

# SCHUMPETER'S THEORY OF IDEOLOGICAL INFLUENCE

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## **Abstract**

This paper contains a reassessment of Schumpeter's theory of ideological influence. It begins by distinguishing Schumpeter's 'positive' notion of ideology from the 'negative' conception made popular by Marx and Engels. Next, Schumpeter's definitions of 'ideology' and 'ideological influence' are sharpened, in light of problems with Schumpeter's own formulation. The following section of the article discusses the relationship between ideology and what Schumpeter called 'vision' and 'economic analysis'. Finally, the argument is made that, with three important qualifications, Schumpeter's theory of ideological influence is both tenable and useful.

## **1. Introduction**

In his article 'Was Schumpeter Right After All?', Robert Heilbroner offers a sympathetic but critical appraisal of Schumpeter's theory of ideological bias. He points out that Schumpeter faced the problem of ideology more directly than any other economist, including Marx, and argues that in stressing this problem, Schumpeter 'was not only right, but even more right than he himself realized.' Where Heilbroner disagrees with Schumpeter is on the possibility of attaining a 'social analysis rid of all ideological elements' (Heilbroner 1993, 94).

This paper expands on the themes raised by Heilbroner. Borrowing terminology from Larrain (1983), it distinguishes between a 'negative' and a 'positive' conception of

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ideology. Whereas the former (advanced by Marx and Engels) perceives ideological forms as objective misrepresentations of reality, the latter (formulated by later Marxists and endorsed by Schumpeter) regards ideologies as unifying political doctrines, which may contain accurate views of reality as well as delusory ones. Furthermore, it is argued that Schumpeter's understanding of ideology is positive in an additional sense, in that ideology is recognized as a precondition of scientific progress.

On the other hand, it is maintained that Schumpeter's theory of ideological influence does have some serious flaws. The concepts of ideology and ideological influence are not defined consistently, and philosophical opinions are removed from the sphere of ideological influence, with little justification. Moreover, Schumpeter fails to elucidate the purely-logical techniques that are meant to purge analyses of their ideological distortions.

In order to address these problems, recourse will be made to the insights of the German political theorist, Carl Schmitt.<sup>1</sup> Proceeding from his 'existential' concept of politics as concrete struggles between friend-and-enemy groupings, 'ideology' will be redefined as the political consciousness of social groups, and 'ideological influence' will refer to the impact of political and ethical doctrines on economic analysis. Not only do these reformulations avoid the terminological problems contained in Schumpeter, they also help to explain why Schumpeter's ideal of a 'value-free', scientific economics is misguided. More specifically, Schumpeter's formal commitment to scientific instrumentalism will be contrasted with his actual behaviour towards his political enemy, Keynes.

Having made these criticisms and amendments, this paper will conclude that Schumpeter's theory of ideological influence contains a workable schema for bringing ideology into economic discussions, breaking through dogmatic scholasticism, and encouraging intellectual modesty.

The outline of the argument is as follows. Section 2 deals with Marx and Engels' conception of ideology, and Section 3 with Schumpeter's. The case for redefining Schumpeter's categories of 'ideology' and 'ideological influence' is presented in Section

4, while Schumpeter's theory of ideological bias is recapitulated in Section 5. Section 6 sketches Schumpeter's instrumentalism and relates it to his arguments about philosophical and ideological influence. A brief conclusion is offered in Section 7.

## **2. Marx and Engels on ideology and economics**

This paper starts with Marx and Engels, for three reasons. Firstly, while neither Marx nor Engels invented the term 'ideology', it has become closely associated with the Marxian tradition and its preoccupation with relations of domination (Purvis and Hunt 1993, 474). Secondly, Schumpeter's theory of ideology is both profoundly influenced by Marxian ideas, and yet explicitly differentiated from them. Thirdly, the term ideology is often used (especially by economists) in the 'negative' sense favoured by Marx and Engels; that is, to signify unscientific and politically-biased thought.

In order to appreciate Schumpeter's conception of ideology, it is necessary to examine that of Marx and Engels a little more closely. Their various discussions of ideology highlight different factors, but always the phenomenon is conceived negatively as distorted thought.<sup>2</sup> In *The German Ideology*, Marx and Engels used the word solely to denote inverted reflexions of social reality, which are experienced unknowingly by minds distorted by the social (class) division of labour. The contradictions that the latter entails appear in consciousness in a fantastic, idealized form. That is, the politico-economic conflicts of class society are misrepresented in the consciousness of social beings, who idealize them as conflicts of religion, abstract reason, morality or law. Moreover, this process of idealization is reinforced by official ideologues, who, by virtue of their monopoly of the means of mental reproduction, are able to express the dominant material relations as universal, rational ideas (Marx and Engels [1845-46] 1976, Vol. I, Part I).

After 1858, Marx placed less stress on state-sponsored idealization, and more on what he eventually dubbed the 'fetishism of commodities'; that is, the pervasive, mystifying effect of generalized commodity-production, which induces agents to mistake social relations between private producers for natural relations between things (Marx [1867] 1976, 164f). Correspondingly, the word 'ideology' all but disappeared (Balibar 1995, 54ff).

Nonetheless, Marx continued to ascribe an important role to professional ideologues, at least in the field of economics. Throughout his later work, Marx drew a distinction between ‘classical political economy’, which scientifically investigated the real internal structure of capitalist relations, and ‘vulgar economy’, which merely deals with the appearances of these relations, facilitates the bourgeoisie’s everyday purposes, and uncritically proclaims their ideals (Marx [1867] 1976, 174-75n). Furthermore, Marx claimed that even the ‘best representatives’ of classical political economy ‘remain more or less trapped in the world of illusion that their criticism had dissolved, and nothing else is possible from the bourgeois standpoint’ (Marx [1894] 1981, 969). So, while Marx may have abandoned the word ‘ideology’, its referent of objective misapprehension remained central to his epistemology (Larrain 1983, 8f).<sup>3</sup> And after Marx’s death, Engels restored the category in his critiques of German philosophy and contemporary socialism. During this period, he reaffirmed the identity of ideology and subconscious illusion, summing it up as ‘false consciousness’ (Engels 1893, 690).<sup>4</sup>

Thus, in the writings of Marx and Engels, ideology refers to a distorted consciousness of social reality on the one hand, and a non-violent means of perpetuating class rule, on the other. Implicit in this conception is the possibility of a ‘true’ consciousness, which sees through ideology and does not represent any particular class interest. For Marx and Engels, such a consciousness is present in the ‘real, positive science’ of historical materialism, which not only unveils the social contradictions that generate ideology, but also outlines the revolutionary practice required to overcome it (Marx and Engels [1845-46] 1976, 42f, 60).<sup>5</sup> Marx and Engels never shied away from the logical conclusions of their objectivist epistemology. Twenty years after *The German Ideology*, Marx declared historical materialism to be ‘the only scientific’ method of social inquiry; and hence he defined scientific economics as that which analyses capitalism as a historically-specific and transitory mode of production (Marx [1867] 1976, 474n; [1894] 1981, 1018). Similarly, Engels proceeded to emphasize the ‘scientific’ character of Marxian socialism, and by so doing attempted what Marx had not; namely, to justify the exemption of historical materialism from ideology, and to elaborate on the former’s function within revolutionary practice (Balibar 1995, 54).<sup>6</sup>

It is important to note that Marx and Engels' conception of ideology was substantially altered by later Marxists. Lenin and Lukács, for example, played down the 'theoretical' problem of exposing distorted thought, and reinterpreted ideology as the 'practical' problem of forging a unifying proletarian consciousness (Larrain 1983, 63-78). This interpretation shall be raised again in Section 4, but first we shall compare Marx and Engels' negative understanding of ideology to the positive one advanced by Schumpeter.

### **3. Schumpeter on ideology and economics**

As with Marx, the concept of ideology was central to Schumpeter's epistemology. Also like Marx, Schumpeter's writings on ideology reveal significant ambiguities and omissions, and are therefore open to different interpretations. The traditional interpretation is that Schumpeter maintained a decidedly negative attitude towards ideology.<sup>7</sup> However, it is argued here that this reading is unduly narrow, and that Schumpeter's notion of ideology has to be considered separately from his concern with its (potentially) negative effect on economic analysis. When this is done, Schumpeter's view of ideology is seen to be far more positive than that of Marx or indeed most modern economists.

At first glance, it does appear that Schumpeter endorsed a negative conception of ideology. He often discusses the subject as if were solely a problem for economic analysis, using such derogatory phrases as 'ideological bias', 'ideological distortion' and 'ideologically-conditioned error'. Yet unlike Marx, Schumpeter did not think that ideology is necessarily misleading. While Marx conceived ideological forms as objective misrepresentations of social contradictions, Schumpeter regarded them as subjective interpretative frameworks, which may or may not contain accurate observations about social phenomena. In Schumpeter's view, ideological forms are not merely reflections of (economic) class relations; they are products of both the environmental conditions of human beings and their common psychological habit of rationalization. This means that: (1) no thinker or school can stand above ideology; (2) a given ideology will necessarily reflect the thinker's social environment and his or her place within that environment; and

(3) environmental conditions may instill the thinker with interpretive tendencies that are entirely subconscious (Schumpeter 1954b, 34ff).

Schumpeter derived these principles from Marx and Engels, whom he credited with ‘discovering’ the phenomenon of ideological bias. However, while Schumpeter acknowledged that Marx’s theory of ideology made a ‘great contribution to our insight into the processes of history and into the meaning of social science’, he did maintain that it is weakened by three faults. Firstly, Marx was utterly unaware of the ideological elements of his own ideas. Secondly, the Marxian analysis of ideologies reduces them to embodiments of class interest, which are in turn defined in strictly economic terms. Finally, it does not follow that statements which are ideological are *ipso facto* erroneous (Schumpeter 1954b, 35f). Given the widespread opinion that Schumpeter equated ideology with error, it is worth quoting the following passage:

[I]t cannot be emphasized too strongly that, like individual rationalizations, ideologies are not lies. It must be added that statements of facts that enter into them are not necessarily erroneous. The temptation is great to avail oneself of the opportunity to dispose at one stroke of a whole body of propositions that one does not like, by the simple device of calling it an ideology. The device is no doubt very effective, as effective as are attacks upon an opponent’s personal motives. But logically it is inadmissible... [E]xplanation, however correct, of the reasons why a man says what he says tells us nothing about whether it is true or false. Similarly statements that proceed from an ideological background are open to suspicion, but they may still be perfectly valid (Schumpeter 1954b, 36).

Elsewhere, he affirms that ‘ideologies *may* contain provable truth up to 100 per cent’ (Schumpeter 1948, 273, emphasis in original).

These quotations imply that ideology is ‘neutral’, that it contains propositions which may further or hinder scientific knowledge, but has itself no definite effect on analytical reasoning. However, Schumpeter’s conception of ideology is not merely neutral. Instead, he regards it as a fundamental component of scientific practice:

[S]ome ideology will always be with us... But this is no misfortune... That prescientific cognitive act which is the source of our ideologies is also the prerequisite of our scientific work. No new departure in any science is possible without it. Through it we acquire new material for our scientific endeavours and something to formulate, to defend, to attack. Our stock of facts and tools grows and rejuvenates itself in the process. And so – though we proceed slowly because of our ideologies, we might not proceed at all without them (Schumpeter 1948, 281).

From this perspective, the factual accuracy of ideological statements assumes a secondary importance. For even if the content of an ideology proves to be utterly false, it nonetheless provides the thinker with a problem to analyse and the motivation to solve it. Moreover, the scientific value of such research does not depend on the full exposure of its erroneous foundation, because ‘ideologically distorted analysis is still analysis. It may even yield elements of truth’ (Schumpeter 1954b, 385). Of course, prior to analysis (and perhaps after), every researcher will regard his or her ideological views as self-evident. This is why Schumpeter defines ideologies as ‘truthful statements about what a man thinks he sees’ (Schumpeter 1948, 271).

Thus, Schumpeter’s understanding of ideology is positive, in two senses. The first is that ideology is said to embody factual propositions and not just delusory ones. The second is that ideology is regarded as a prerequisite for scientific economics. So while Schumpeter (1954b, 37) described his conception of ideological bias as an ‘amended version of the Marxist definition’, it is more accurate to say that it is diametrically opposed to that of Marx and Engels, who saw ideology as the misrecognition of social relations, and hence the negation of science.

Having said that, it is not surprising that many commentators have attributed to Schumpeter a purely negative conception of ideology. For Schumpeter himself was preoccupied with ‘the ubiquity of ideological bias’ in economic analysis, and the possibility of locating, recognizing and removing it (Schumpeter 1954b, 37). What worried him was that ideology ‘enters on the very ground floor, into the preanalytic

cognitive act' and that its influence cannot, therefore, be consciously controlled (Schumpeter 1954b, 42).

Schumpeter did not think that this holds for two other dangers that threaten economic analysis; namely, 'special pleading' (i.e., the conscious manipulation of facts or methods for the protection of certain ideals or interests) and the passing of value judgments (i.e., the positing of ultimate ends) on economic processes. He insisted that although these practices may reinforce ideological distortion, they are not identical to it. On the one hand, sound analytical work is not incompatible with advocacy or the making of value judgments.<sup>8</sup> On the other hand, the analyst can choose to refrain from special pleadings and value judgments.<sup>9</sup> In other words, what distinguishes these phenomena from ideological influence is that they do not operate pre-analytically (Schumpeter 1948, 268f, 271; 1954, 37, 41ff).

Schumpeter's theory of ideological bias, and his distinction between ideologies and value judgments, shall be examined in Sections 5 and 6. However, what must always be kept in mind is that Schumpeter did not regard ideology or its influence as an unqualified menace. Nevertheless, there are some fundamental problems with Schumpeter's definitions of ideology and ideological influence, which must be resolved before his epistemological arguments can be evaluated.

#### **4. The case for redefining 'ideology' and 'ideological influence'**

So far, we have outlined Marx and Engels' notion of ideology as class-based, distorted consciousness, and contrasted it with Schumpeter's conception of socio-psychological, pre-scientific consciousness. We have also quoted their opposing views of the relation between ideology and scientific economics. Yet what has not been discussed are the inconsistencies in Schumpeter regarding the referents of ideology and ideological influence. Specifically, these inconsistencies are: (1) using the term 'ideologies' to cover both group rationalizations and individual habits of thought; and (2) discounting the effects of philosophy on economic analysis, while stressing the impact of social ideas in general. In this section, these conceptual discrepancies will be outlined and the categories

of ‘ideology’ and ‘ideological influence’ will be reformulated. However, the issues raised will occupy the rest of this article.

Schumpeter employs the term ‘ideology’ (or more usually, ‘ideologies’) in one of two ways. One usage is broad, indicating the ‘ideas or systems of ideas that prevail at any given time in any given social group’, which glorify its interests and facilitate the subconscious rationalizations of its members (Schumpeter 1954b, 35; 1948, 271). The other usage of ideologies is narrow, and refers to ‘preconceptions about the economic process’ (Schumpeter 1948, 269). This includes: (a) ‘Systems of Political Economy’, or comprehensive sets of economic policies that are based on ‘certain unifying (normative) principles’; and (b) ‘the less completely systematized sets of opinions on economic subjects that, at any time and place, “float in the public mind”’ (Schumpeter 1954b, 38, 41). Of course, these two conceptions of ideology are not inherently inconsistent; for both specific politico-economic principles and programmes, and popular economic ideas, can be attributed to the consciousness of particular social groups. In addition, it seems that Schumpeter’s more restrictive usage is merely a means of highlighting the question which really interests him; namely, whether economic analysis can be free of ideological bias.

Nevertheless, it is evident that Schumpeter did not maintain a consistent concept of ideology. Despite his insistence that ideologies are socially determined, Schumpeter also uses the term to denote individual habits of thought, which have no connexion to socio-political ideas or interests. In *Science and Ideology*, Schumpeter uncritically subsumes this subjectivist interpretation of ideology under a broader, socio-materialist one:

[T]he original vision [of the analyst] *is* ideology by nature and may contain any amount of delusions traceable to a man’s social location, to the manner in which he wants to see himself or his class or group and the opponents of his own class or group. This should be extended even to peculiarities of his outlook that are related to his personal tastes and conditions and have no group connotation – there is even an ideology of the mathematical mind as well as an ideology of the mind that is allergic to mathematics (Schumpeter 1948, 273, emphasis in original).

It may be that certain individual dispositions (such as a proclivity for mathematics) are only remotely related to socio-political conditions. Yet it is confusing to call such dispositions ‘ideologies’, having defined the latter (two pages earlier) as the protective rationalizations of social groups.

More confusing still is Schumpeter’s tendency to use the phrase ‘personal ideology’ to cover views that are expressly political. Take, for example, Schumpeter’s discussion of Marx’s ideology in *History of Economic Analysis*. On the one hand, he stresses that ‘nobody will understand Marx and Engels who does not properly weigh the implications of their bourgeois cultural background’, and notes that Marx’s political radicalism was ‘of the bourgeois brand of his time’. On the other hand, Schumpeter describes the doctrine of class consciousness as ‘one of the most pathetic elements in the personal ideology of Marx and Engels’, and claims that ‘Marx took himself in’ with respect to this doctrine, which could not mean anything to anyone ‘except a limited number of intellectuals’. Schumpeter goes on to say that Marx ‘helped to foster the same delusion in his followers by building into his structure a sufficient number of phrases... which indeed everyone can understand and which are what Marxism means to the vulgar’ (Schumpeter 1954b, 386f and notes). But Schumpeter himself has already said that ideologies are not individual fancies, but subconscious reflexions of socio-political conditions. Therefore, the Marxian doctrine of class consciousness must be regarded either as an ideology that has an objective basis (e.g., the extra-class position of intellectuals in bourgeois society), or as a subjective, post-analytical, value judgment.<sup>10</sup> In other words, the category of personal ideology is incompatible with Schumpeter’s own classification.

Another inconsistency in Schumpeter’s terminology centres in his exclusion of philosophy from ideological influence. Despite his qualified endorsement of Marx’s view that ideas are bound to social structures and serve political interests, Schumpeter asserts in *History* that ‘economic analysis has not been shaped at any time by the philosophical opinions that economists happened to have, though it has frequently been vitiated by their political attitudes’ (Schumpeter 1954b, 31).<sup>11</sup> This proposition involves two problems,

that of clarifying what is meant by ‘philosophy’, and of justifying its differentiation from other forms of social consciousness. In order to meet the first problem, Schumpeter distinguishes between four meanings of philosophy: (1) the sum of all scientific knowledge (the Ancients’ definition); (2) the compound of natural and moral sciences (the Enlighteners’ definition); (3) the specific science of knowledge (epistemology); and (4) systems of beliefs about ultimate truths (ontology), ultimate ends (teleology) and ultimate normative codes (ethics). Schumpeter contends that if philosophy is conceived in any of the first three ways, then there is no question of it having any influence on economic analysis. However, he says that if philosophy is understood in the last sense, then the important question arises whether a thinker’s philosophy is a determinant of his or her economics (Schumpeter 1954b, 28ff).

As indicated above, Schumpeter answers this question in the negative, adding that his argument ‘is after all only simple common sense if correctly understood’ (Schumpeter 1954b, 31n). To ensure that his argument is correctly understood, Schumpeter at once declares ‘what it does *not* involve.’ Firstly, he claims that it does not entail a positivist ‘scientism’, only the belief that ‘the theological or philosophical creeds of a scientific worker need not exert any definite influence upon his analytic work’ (Schumpeter 1954b, 31, emphasis in original). Secondly, Schumpeter maintains that his view does not deny that human motives and actions are influenced by philosophical, religious or ethical convictions; it merely affirms that these convictions do not apply to the techniques and abstract theorems of the economist. Thirdly, Schumpeter contends that his thesis does not imply that actual economic arguments are free from (negative) philosophical influence, but rather that the *factual* propositions of economic analysis are not affected by it (Schumpeter 1954b, 31f).

Notwithstanding these elaborations, Schumpeter fails to explain why ‘philosophical opinions’ should not be considered to be potential sources of ideological bias. Throughout the *History of Economic Analysis*, he simply repeats the assertion that philosophy is irrelevant to economic analysis, while at the same time examining the relationship between particular philosophers and economists at length. Indeed,

Schumpeter's decision to discount the effect of metaphysics and ethics is incompatible with his general approach to ideological influence. Firstly, in Chapter 4 of the *History* and in other works, Schumpeter formally subsumes all unscientific ideas under the category of ideology, including metaphysical doctrines which rationalize group behaviour. Secondly, by dismissing the impact of epistemology, Schumpeter sidesteps any serious discussion of the possible political (and therefore ideological) implications of particular epistemologies, or how they might affect the subject-matter and methods of economic analysis. Finally, it is difficult to imagine how ethical views can be disconnected from 'political attitudes' and transferred to a separate realm of philosophy, without abandoning the concept of ideology altogether. For, as we saw with both Marx and Schumpeter, to accept this concept is precisely to deny the logical autonomy of ideas and to affirm the political character of consciousness, whether that character is acknowledged by the thinker or not.

In light of these problems, the categories of 'ideology' and 'ideological influence' must be redefined. One alternative is to adopt the concept of ideology favoured by many modern Marxists, who define it as the practical outlook of an era or class.<sup>12</sup> Unlike Marx and Engels' theory of distorted consciousness, this interpretation does not draw a sharp distinction between ideology and science, and therefore admits the view that the content of an ideology may be true as well as false. On the other hand, it does presume that all ideologies correspond to material class struggles, and hence are inseparable from objective interests (Purvis and Hunt 1993, 478f). This means that, from the perspective of the analyst, a given ideology may possess a significance that is independent of the meaning ascribed to it by its bearers or opponents. Therefore, the logic of an objectivist epistemology prevails, and with it the traditional-Marxian belief that forms of consciousness can be judged by those who understand the social reality of their own epoch (Schmitt [1923] 1985, 53ff).

Like Schumpeter, the present author is sceptical of any explanation of ideology that posits an objective observer, or draws a definite connexion between a particular ideology and (ultimate) economic interests. Yet this scepticism does not amount to the extreme-

subjectivist position that ideology is nothing more than an aggregate of personal beliefs. This position was articulated by Weber, who held that there is no social reality outside of the intentions and actions of individuals, and that the ideas and rationality of agents can only be understood in terms of their personal systems of meaning (Weber [1921] 1968, 4-15). While this sort of subjectivism may avoid privileging the researcher's beliefs, it overlooks the fact that the interpretive frameworks of individuals are conditioned by social forces. As Schumpeter reasoned:

Things economic and social move by their own momentum and the ensuing situations compel individuals and groups to behave in certain ways whatever they may wish to do – not indeed by destroying their freedom of choice but by shaping the choosing mentalities and by narrowing the list of possibilities from which to choose. If this is the quintessence of Marxism, then we have all of us got to be Marxists (Schumpeter 1954a, 129f).

The challenge, then, is to formulate a concept of ideology that recognizes it as a social reality, yet does not imply value judgments on the part of the analyst. Such a formulation will now be attempted, by modifying the practical-Marxian interpretation of ideology in light of arguments made by Carl Schmitt.

Schmitt did not discuss ideology *per se*. However, his thesis that all political concepts are polemical, and that any concept can become political, forms the basis of a theory of ideology. Schmitt envisaged politics as existential antagonisms between irreconcilable groups, which are characterized by the possibility of mortal conflict. He maintained that political groupings and interests cannot be analysed objectively, as these are defined by the participants in the course of their particular struggles. Indeed, it is in the very act of determining who is friend and who is enemy, that the political consists (Schmitt [1932] 1996, 26f, 34). Thus, for Schmitt, concepts are political to the extent that they divide individuals into hostile factions. As he put it:

[A]ll political concepts, images, and terms have a polemical meaning. They are focused on a specific conflict and are bound to a concrete situation; the result (which manifests itself in war or revolution) is a friend-enemy grouping, and they turn into empty and

ghostlike abstractions when this situation disappears. Words such as state, republic, society, class, as well as sovereignty, constitutional state, absolutism, dictatorship, economic planning, neutral or total state, and so on, are incomprehensible if one does not know exactly who is to be affected, combated, refuted, or negated by such a term. (Schmitt [1932] 1996, 30f).

Furthermore, political conflicts can arise from any social arena: ‘Every religious, moral, economic, ethical or other antithesis transforms into a political one if it is sufficiently strong to group human beings according to friend and enemy’ (Schmitt [1932] 1996, 37).<sup>13</sup>

In accordance with this view, ideology can be redefined as *the system of thought of social groups, which serves to motivate and guide their political actions*. This definition has several advantages. Firstly, it carries no connotation of distorted consciousness. Secondly, it does not trace all ideological struggles to immanent class interests. Thirdly, it affirms that ideology is a social phenomenon that cannot be reduced to the minds of individuals. Fourthly, it is consistent with the insight that any concept may become ideological, and will remain so as long as it is relevant to an existing political antagonism.

Having redefined ideology as the political consciousness of social groups, we can now distinguish more clearly between ‘ideological influence’ and ‘philosophical influence’. The former refers to the impact of political doctrines on economic analysis (which includes ethical codes), the latter to the effects of ontological, epistemological or methodological convictions. The relationship between these two phenomena will be discussed below, following an outline of Schumpeter’s theory of ideological bias.

## **5. Schumpeter’s theory of ideological bias**

In Section 3, it was stressed that Schumpeter conceived ideology to be an integral part of the scientific process. At the same time, it was mentioned that Schumpeter was greatly concerned with the delusory effects of ideology, seeing them as barrier to scientific economics. These two propositions are not easy to reconcile, but Schumpeter attempts to do so through his concepts of ‘vision’ and ‘economic analysis’. The former refers to the

pre-analytical act of determining the material for examination, while the latter consists of all the techniques that help to explain the modes and consequences of economic behaviour (where behaviour includes motives, actions and institutions) (Schumpeter 1954b, 21, 41f). Ostensibly, the categories of vision and analysis serve to illustrate the process of economic theorizing. Yet they are not merely descriptive. For as we shall see in the next section, these categories imply Schumpeter's prescription that economic theory ought to be constructed and assessed independently of ideological bias.

Many commentators (e.g., Heilbroner 1993) regard vision as Schumpeter's peculiar term for ideology; yet a careful reading of Schumpeter's work shows that he did in fact differentiate between the two.<sup>14</sup> Take, for instance, the definitions of vision contained in *History of Economic Analysis*:

In every scientific venture, the thing that comes first is Vision. That is to say, before embarking upon analytic work of any kind we must first single out the set of phenomena we wish to investigate, and acquire 'intuitively' a preliminary notion of how they hang together or, in other words, of what appear from our standpoint to be their fundamental properties. This should be obvious. If it is not, this is only owing to the fact that we mostly do not start from a vision of our own but from the work of our predecessors or from ideas that float in the public mind (Schumpeter 1954b, 561f).

[A]nalytic effort is of necessity preceded by a preanalytic cognitive act that supplies the raw material for the analytic effort. In this book, this preanalytic act will be called Vision... Analytic work begins with our vision of things, and this vision is ideological almost by definition. It embodies the picture of things as we see them, and wherever there is any possible motive for wishing to see them in a given rather than another light, the way in which we see things can hardly be distinguished from the way in which we wish to see them (Schumpeter 1954b, 41f).

Therefore, while ideology and vision are intimately related, they are nevertheless separate concepts. The former pertains to the practical consciousness of social beings, the latter to the first act of scientific endeavour (Shionoya 1997, 60). Paraphrasing Schumpeter's

remark about value judgments cited in Note 9, we can say that a scientist's vision may *reveal* his or her ideology but it *does not* constitute his or her ideology. This is why vision is said to be ideological *almost* by definition. The distinction between vision and ideology was appreciated by Maurice Dobb, who saw that vision signifies a representation 'of the complex shape of reality and of the nature of the problems confronting mankind in any given historical situation', as distinct from ideology, which refers to any historically-relative (and socio-political) system of thought (Dobb 1973, 1ff).

Schumpeter contrasts the notion of vision with that of 'economic analysis', which is defined as 'the intellectual efforts' that thinkers make 'to *understand* economic phenomena, or, which comes to the same thing, the... analytic or scientific aspects of economic thought' (Schumpeter 1954b, 3, emphasis in original). For Schumpeter (1954b, 7), a field of science consists of 'specialized techniques of fact finding and of interpretation or inference (analysis).' Accordingly, economic analysis is identified with 'a command of techniques', which are classified under four heads. The first is 'economic history', which includes *contemporary* and past facts, relevant 'institutional' or 'non-economic' facts, and specialized fields such as anthropology. The second technique is 'statistics', that is, series of quantitative data and 'modern statistical methods'. The third dimension of economic analysis is 'theory', which Schumpeter understands to be 'a box of tools' (consisting of assumptions, concepts, causalities and the methods of arranging them) that enables the construction of simple models 'for the purpose of *establishing* interesting results.' The final component is 'economic sociology', or the explanation of social actions, motives, tendencies and institutions 'that are relevant to economic behaviour' (Schumpeter 1954b, 12-16, 20f, emphasis in original).<sup>15</sup>

Having distinguished between vision and economic analysis, Schumpeter maintains that the latter is 'almost as exempt from ideological influence as vision is subject to it', because the rules of analytical procedure tend either to verify or else 'crush out' the economist's 'ideologically conditioned error'. Moreover, this purgation is said to take place 'automatically and irrespectively of the desires of the research worker' (Schumpeter 1954b, 43). Schumpeter supplements this bold contention with three qualifications and

two justifications. The latter are: (1) that most theoretical and statistical tools (such as the marginal rate of substitution, or significance tests) are, and are known to be, ideologically neutral; and (2) that certain tools or theories (e.g., theories of value) acquire an ideological significance only because people *wrongly* assume that they are relevant to their ideology (Schumpeter 1954b, 44). Unfortunately, no compelling arguments or evidence are given in support of these claims.

As for Schumpeter's qualifications to his expunging thesis, they are: (1) that the removal of ideology from analysis may be a lengthy process that encounters much resistance; (2) that the expulsion of an existing ideology will not prevent the emergence of new ones; and (3) that, since the sphere of provable material is limited in the social sciences, ideology will always persist at 'the fringe ends of things', where 'personal experience and impression' play a role in analysis (Schumpeter 1954b, 43). These qualifications are so strong that one wonders why Schumpeter made the initial contention at all. But whatever his reasons, the fact remains that Schumpeter does not elucidate how economists, who are said to be subject to subconscious and uncontrollable ideologies, are able to analyse economic phenomena objectively.

The tension in Schumpeter's argument between the political and objective aspects of economics are brought into relief by his critics. For Marxists like Meek and Dobb, economic analysis simply cannot be separated from its socio-economic premises or the historical problems it was designed to address. Consequently, it is impossible to draw a definite boundary between a scientific economic analysis and its ideologically-vitiated *vision* (Meek 1967, 202-09; Dobb 1973, Chapter 1). Furthermore, if analysis is defined narrowly as a set of formal, ahistorical techniques, then it can no longer be regarded as an *explanation* of economic phenomena. For an explanation requires statements about social causality, and such statements are visionary (in Schumpeter's sense). Hence, an economic *analysis* will necessarily imply a particular ideological bias (Dobb 1973, 7-12). It makes no difference to analysis whether the theorist is aware of this bias or not (Meek 1967, 208f; Dobb 7, 13-37).<sup>16</sup>

Similarly, Heilbroner argues that Schumpeter's argument for scientific economics cannot be sustained. He points out that Schumpeter never specifies the rules of analytical procedure that are supposed to check ideological influence (Heilbroner 1993, 90). In addition, Heilbroner affirms that economic analysis cannot be viable unless its outcomes are compatible with the broad requirements of capitalism: 'Analysis that ignores this ideological imperative is doomed to inconsequence' (although 'in revolutionary situations', a socialist vision may provide 'an alternative conception of the political structure'). Finally, Heilbroner observes that Schumpeter's own analyses are inextricably bound up with his bourgeois elitism (Heilbroner 1993, 93f). Thus, Heilbroner agrees with the Marxists that there are no means, deliberate or technical, by which ideology can be expunged from economic analysis. On the contrary, 'vision and ideology establish the framework within which analysis takes place' (Heilbroner 1993, 93).

## **6. Reassessment**

It is undoubtedly true that there are some serious problems with Schumpeter's theory of ideological influence, as it stands. Certainly, his claims about the purgative nature of rules of procedure are unfounded. Indeed, in the first chapter of *History of Economic Analysis*, he himself acknowledges that 'our rules of procedure are, and presumably always will be, subject to controversy and in a state of flux' (Schumpeter 1954b, 8n). Moreover, as was argued in Section 4, Schumpeter's differentiation between ideological and philosophical influence is not at all clear, let alone persuasive. Finally, Schumpeter's own presentation suffers from his penchant for hyperbole and paradox; most strikingly, assertions that are rigidly positivist<sup>17</sup> are juxtaposed to ones that endorse historical materialism. The impression left by all these inconsistencies is of a theory that is at best eclectic and at worst incoherent. Nevertheless, it is submitted that Schumpeter's distinction between ideology and economic analysis is meaningful, even when his claims about automatic ideological purification, and the irrelevance of philosophy, are rejected.

In the previous section, we saw that radical critics rejected Schumpeter's 'toolbox' conception of economic analysis, and insisted that an adequate theory must reflect the social realities of a specific mode of production. But Schumpeter will not have been

persuaded by such arguments, since he held an instrumentalist view of science. According to Shionoya, Schumpeter accepted a moderate version of instrumentalism, which consisted of two central claims. Firstly, theories are not descriptions of an essential reality, but instruments aimed at achieving interesting results. Secondly, and consequently, theories cannot be regarded as either true or false; they can only be judged as more or less useful. For Schumpeter, the usefulness of a theory is ultimately determined by: (a) the degree to which it ‘fits to reality’, that is, assists the understanding of statistical or historical facts; and (b) the simplicity of its assumptions and the scope of its application (Shionoya 1997, 91, 113f, 121f).

These methodological principles seem to invoke positivism; yet Schumpeter’s approach is incompatible with a positivist epistemology. On the one hand, he insisted that

[I]t does not necessarily follow that [scientific procedure]... excludes reasoning on anything except verifiable “facts”. Aversion to introducing any entities that cannot be observed or experimentally produced is part of the scientific attitude only in so far as it is based on the principle of economy in description (Schumpeter 1940, 316).

On the other hand, Schumpeter accepted that several different theories may conform to the same set of empirical facts. He denied that a superior theory could be confirmed by a process of verification; indeed, he even ruled out the possibility of falsification. For while Schumpeter affirmed the existence of an independent, perceptible reality, he recognized (more so in his later works) that the criteria of theoretical ‘fitness’ is contingent on the vision of the social scientist. Accordingly, there can be no fixed rules or simple criteria for explaining the observed facts. It follows that the social scientist should not construct a system of methods *a priori*, but should instead employ those methods best suited to the problem at hand (Shionoya 1997, 96, 108, 114f, 123).<sup>18</sup>

Once Schumpeter’s instrumentalism is taken into account, it can be seen that his concept of ‘scientific economics’ is far less stringent than his phrasing might lead one to believe. Rather than conceiving it as a system of verifiable generalizations, Schumpeter understands ‘Scientific or Analytic Economics’ to be ‘the stock of facts and methods that

economists collect with the purpose of *explaining* the phenomena of economic life' (Schumpeter 1954b, 1141, emphasis in original). Moreover, economics 'is not a science in the sense that acoustics is one, but is rather an agglomeration of ill-co-ordinated and overlapping fields of research in the same sense as "medicine"' (Schumpeter 1954b, 10). Nonetheless, the content of scientific economics is not arbitrary. For while the choice of subject-matter and methods is contingent on the vision of the analyst, they must either conform to 'the rules of logic' or be able to be tested by them (Schumpeter 1940, 316f). This means that

[T]he scientific character of a given piece of analysis is independent of the motive for the sake of which it is undertaken... [I]f an economist investigates [for example] the practices of speculation by methods that meet the scientific standards of his time and environment, the results will form part of the scientific fund of economic knowledge, irrespective of whether he wishes to use them for recommending regulatory legislation or to defend speculation against such legislation or merely to satisfy his intellectual curiosity (Schumpeter 1954b, 10).

Hence, from Schumpeter's instrumentalist standpoint, economic analyses can be assessed and assimilated independently of their authors' ideological imperatives or personal motives, so long as there is an agreed logic of technique.

However, it is on this crucial question of common analytical standards, that Schumpeter's description of scientific economics is revealed to be a prescription. Schumpeter liked to claim that 'economics is a science just like any other' (Schumpeter 1931, 285), but he was acutely aware that the ideological nature of the subject-matter causes economists to divide into competing schools. In addition, he conceded that this division has serious analytical consequences for economic analysis, in so far as it induces economists to conflate ideological and analytical reasoning, and to dismiss or overlook the insights of colleagues on the basis of their political motives or scholastic affiliation (Schumpeter 1931; 1954b, Chapter 1, 31f, 38ff, 47). Nevertheless, Schumpeter regarded these outcomes less as inexorable structural effects, and more as lapses from professional conduct. Thus, he condemned as 'deplorable' the 'strong propensity' of economists 'to dabble in politics, to

peddle political recipes, to offer themselves as philosophers of economic life', and thereby to neglect 'the duty of stating explicitly the value judgments that they [introduce] into their reasoning' (Schumpeter 1954b, 19).

This brings us to the distinction between ideology and value judgments raised in Section 3. Recall that ideologies were said to be subconscious, pre-analytical and social, while value judgments were voluntary, post-analytical and personal. Schumpeter asserts that ideologies 'lie beyond the scientist's range except as objects of historical study' and that 'there is no reason other than personal preference' for favouring one system of political economy over another (Schumpeter 1948, 271). However, for economists who are actively engaged into political struggles, or whose research enters into such struggles, ideologies lie well within their range; hence their value judgments on economic policies cannot be regarded as a private matter. In other words, whenever an economic analysis has immediate political ramifications, the distinction between ideology and value judgments breaks down.

Nowhere is this more evident than in Schumpeter's own discussion of Keynes' economics. The latter had an immediate bearing on Schumpeter's politics, since 'he was essentially a conservative who disliked Keynesianism and New Dealism, which tinkered with the capitalist mechanism' (Sweezy, paraphrased in Harris 1951, 5). It is therefore to be expected that, while Schumpeter could understand Keynes' vision and respect his analytical talents, he could not refrain from passing judgment on his ideology, or from evaluating his analyses in essentialist terms. Thus, on the one hand, Schumpeter could describe Keynes as 'a master of the theorist's craft' and admit the reciprocal relationship between Keynes' vision and his analytical framework (Schumpeter 1948, 278; 1954b, 1171). Thus, on the other hand, Schumpeter was impelled to condemn Keynes' social-democratic ideology:

The less said about the last book [of *The General Theory*] the better. Let him who accepts the message there expounded rewrite the history of the French *ancien régime* in some such terms as these: Louis XV was a most enlightened monarch. Feeling the

necessity of stimulating expenditure he secured the services of such expert spenders as Madame de Pompadour and Madame du Barry. They went to work with unsurpassable efficiency. Full employment, a maximum of resulting output, and general well-being ought to have been the consequence. It is true that instead we find misery, shame and, at the end of it all, a stream of blood. But that was a chance coincidence (Schumpeter 1936, 157).

Similarly, even though Schumpeter concedes that Keynes' vision was relevant to late British capitalism and that his policy might have been appropriate in that case (Schumpeter 1936, 153; 1954b, 1171), he does not hesitate to criticize the resultant model as a false representation of reality:

The capitalist process is essentially a process of change of the type that is being assumed away in this book [*The General Theory*], and all its characteristic phenomena and problems arise from the fact that it is such a process. A theory that postulates invariance of production functions may, if correct in itself, be still of some use to the theorist. But it is the theory of another world and out of all contact with modern industrial fact, unemployment included. No interpretation of modern vicissitudes, 'poverty in plenty' and the rest, can be derived from it (Schumpeter 1936, 155).<sup>19</sup>

This line of argument directly contradicts Schumpeter's instrumentalist propositions that there is no congruence between analytical rationality and truth, and that the former is 'imported into the facts from the analyst's mind' (Schumpeter 1940, 319). Moreover, when Schumpeter continues along this essentialist line to assess Keynes' theory of interest, he undermines his thesis that analytical techniques are ideologically neutral:

Some differences [between Keynes' theory and Schumpeter's] would vanish, if the concepts of a demand for money stocks and of 'liquidity preference' – which is another *deus ex machina*; there is a whole Olympus of them – were replaced by concepts drawn from the economic processes that lie behind the surface phenomena denoted by those two. But then many of the striking inferences would also vanish. The whole vision of the capitalist process would change. Interest would lose the pivotal position which it holds in Mr. Keynes' analysis by virtue of the same technique which made it possible for Ricardo

to hold that profits depend upon the price of wheat. And a completely different diagnosis of modern difficulties would follow (Schumpeter 1936, 156f).

This is a remarkable passage, because it suggests there is a *necessary* relation between economic theory and policy-prescriptions. Yet it was natural that Schumpeter should see a close connexion between Keynes' axioms and assumptions, their 'stagnationist' conclusions, and interventionist implications, when the way of life of his own social group (bourgeois conservatives) was at stake.

Doubtless Schumpeter will have regarded his own criticism of Keynes as scientific. In his retrospective assessment of Keynes' 'analytic apparatus', Schumpeter affirmed that Keynes' analysis was a 'severely static... theory of short-run equilibria', made up of questionable functions which could perhaps find 'some verification' in 'the freakish situations of deep depressions' (Schumpeter 1954b, 1174-79). However, in reaching this conclusion, Schumpeter was clearly out of step with the 'scientific standards of his time and environment'. As Smithies (1951, 252) observed: 'Schumpeter did not credit Keynes with a single major improvement in the technique of economic analysis.' Moreover, he contends that if Schumpeter had been prepared to incorporate elements of Keynesian theory, he would have improved his theory of interest and of business-cycles, and dropped his highly-restrictive assumption that the economy always achieves a state of Walrasian equilibrium at the end of every cycle (Smithies 1951, 253f).

In sum, Schumpeter's reaction to Keynes' theory seriously undermines his thesis that the stock of economic techniques accumulates independently of ideology. But even if Schumpeter had refrained from passing value judgments on Keynes, he would still be guilty of passing another, wider value judgment. For when Schumpeter prescribed a non-scholastic, 'value-free' analysis, he in fact posited pure economic research as an end in itself. But as the arguments above suggest, the achievement of value-free analysis would not only require economists from participating in any public discussion, it would also demand that his or her work be inaccessible to anyone except similarly apolitical agents.

This brings us back to the issue of the relationship between philosophy and economic analysis. Recall that Schumpeter drew a distinction between philosophical influence and ideological influence, and denied that the former had any direct applicability to economics. However, it seems indisputable that there is a direct connexion between Schumpeter's instrumentalist philosophy of science and his analytical prescriptions, which consist of taking the facts (of capitalism) as given and eschewing attempts at 'political economy'. And this in turn implies his conservative, bourgeois ideology. Indeed, Marxists would argue that there is a necessary connexion between the two. For example, Marcuse reasoned that a philosophy which confines itself to the given banishes everything that may not yet be a fact, and prevents the interpretation of data in terms of a comprehensive critique of the given itself (Marcuse 1954, 113, 327). According to this view, an empiricist epistemology will generate an uncritical analysis, which thus helps to preserve the established order.<sup>20</sup>

Other commentators, who are less categorical about the relation between particular philosophies and analytical procedures, would nonetheless affirm that the former has a significant effect on the latter. Dow, for instance, rejects the idea of 'absolute rules for good practice' and argues that the analyst's choice of methods is conditioned by his or her ontology (or 'vision of reality') and habits of thought (or ways of exercising judgment). These factors are closely connected, and are, moreover, themselves conditioned by the education process, the institutional arrangements of universities, and the presence of creative thinkers (Dow 2002, 163f). In other words, the conduct of economic analysis is bound to the thinker's ontology, epistemology and methodology, which all reflect his or her educational environment. On the other hand, Dow maintains that economists are free to choose between a range of philosophies, each of which implies (but does not necessitate) a certain methodology, method and theory (Dow 1999, 27; 2001, 37ff; 2002, 171).

The issues surrounding 'philosophical influence' and 'ideological influence' are complex, and no attempt has been made to resolve them here. Rather, we have merely sought to indicate that when Schumpeter says things like: 'ethical and cultural attitudes are

influenced but little by philosophies, and a man's social sympathies and political preferences not at all' (Schumpeter 1954b, 780), he is brushing aside matters that are crucial to establishing his theory of ideological influence. A more plausible explanation of the phenomenon would have to explore the relations between philosophy, ideology and economic analysis, without reducing them to socio-material conditions, or the subjective preferences of the analyst. Curiously, Schumpeter says as much in the opening pages of the *History of Economic Analysis*:

Scientific analysis is not simply a logically consistent process that starts from some primitive notions and then adds to the stock in a straight-line fashion. It is not simply progressive discovery of an objective reality – as is, for example, discovery in the basin of the Congo. Rather it is an incessant struggle with creations of our own and our predecessors' minds and it 'progresses,' if at all, in a criss-cross fashion, not as logic, but as the impact of new ideas or observations or needs, and also as the bents and temperaments of new men, dictate. Therefore, any treatise which attempts to render 'the present state of science' really renders methods, problems, and results that are historically conditioned and are meaningful only with reference to the historical background from which they spring (Schumpeter 1954b, 4).

## **7. Conclusion**

In this paper, it has been argued that Schumpeter's theory of ideological influence is less restrictive than Marx's, in so far as it recognizes the ubiquity of ideology and its necessity for economic analysis. However, it has also been affirmed that Schumpeter's theory is beset with problems: ambiguous definitions of ideology and ideological influence; the arbitrary exclusion of philosophy from ideology; an unfounded claim that economic analysis 'crushes out' ideological distortions; and an untenable distinction between ideology and value judgments.

In light of these problems, it might be thought that there is little in Schumpeter's argument worth salvaging. Yet we contend that Schumpeter's theory of ideological influence remains relevant and useful. Firstly, it forces economists to acknowledge their ideologies, or if they do already, to reconsider how much of their analyses consist of

ideological assertions. This point can never be repeated too often, as it is in the nature of ideologies not to think about them.

Secondly, the distinction between ideology, vision and analysis helps to categorize the elements of economic reasoning, and even if it is not a literal description of economic theorizing, it does provide the basis for a non-paradigmatic discussion. The best example is Schumpeter himself. No one who reads any of his works can be left in doubt about his conservative ideology, his dynamic vision of a capitalism driven by an entrepreneurial elite, or his preference for Walrasian analysis. And while Schumpeter had his prejudices (notably against Ricardo and Keynes) he genuinely engaged with economists of all persuasions and never hid behind formal presentations or scholastic jargon. Conversely, when ideologies are assumed away and visions taken as given, analytical debates tend to be confined to individual schools, with far less interesting results.

Thirdly, Schumpeter's theory promotes intellectual modesty. The word modesty is not often associated with Schumpeter; yet an approach which exhorts economists to examine their motives and prejudices, to abandon essentialist claims, and to tolerate various techniques, can only be described as modest. Furthermore, intellectual modesty need not be justified as an end in itself; for it prevents the practitioner from making elemental blunders and ridiculous claims.

However, if Schumpeter's theory of ideological influence is to be of any use, three crucial modifications are required. The first is to define ideology more precisely than any individual or collective habit of thought, so that it refers instead to the political consciousness of social groups. The second is to classify political and ethical preconceptions as 'ideological influence', and presumptions about knowledge as 'philosophical influence' (while acknowledging that the relation between philosophy and ideology involves a complex debate). The third alteration consists of abandoning any hope that economic analysis can ever be truly neutral. With these changes, key tenets of Schumpeter's theory are dropped. Yet what remains is a useful framework for detecting and discussing the influence of ideology.

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## NOTES

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<sup>1</sup> I am aware that both the actions and ideas of Carl Schmitt remain extremely controversial. Marcuse (1954, 419) loftily dubbed him ‘the one serious political theorist of National Socialism’, but he is better thought of as a Hobbesian who succumbed to vanity and weakness. Schmitt began his career in 1910 as a Papist legal theorist, and became famous after World War One for his critiques of liberalism and the Weimar Constitution (which he saw as unworkable and open to subversion from revolutionary parties). However, Schmitt destroyed his reputation for ever when he joined the Nazi Party (May 1933), and wrote articles justifying the Night of the Long Knives (1934) and the Nuremberg Laws (1935). Far from being a natural outcome of his anti-liberalism, this collaboration belied his former constitutionalism and contempt for National Socialism, which had seen him intriguing against Hitler’s appointment as Chancellor as late as January 1933. Indeed, the discordance between Schmitt’s past career and his embrace of National Socialism was not lost on the SS, who denounced him in 1936 as a political Roman Catholic, a pretend racist, and an opportunist. This attack effectively ended Schmitt’s work within the Nazi Party. After the war, he was interrogated at Nuremberg, but released without charge (see Bendersky 1983).

However despicable his political actions, the fact remains that Carl Schmitt made significant contributions to legal and political theory. Consequently, his ideas continue to attract the attention of scholars, including those on the Left (Schwab 1989, vi-viii). My reasons for drawing on Schmitt are given below.

<sup>2</sup> It might be objected that Marx and Engels also spoke of ideology in a positive way, as the world-view of a class. However, Larrain (1983, 53f) argues persuasively that certain quotations ‘which might sustain a positive interpretation... are only the seeds, the few elements in Marx and Engels which were to provide a minimal Marxist legitimacy for the positive meaning which was later to emerge. For one must not forget that both Marx’s and Engels’s writings massively support a critical concept of ideology and that during their lifetime this meaning was neither challenged nor changed by their followers.’

<sup>3</sup> Similarly, the content of ideology, though yet unnamed, is present in Marx’s early works (Larrain 1983, 11).

<sup>4</sup> Many critics have derided Engels’ notion of false consciousness as un-Marxian. But so long as it is remembered that false consciousness does not mean self-deception, then there is no ground for this charge. As Larrain (1983, 51) points out: ‘This concept of ideology may perhaps be unspecific, and different to the earlier elaborations; but even if this is true, it is still a negative concept. Thus there is a remarkable consistency in the way in which Engels returns, time and again, to the same ideas which closely follow the original formulations of *The German Ideology*. From this point of view, Engels’s writings affirm the critical meaning of the concept and cannot be separated from Marx’s.’ Nevertheless, Larrain believes that false consciousness is an inadequate conception of ideology, which should not be attributed to Marx (Larrain 1983, 103f, 109f).

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<sup>5</sup> Larrain contends that Marx did not oppose science to ideology. Firstly, he held a restrictive concept of ideology, which did not encompass errors in general but only those which disguise a contradictory social reality. Secondly, Marx acknowledged that some elements of bourgeois thought (e.g., classical political economy) were scientific. Thirdly, he insisted that criticism alone was incapable of abolishing ideology (Larrain 1983, 42, 173, 204ff).

Against these points, it can be argued that (1) Marx categorically declared that the role of science is to grasp the essence of empirical phenomena by penetrating beneath their superficial appearances, which includes ideology; (2) while Marx did credit some bourgeois thinkers with scientific achievements, he regarded none as having transcended their class position sufficiently to formulate historical-materialist theories (thus even Smith and Ricardo were accused of lapsing into ‘vulgarity’); and (3) even though Marx thought that criticism could not abolish ideology, he did maintain that a materialist, communist consciousness was an indispensable condition of revolutionary practice (see Oakley 1985, 134-40 and below).

<sup>6</sup> Opposing historical materialism to ideology has to be justified because, as Schumpeter (1954a, 6) put it, ‘Marxism is essentially a product of the bourgeois mind.’ In *The German Ideology*, Marx and Engels ([1845-46] 1976, 54-60, 68) assert that the existence of revolutionary ideas presupposes the existence of a revolutionary class, and that a materialist, communist consciousness emanates from the proletariat. However, they add that a communist consciousness can also arise from other classes which contemplate the proletariat’s situation. Yet these communists from other classes are never described as ideologues, or attributed any significant role. Quite revealing in this respect is a subsequent reference to German ‘theoretical representatives of the proletariat’, whom Marx and Engels advise to stress the opposition between ‘actual property owners’ and ‘propertyless communist proletarians’, in order to sharpen communist consciousness and thus prevent class compromise. Moreover, the practical influence of communist intellectuals is said to be confined to Germany, ‘where philosophic phrases have for centuries revealed a certain power, and where moreover, communist consciousness is anyhow less keen and determined because class contradictions do not exist in as acute a form as in other nations’ (Marx and Engels [1845-46] 1976, 495f).

However, this thesis was subsequently disproved by the failure of the working class in all capitalist nations to develop a communist consciousness. Accordingly, Engels began to shift the emphasis away from a spontaneous communist consciousness, towards one induced by the scientific socialism of Marx. The latter, says Engels, consists of the materialist conception of history and the theory of surplus-value, and its role within revolutionary practice is to provide the proletariat with a full knowledge of the conditions and meaning of its historic mission to establish socialism. In short, Engels resolves the contradiction between a bourgeois-communist ideology and proletarian-reformist practice, by identifying the proletarian movement with scientific socialism (Engels [1877-78] 1947, 36, 327). This argument was elaborated by Kautsky, Lenin and Lukács.

In light of Engels' revision, it is remarkable that Marx himself never questioned or modified his original account of class consciousness. Modern defences of Marx's position can be found in Mészáros (1971) and Larrain (1983, Chapter 6), but note Mészáros' subsequent criticisms (Mészáros 1989, 272ff). Schumpeter's attitude towards the Marxian doctrine of class consciousness is dealt with below.

<sup>7</sup> See, for example, Smithies (1951, 17-21), Meek (1967, 198n) and Heilbroner (1993).

<sup>8</sup> Schumpeter makes this point very clearly in his essay 'Science and Ideology': '[I]t is essential for my purpose to emphasize that *in itself* scientific performance does not require us to divest ourselves of our value judgments or to renounce the calling of an advocate of some particular interest. To investigate facts or to develop tools for doing so is one thing; to evaluate them from some moral or cultural standpoint is, *in logic*, another thing, and the two *need* not conflict. Similarly, the advocate of some interest may yet do some honest analytic work, and the motive of proving a point for the interest to which he owes allegiance does not in itself prove anything for or against this analytic work: more bluntly, advocacy does not imply lying. It spells indeed misconduct to bend either facts or inferences from facts in order to make them serve either an ideal or an interest. But such misconduct is not necessarily inherent in a [research] worker's arguing from "axiological premises" or in advocacy *per se*' (Schumpeter 1948, 268, emphases in original).

<sup>9</sup> 'An economist's value judgments often *reveal* his ideology but they *are not* his ideology: it is possible to pass value judgments upon irreproachably established facts and the relations between them, and it is possible to refrain from passing any value judgments upon facts that are seen in an ideologically deflected light' (Schumpeter 1954b, 37, emphases in original).

<sup>10</sup> It is curious that Schumpeter attributed Marx and Engels' doctrine of class consciousness to mental dysfunction and not to their position as bourgeois intellectuals. Certainly in principle, he recognized intellectuals as a social group with their own ideologies (Schumpeter 1948, 281; 1954b, 37). Indeed, in *Capitalism, Socialism and Democracy*, Schumpeter (1954a, 153) argued that the stratum of intellectuals in bourgeois society is full of discontented people who cannot find better employment elsewhere, and who accordingly rationalize their failure into social criticism of the capitalist order.

On the other hand, Schumpeter's critique of the doctrine of class consciousness in *Capitalism*, suggests that Marx was not deluded about the working class after all; rather, he consciously passed a value judgment on it (i.e., imputed an ultimate purpose to it). In Schumpeter's words, Marx's doctrine 'was, of course, not a true formulation of actual feelings, conscious or subconscious. Rather we would call it an attempt at replacing actual feelings by a true or false revelation of the logic of social evolution. By doing this and by attributing – quite unrealistically – to the masses his own shibboleth of "class consciousness," he undoubtedly falsified the true psychology of the workman (which centres in the wish to become a small bourgeois and to be helped to that status by political force), but in so far as his teaching took effect he expanded and ennobled it... He had probably a clear perception of what the masses are and looked far above their heads toward social goals altogether beyond what they thought or wanted' (Schumpeter 1954a, 6f).

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<sup>11</sup> This thesis that philosophy has no analytical impact is not unique to the *History of Economic Analysis*. In *Capitalism, Socialism and Democracy*, Schumpeter makes the same assertion with respect to Marx: ‘Nowhere did he betray positive science to metaphysics. He says himself as much in the preface to the second edition of the first volume of *Das Kapital*, and that what he says there is true and no self-delusion can be proved by analyzing his argument, which everywhere rests upon social fact, and the true sources of his propositions none of which rests upon philosophy’ (Schumpeter 1954a, 10).

<sup>12</sup> See, for instance, Meek (1967), Dobb (1973, Chapter 1) and Mészáros (1989).

<sup>13</sup> Against Schmitt, Marcuse argued that to conceive political antagonisms as existential, and beyond normative judgment, is to deprive political concepts of their content, and to sanction socio-political conditions and relations without question (Marcuse 1934, 30f).

<sup>14</sup> Although, as Shionoya (1997, 60, 316n) observes, Schumpeter’s own phrasing sometimes suggests that ideology and vision are interchangeable. In *Science and Ideology*, the relation between the two is unclear; in some places Schumpeter equates ideology and vision, in others he describes the latter as the source of ideology. See the quotation on p. 7 above.

<sup>15</sup> Some critics have maintained that Schumpeter’s *History* does not provide consistent definitions of economic analysis. For instance, Aufricht (1958, 226f) points out that Schumpeter begins with a broad conception of analysis (which includes economic sociology), but later treats it more narrowly, as either statistics and economic theory, or simply theory. Aufricht makes this observation in support of his argument that Schumpeter’s methodology is unsound. His critique cannot be fully addressed here, but two brief comments will be made. Firstly, it is unfair to charge an author with inconsistency on the basis of an unfinished manuscript. Secondly, the broader definition of economic analysis, which is employed in this paper, is consistent with Schumpeter’s approach throughout his whole career (see Shionoya 1997, Chapter 3).

<sup>16</sup> It is interesting to note that Meek (1967, 200) does not dispute the ideological neutrality of statistics, while Dobb (1973, 7) doubts the neutrality of any mathematical technique.

<sup>17</sup> By positivism is meant a philosophy of social science that consists of three suppositions: (1) the methodological procedures of natural science may be directly adapted to social science; (2) the end of social science is to formulate generalizations that are akin to the laws of natural science; and (3) social science is, or can be, neutral with respect to values (see Giddens 1974, 3f).

<sup>18</sup> It should be mentioned that Shionoya’s appraisal of Schumpeter’s views on verification and falsification is based on his reading of *The Nature and Substance of Theoretical Economics* (1908) and the Preface to the Fourth German Edition of the *Theory of Economic Development* (1935). This is important because relevant statements in *History of Economic Analysis* are more equivocal. For example: ‘In practice we have no choice but to interpret and to appraise every piece of toolled knowledge, past as well as present, in the light of our standards, since we have no others. They are the result of a development of nearly six centuries, during which the realm of scientifically admissible procedures or techniques have been ruled out as inadmissible. We mean this critically restricted realm only when we speak of “modern” or “empirical”

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or “positive” science. Its rules of procedure differ in different departments of science, and... are never beyond doubt. Broadly, however, they may be described by two salient characteristics: they reduce the facts we are invited to accept *on scientific grounds* to the narrower category of “facts verifiable by observation or experiment”; and they reduce the range of admissible methods to “logical inference from verifiable facts.” Henceforth we shall put ourselves in the standpoint of empirical science, at least so far as these principles are recognized in economics’ (Schumpeter 1954b, 8, emphasis in original). Schumpeter must have been aware of the impression this passage would make, since he notes that ‘The word “positive” as used in this connection has nothing to do with philosophical positivism’ (Schumpeter 1954b, 8n).

<sup>19</sup> Many years later, Schumpeter expressed the same essentialist criticism more moderately: In Keynes’ model, ‘physical capital (equipment) is assumed to remain constant throughout, both in kind and quantity. This limits the theory to an analysis of the factors that determine the higher or lower degree of utilization of an existing industrial apparatus. Those who look for the essence of capitalism in the phenomena that attend the incessant recreation of this apparatus and the incessant revolution that goes on within it must therefore be excused if they hold that Keynes’s theory abstracts from the essence of the capitalist process’ (Schumpeter 1954b, 1175).

<sup>20</sup> This argument may not apply to Schumpeter, though; for his empiricist epistemology did not prevent him from theorizing about capitalism as a transitory mode of production, driven by its economic *successes* towards bureaucratization and socialism (see Schumpeter 1954a). Admittedly, Schumpeter’s argument does rely on sociological speculations rather than economic observations, and thus a Marxist could reply that he (Schumpeter) could conceive alternatives to capitalism only to the extent that he departed from empiricism.