach. The *habitus* is a person's "schemes of perception, thought and action," (Bourdieu 1990 [1980], 54) in which the internal incorporation of all their prior social experiences is expressed. Consequently, the *habitus* of individuals builds the underlying structure of internal perception, evaluation, and behavioural patterns. In consequence, it can create an infinite number of regulated practices to adapt to new situations, while simultaneously guaranteeing the consistency of an individual's actions over multiple contexts and situations. Here lies the additional value for a contextual economics: By connecting contemporary economic behavior to earlier experiences in the socialization process of individuals through incorporating these experiences in the formation of a field-specific *habitus*, Bourdieu succeeds in bridging the gap between individual internal dispositions and external shared mental models.

In short, Bourdieu's concept of *habitus* focuses on the coherence of an individual, which is ultimately indispensable for integrated and habitualized economic understanding (Lenger et al. 2019). One might even suggest that it makes possible to bring the individual back into the analysis of institutional economics and mental models by focusing on the socialisation and incorporation process to adjust to modern economic societies. If Bourdieu's *habitus* concept is understood as a logical progression of Veblen's theory of distinction, this would represent a significant development in the evolution of institutional economics and institutionalism in economics; a similar point is made by Herrmann-Pillath (2000, 262). It is in this sense that the concept forms a direct link to Veblen's use of the term institution, which takes into account both formal institutions ('external institutions') and explicitly cultural and quotidian aspects ('internal institutions'), thus formulating, to some extent, the foundations of a contextual economics. In other words: Whereas the research program of the so called mainstream economics – that is neoclassical welfare economics – considers informal institutions such as norms, conventions, and patterns of thought to be exogenously existent circumstances, Veblen and Bourdieu agree that the internal institutions, or *habitus* (values, norms, habits of thought, and patterns of perception and behavior) of economic actors are – owing to established interactions – not independent variables, and as such must be the object of economic analysis (Guiso et al. 2006; Beugelsdijk and Maseland 2011; Goldschmidt et al. 2016).

In recent years, the interaction between cognitive patterns of thought – or 'shared mental models' – and a society's institutions has increasingly been part

of the debate in economics (North 1992 [1990]; Denzau and North 1994; Knight 1997; Streit et al. 2000; Mantzavinos et al. 2004; North 2005; Zweynert 2006; World Bank 2015). I would like to argue that this enables a direct integration of Bourdieu's concept of *habitus* into contemporary economic thought (Lenger 2013). Marco Lehmann-Waffenschmidt and Robert Böhmer (2004, 221) are right to note that, in any economic theory in which relevance is assigned to the analysis of the formation and interactions of cultural factors, norms, or institutions in explaining economic activity, equal attention must be paid to the actors' mental and motivational dispositions. Like Bourdieu, contextual economists believe that an actor's mental dispositions are based on his or her internal perceptions and influences, and that mental constructions – irrespective of whether they are generated by individual or societal socialization – thus underlie all economic behavior. Jack Knight argues to the point: “To the extent that we accept the arguments that cognitive activity is dependent in a fundamental way on the cultural and institutional context, research on cognition must move beyond the walls of experimentation and pay greater attention to the mechanisms of everyday cognition in social life” (Knight 1997, 696).

Lehmann-Waffenschmidt and Böhmer identify Thorstein Veblen as the historical source of the analysis of economic behavior based on mental states; they note that Veblen, especially in his key works, develops “the foundations for an economic analysis which is oriented towards the so-called ‘internal institutions’ – habits of thought, patterns of behavior, and mentalities” (Lehmann-Waffenschmidt and Böhmer 2004, 221). However, in contrast to mainstream economics, Veblen doubts (as would Bourdieu later on) whether the emergence of values and norms can take place self-referentially. Their formation is dependent far more on pathways, he asserts, i.e., they are shaped by past experiences and socialization and are thus dependent on the actors' life-worlds (cf. also the concept of path-dependency by Liebowitz and Margolis 1995).

The advantage of incorporating the *habitus* concept of Pierre Bourdieu to the analysis of contextual economics is that it provides an elaborated research program to analyze the embeddedness of economic processes in social structures and to acknowledge the cultural and social differences in economic behavior. In short: it is suited to explain the missing link in the transmission between formal and informal institutions. As pointed out before, the *habitus* concept understands individuals not as fully determined but takes note of the fact that material, cultural and social living conditions restrict individual behavioral pattern to specific behavior practices and shared mental models. Consequently, Bourdieu's contribution to mentality-driven economics could be to enrich the analytical distinction between formal institutions and informal constraints by a symbolic dimension which is mainly habitual, largely determined by lived experience and socialization patterns. The individual involved with their incorporated *habitus* could be seen as ‘carrier’ or ‘transmitter’ of the respective institutional system in transformation or transplantation processes.



## 5. Conclusion

In this article, I have argued that Veblen's *Theory of the Leisure Class* can be thought of as one of the sources of Bourdieu's concept of *habitus*. Bourdieu adopts Veblen's idea of taste as a criterion of social stratification, as well as the idea of distinction through consumption. These elements are two of the cornerstones of Bourdieu's *habitus* theory; they are integrated into his praxeological theoretical framework, and supplemented with aspects such as the reproduction of social inequality, the function of cultural capital, and the patterns of consumption in the lower classes.

Veblen can be regarded as a largely overlooked progenitor of Bourdieu's theory of distinction, and as such of the concept of *habitus*: Now, linking Bourdieu's findings with Veblen's insights might help to integrate the concept into economic analysis, thus laying the groundwork for the development of a mentality-driven contextual economics with a Bourdieusian perspective (Lenger 2013). Regarding the fundamental differences between the two concepts, a discussion is required to clarify the extent to which these differences are determined by the authors' respective eras (Guimaraes et al. 2010, 18) or concepts (Trigg 2001). One theory that demands closer scrutiny here is whether the primacy of economic capital in Veblen's work is to be attributed to the fact that towards the end of the 19<sup>th</sup> century – as Bourdieu himself argues (cf. Bourdieu and Passeron 1990 [1970]; Bourdieu 1977) – economic capital was the more relevant factor in the reproduction of social status (the direct reproduction of social inequality), with cultural capital (the indirect reproduction of social inequality) joining it in the middle of the 20<sup>th</sup> century. This ancillary observation, however, does nothing to change the fact that Thorstein Veblen's magnum opus *The Theory of the Leisure Class* constitutes an influential source for Pierre Bourdieu's *Distinction* and for his concept of *habitus*. In consequence, this linkage in the history of economic thought gives place for integrating the sociology of Pierre Bourdieu into contemporary economic thought and in particular into the emerging field of a mentality-driven contextual economics.

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