

Schumpeter's Theory of Ideological Influence¹

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Abstract: This article contains a reassessment of Schumpeter's theory of ideological influence. It begins by comparing Marx's and Engels's 'negative' conception of ideology to Schumpeter's 'positive' interpretation. Next, Schumpeter's theory of ideological bias is outlined. After that, inconsistencies in Schumpeter's formulations of 'ideology' and 'ideological influence' are addressed using arguments derived from Carl Schmitt. The following sections appraise Schumpeter's instrumentalist view that economic analysis is 'value free'. Finally, the conclusion is reached that while Schumpeter's theory of ideological bias is untenable, his epistemological categories remain relevant 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 he 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, p. 94).

This paper augments Heilbroner's critique by considering the meaning of ideology and its uneasy place in Schumpeter's instrumentalist philosophy of science. Borrowing terminology from Larrain (1983), I shall distinguish between a 'negative' and a 'positive' conception of 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 sociopolitical doctrines, which may contain accurate views of reality as well as delusory ones. Furthermore, I shall argue that Schumpeter's understanding of ideology is positive in an additional sense, in that ideology is recognised as a precondition of scientific activity.

After discussing Schumpeter's notion of ideology, his formal theory of ideological bias will be examined. I shall contend that this theory is fundamentally flawed. First, the concepts of 'ideology' and 'ideological influence' are not defined consistently. Second, philosophical opinions are removed from the sphere of ideological influence, with little justification. Last, Schumpeter fails to elucidate the purely logical techniques that are meant to purge economic 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. Proceeding from his existential concept of politics as concrete struggles between friend/enemy groupings, 'ideology' will be redefined as the system of thought of a political group, while 'ideological influence' will refer to the impact of political and ethical doctrines on social analysis. Not only do these reformulations avoid the conceptual problems contained

in Schumpeter, they also help to explain why Schumpeter's advocacy of a 'value-free' economics is misguided. Two cases in particular will be made. First, Schumpeter's declared commitment to scientific instrumentalism will be contrasted with his essentialist (i.e., ideological) critiques of Marx and Keynes. Second, the outcome of the Cambridge controversies in capital theory will be cited as evidence that faulty theories can prevail in the economics profession, and that alternative visions and analyses cannot be reproduced without ideological support.

Having made these criticisms and amendments, I shall conclude that while Schumpeter's theory of ideological influence is indefensible, his epistemological concepts are sound. This is because they affirm the social construction of knowledge without denying the existence of basic facts. In addition, I shall deduce that internal criticism is the sole justifiable form of analytic evaluation, and that a disinterested economics could only exist in a society dominated by one political group.

2 Marx's and Engels's Negative Conception of Ideology

This paper starts with Marx and Engels, for three reasons. First, 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, p. 474). Second, Schumpeter's theory of ideology is both profoundly influenced by Marxian ideas and yet explicitly differentiated from them. Third, 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 their various discussions of ideology, Marx and Engels highlight different factors, but always the phenomenon is conceived negatively as distorted thought. 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, idealised form. That is, the politico-economic conflicts of class society are misrepresented in the consciousness of social beings, who idealise them as conflicts of religion, abstract reason, morality or law. Moreover, this process of idealisation is reinforced by ruling-class ideologues, who are able to express the dominant material relations as universal, rational ideas (by virtue of their monopoly of the means of mental reproduction) (Marx and Engels [1845-46] 1976, I, p. i).

After 1858, Marx placed less stress on state-sponsored idealisation and more on what he eventually dubbed the 'fetishism of commodities'; that is, the pervasive, mystifying effect of generalised commodity production, which induces agents to mistake social relations between private producers for natural relations between things (Marx [1867] 1954, pp. 76ff). Correspondingly, the word 'ideology' all but disappeared (Balibar 1995, pp. 54ff). Nonetheless, Marx continued to ascribe an important role to ideology, 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 its ideals (Marx [1867] 1954, p. 85n). Furthermore, Marx claimed that 'even the best spokesmen of classical economy remain more or less in the grip of the world of

illusion which their criticism had dissolved, as cannot be otherwise from a bourgeois standpoint' (Marx [1894] 1959, p. 830). So while Marx may have abandoned the word 'ideology', its referent of objective misapprehension remained central to his epistemology (Larrain 1983, pp. 8ff). 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 unconscious illusion, summing it up as 'false consciousness' (Engels 1893, p. 690).²

Thus, in the writings of Marx and Engels, ideology refers to both a distorted consciousness of social reality and a nonviolent means of perpetuating class rule. Implicit in this conception is the possibility of a true, objective 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, pp. 42ff, p. 60). Marx and Engels never shied away from the logical conclusions of their objectivist epistemology. Twenty-one 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 an historically specific and transitory mode of production (Marx [1867] 1954, p. 352n; [1894] 1959, p. 878). Similarly, Engels proceeded to emphasise 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, p. 54).³

It is important to note that Marx's and Engels's conception of ideology was substantially altered by later Marxists. Lenin and Lukács, for example, played down the 'theoretical' problem of exposing distorted thought, reinterpreting ideology as the 'practical' problem of forging a unifying proletarian consciousness (Larrain 1983, pp. 63-78; cf. Balibar 1995, pp. 45ff). This interpretation shall be raised again in section 5, but first I shall compare Marx's and Engels's negative understanding of ideology with the positive one advanced by Schumpeter.

3 Schumpeter's Positive Conception of Ideology

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 usual interpretation is that Schumpeter maintained a decidedly negative attitude towards ideology.⁴ 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 contemporary 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' (see section 4). 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 frameworks, which may or

may not contain accurate observations about social phenomena. In Schumpeter's view, ideological forms are not merely reflexions of (economic) class relations; they are products of both the environmental conditions of human beings and their common psychological habit of rationalisation. 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 instil in the thinker interpretive tendencies that are entirely 'subconscious' (Schumpeter 1954c, pp. 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. First, Marx was utterly unaware of the ideological elements of his own ideas. Second, 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 1954c, pp. 35ff). 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 1954c, p. 36).

Elsewhere, he affirms that 'ideologies *may* contain provable truth up to 100 per cent' (Schumpeter 1949, p. 273, emphasis in original).

These quotations imply that ideology is 'neutral', that it contains suppositions which may further or hinder scientific knowledge, but has itself no definite effect on analytic 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 endeavors 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 1949, p. 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 1954c, p. 385). Not only that, an ideologically conscious analysis may generate more correct and valuable results than one prompted by disinterested motives (Schumpeter 1954c, p. 337n). Of course, prior to analysis (and perhaps after), every researcher will regard his or her own ideological views as self-evident. This is why Schumpeter defines ideologies as 'truthful statements about what a man thinks he sees' (Schumpeter 1949, p. 271).

Thus, Schumpeter's understanding of ideology is positive, in two senses. The first is that ideology is said to embody factual suppositions and not just delusory ones. The second is that ideology is regarded as a prerequisite for scientific economics. So even though Schumpeter (1954c, p. 37) described his concept 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.

4 Schumpeter's Theory of Ideological Bias

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, recognising and removing it (Schumpeter 1954c, p. 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 1954c, p. 42).

It is evident, then, that Schumpeter conceived the relation between ideology and economics as paradoxical. On the one hand, ideology is an integral part of scientific analysis and progress. On the other hand, ideology generally involves unconscious illusions, which form a barrier to scientific economics. These two propositions are not easy to reconcile, but Schumpeter attempted to do so through his concepts of 'vision' and 'economic analysis'. The former refers to the preanalytic act of determining the material for examination, while the latter consists of all the techniques that help to explain the modes of consequences of economically relevant behaviour (where behaviour includes motives, actions and institutions) (Schumpeter 1954c, pp. 21, 41ff).⁵ Ostensibly, the categories of vision and analysis serve to illustrate the process of economic theorising. Yet they are not merely descriptive. For, as we shall see in section 6, 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.⁶ Take, for instance, this definition of vision contained in the *History of Economic Analysis*:

[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 1954c, pp. 41ff).

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, p. 60). Paraphrasing Schumpeter (1954c, p. 37), one may say that a scientist's vision might reveal his or her ideology, but does not constitute it. That is why vision is said to be ideological *almost* by definition. The distinction between vision and ideology was recognised 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 system of thought (Dobb 1973, pp. 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 1954c, p. 3, emphasis in original). For Schumpeter (1954c, p. 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 specialised 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 1954c, pp. 12-16, 20ff, emphasis in original).

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 analytic 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 1954c, p. 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 1954c, p. 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 1954c, p. 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 unconscious and uncontrollable ideologies, are able to analyse economic phenomena objectively.

Before proceeding to criticise Schumpeter's definitions and assertions, it is important to note that he differentiates ideological bias from two other dangers that 'threaten' economic analysis. These are: (1) 'special pleading', or the conscious manipulation of facts or methods for the protection of certain ideals or interests; and (2) the passing of value judgments (i.e., the positing of ultimate ends) on economic processes. Schumpeter insisted that although these practices may reinforce ideological distortion, they are not identical to it. First, sound analytic work is not incompatible with advocacy or the making of value judgments. Second, whereas an analyst cannot help being ideologically biased, he or she can choose to refrain from special pleadings and value judgments. In other words, what distinguishes these phenomena from ideological influence is that they do not operate preanalytically (Schumpeter 1949, pp. 268ff, 271; 1954c, pp. 37, 41ff).

In section 6, we shall see that Schumpeter's distinction between (social and unconscious) ideological errors and (personal and deliberate) special pleadings and value judgments, hinges on an instrumentalist view of social science. But next I shall examine some fundamental problems with Schumpeter's definitions of ideology and ideological influence, which must be resolved before his epistemological arguments can be evaluated.

5 The Case for Redefining 'Ideology' and 'Ideological Influence'

So far, I have outlined Marx's and Engels's notion of ideology as class-based, distorted consciousness, and contrasted it with Schumpeter's conception of socio-psychological, prescientific consciousness. I have also compared 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 rationalisations 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' 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 rationalisations of its members (Schumpeter 1954c, p. 35; 1949, p. 271). The other usage of ideologies is narrow, and refers to 'preconceptions about the economic process' (Schumpeter 1949, p. 269). The latter includes: (a) 'Systems of Political Economy', which consist of 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 1954c, pp. 38, 41). Of course, these two conceptions of ideology are not inherently inconsistent; for both economic manifestos 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 that really interests him; namely, whether economic analysis can ever 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 connection to sociopolitical ideas or interests. In *Science and Ideology*, Schumpeter uncritically subsumes this subjectivist interpretation of ideology under a broader, sociomaterialist 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 1949, p. 273, emphasis in original).

It may be that certain individual dispositions (such as a proclivity for mathematics) are only remotely related to sociopolitical conditions. Yet it is confusing to call such dispositions 'ideologies', having defined the latter (two pages earlier) as the protective rationalisations 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 the *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 – very coarse ones among them – which indeed everyone can understand and which are what Marxism means to the vulgar' (Schumpeter 1954c, pp. 386ff and notes). But Schumpeter himself has already said that ideologies are not individual fancies, but unconscious reflections of sociopolitical conditions. Therefore, the Marxian doctrine of class consciousness must be regarded either as an ideology that has an objective basis (e.g., the status of intellectuals in bourgeois society), or as a subjective, postanalytic, value judgment.⁷ 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 the *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 1954c, p. 31).⁸ This proposition involves two problems, that of clarifying what is

meant by 'philosophy' and justifying its differentiation from other forms of social consciousness. In order to meet the first problem, Schumpeter distinguishes between four meanings of philosophy: (a) the sum of all scientific knowledge (the Ancients' definition); (b) the compound of natural and moral sciences (the Enlighteners' definition); (c) the specific science of knowledge (epistemology); and (d) 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 1954c, pp. 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 1954c, p. 31n). To ensure that his argument is correctly understood, Schumpeter at once declares 'what it does *not* involve.' First, 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 1954c, p. 31, emphasis in original). Second, 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. Third, 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 1954c, pp. 31ff).

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. First, in chapter 4 of the *History* and in other works, Schumpeter formally subsumes all unscientific ideas under the category of ideology, including metaphysical doctrines that rationalise group behaviour. Second, 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 (see section 9). Finally, it is hard 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 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.⁹ Unlike Marx's and Engels's 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 assume that all ideologies correspond to material class struggles and hence are inseparable from objective interests (Purvis and Hunt 1993, pp. 478ff). 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] 1985b, pp. 53ff).

Like Schumpeter, the present writer is sceptical of any explanation of ideology that posits an objective observer, or draws a definite connection 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 social agents are best understood by interpreting their personal systems of meaning (Weber [1921] 1968, pp. 4-15). While this sort of subjectivism may avoid privileging the researcher's beliefs, it underestimates the degree to which social forces condition the frameworks of individuals (cf. Schumpeter 1954b, pp. 129ff). The challenge, then, is to formulate a concept of ideology that recognises it as a social reality yet does not imply any special insight on the part of the analyst. Such a formulation will now be attempted, on the basis of arguments made by Carl Schmitt.¹⁰

Schmitt did not discuss ideology *per se*. However, his irrationalist theory of politics paves the way for a non-objectivist concept of ideology. Schmitt envisaged politics as existential antagonisms between irreconcilable groups, which are characterised 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, pp. 26ff, 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, pp. 30f).¹¹

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, p. 37).

If all political concepts are polemical and imply an ultimate willingness to risk and take human lives, then it follows that 'Every [political] movement is based, first of all, on a specific characteristic attitude to the world; and second, on a specific idea, even it is not always conscious, of an ultimate authority, an absolute center' (Schmitt [1919] 1986, 16). In accordance with this view, ideology can be

redefined as *the system of thought of a political group, which serves to direct and justify its actions*. This definition has several advantages. First, it carries no connotation of distorted consciousness. Second, it does not trace all ideological conflicts to immanent class interests. Third, it affirms that ideologies are social phenomena that cannot be reduced to the minds of individuals (they are instead derived from friend/enemy groupings). Fourth, it is consistent with the observation that any concept may become ideological and will remain so until the relevant political antagonism disappears.

Having redefined ideology as the worldview of a political group, we can now distinguish more clearly between 'ideological influence' and 'philosophical influence'. The former refers to the impact of political and ethical doctrines on social analysis; the latter indicates the effects of ontological, epistemological or methodological convictions. The validity of this distinction will be considered in section 9.

6 The Absence of a Discrete Field of Economic Analysis

In the foregoing sections, I sought to differentiate between Schumpeter's broad conception of ideology and his specific theory of ideological bias. Now that the referents of 'ideology' and 'ideological influence' have been clarified, we are better able to question the theory of ideological bias itself. So, given that the visions of economists are wholly and unconsciously determined by ideologies (politico-ethical doctrines), is there any reason to believe that analytic techniques tend to remove ideological biases? Can the results of economic analysis be scientific when its source is partial?

The tension in Schumpeter's argument between the political and objective aspects of economics is brought into relief by his critics. For Marxists like Meek and Dobb, economic analysis simply cannot be separated from its socioeconomic 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. Hence, a genuine analysis will necessarily imply a particular ideological bias, whether the theorist recognises this bias or not (Meek 1967, pp. 202-9; Dobb 1973, chapter 1). Furthermore, Dobb affirmed that if analysis is defined narrowly as a set of formal, ahistorical methods, 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). Besides, even the choice of mathematical technique can be shown to have ideological implications. For example, linear programming requires the postulation of some normative objective, as well as some constraints, which are set with a view to actual economic problems (Dobb 1973, pp. 7-15).¹²

Similarly, Heilbroner argues that Schumpeter's argument for scientific economics cannot be sustained. He points out that Schumpeter never specifies the rules of analytic procedure that are supposed to check ideological influence (Heilbroner 1993, p. 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'). Lastly, Heilbroner observes that Schumpeter's own analyses are inextricably bound up with his bourgeois elitism (Heilbroner 1993, pp. 93ff). 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, p. 93).

While such criticisms seem to destroy Schumpeter's case for objective economic analysis, two things may be said in his favour. First, Schumpeter's theory of ideological bias made its full appearance in the *History of Economic Analysis*, an unfinished manuscript that was published posthumously. Hence, it is not surprising that it suffers from serious flaws of presentation (notably the juxtaposition of positivist and historicist assertions) and the failure to substantiate contentious claims (see Schumpeter 1954c, pp. 8, 31ff, 44, especially). Yet Schumpeter's other works contain additional and more elaborate arguments for the vision/analysis distinction, if not for the notion of *automatic* ideological purification. Therefore, a thorough critique of Schumpeter's 'toolbox' concept of economic analysis would have to deal with these other arguments.

This leads us to the second point. Schumpeter would not, in principle, have accepted criticism on the ground that an adequate economic theory must reflect the realities of a specific social situation. This is because he adhered to an instrumentalist philosophy of science. According to Shionoya, Schumpeter accepted a moderate version of instrumentalism, which consisted of two central propositions. First, theories are not descriptions of an essential reality but instruments aimed at achieving interesting results. Second, 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, chapter 5).

While this instrumentalist standpoint is outlined in the *History* (Schumpeter 1954c, pp. 6-11), it is presented more carefully in other works. For example, in a revealing discussion paper entitled *The Meaning of Rationality in the Social Sciences*, Schumpeter declared that 'rationality (rational procedure) in the social sciences does not differ from scientific rationality in general.' If 'science in general' is defined as 'the endeavor to describe phenomena we happen to be interested in, in the way most economical with reference to an assigned degree of accuracy', then:

It follows that scientific procedure must necessarily reject all forms of thought that are in conflict with the rules of logic or cannot, in principle at least, be tested by these rules. But it does not necessarily follow that it also 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, p. 316).

While Schumpeter (1940, p. 317) concedes that economy of description is dependent on the depth of explanation that the analyst desires, he insists that the latter is not a question of rationality, but of 'valuations' of means to a given end. Furthermore, the fact that scientific rationality is relative to 'the information and mental equipment' that the analyst commands, does not exclude the possibility of 'value freedom' in social science. This is because:

What is meant by 'Wertfreiheit' is merely freedom from value judgments of a particular kind, viz. from judgments about how it would

be *desirable* for the phenomena under study to behave. This means positing ultimate ends and, though I admit that it is more difficult in the social sciences than it is in others to prevent our ends or sympathies from influencing our results – ‘wishful thinking’ – I cannot see that the logical position of those ultimate ends is any different in the social field (Schumpeter 1940, p. 318, emphasis in original).

Schumpeter goes on to say that, while there is a relation between scientific rationality and truth, there is no congruence. Rather, a ‘true’ result obtains when: (1) the analyst reasons logically from premises and material that are adequate to his or her purpose; (2) a regular relation is established between entities that can be quantitatively expressed; or (3) the analyst understands the subjective rationality of social agents, by setting forth the means (or conditions) that are conducive to their ultimate end, or logically implied by it. The first case applies to models based on the ‘rationality of the observer’, the second and third to models based on ‘rationality in the observed’ (Schumpeter 1940, pp. 318-23).

In light of this discussion paper, Schumpeter's various statements about ideology, vision and economic analysis appear to be more reasonable and consistent than many critics would suggest. More precisely, each of these statements can be located within a clear methodological sequence that begins with ideology and concludes with political economy. This sequence can be illustrated by ordering some typical assertions (from a range of works) as follows: (1) while ideologies affect the choice of problems and approaches in all sciences, they are themselves extra-scientific because they involve ultimate ends (Schumpeter 1949, pp. 270ff); (2) a vision is a theorist's view of what is important (and unimportant) for understanding the economic state of society at a given time (Schumpeter 1946, p. 268); (3) economic facts and categories are artificial abstractions from the social process, which are made by the investigator (Schumpeter [1911] 1961, pp. 3, 9); (4) ‘Scientific or Analytic Economics’ is ‘the stock of facts and methods that economists collect with the purpose of *explaining* the phenomena of economic life’ (Schumpeter 1954c, p. 1141, emphasis in original); and (5) scientifically interesting theories may be associated with uninteresting policies, and vice versa (Schumpeter 1954c, p. 338n). To recapitulate: so long as economists proceed rationally, their ideologically conditioned visions will give way to scientific analyses, which in turn can (but need not) be incorporated into one or other system of political economy.

Evidently, the plausibility of this methodological schema hinges on the existence (or possibility) of common rules of analytic procedure. We have already seen that such rules are not spelled out in the *History*. In contrast, Schumpeter's first book, *Das Wesen und der Hauptinhalt der Theoretischen Nationalökonomie* (1908) does elaborate on the logic of method, at least with respect to statistics and static (Walrasian) theory (Shionoya 1997, pp. 93ff, 318n). Indeed, Shionoya contends that three rules of procedure can be derived from *Das Wesen*; namely: (1) the construction of hypotheses, which are formal, minimal claims made on the analyst's authority; (2) the formation of theories, which are measures for simplifying phenomena of interest into a system of interdependent relations; and (3) the use of facts (observations, data or phenomena), which induce and justify hypotheses on the one hand, and give content to theories on the other. These three rules reflect Schumpeter's belief that hypotheses have no ontological reality and that theories should be instrumental and simple (Shionoya 1997, pp. 105ff).

Nonetheless, Shionoya (1997, pp. 120ff) concedes that Schumpeter's rules of procedure remain vague; for *Das Wesen* ‘offers no thorough consideration

between theory and fact and of the empirical testing of theory.’ (The same can be said, incidentally, of Schumpeter’s next methodological book: *Economic Doctrine and Method* (1914).) Yet Shionoya asserts that Schumpeter proceeded to address the problem of empirical testing, first theoretically in the Preface to the fourth German edition of the *Theory of Economic Development* (1935), and then practically in *Business Cycles* (1939). In the former piece, a theory is said to fit the facts if: (1) it generates quantitative results that agree with given data; (2) it can explain unquantifiable data as something to be expected by the theory itself; or (3) it can identify the conditions, direction and extent of disturbing factors (Shionoya 1997, pp. 121ff). These criteria of ‘verification’ are evident in *Business Cycles*, in which Schumpeter undertook statistical and historical analyses, in order to test his theory that cyclical fluctuations in capitalist economies reflect discontinuous waves of innovative activity (which are initiated when entrepreneurs employ new combinations of inputs, thus upsetting the steady circular-flow of economic life). However, Schumpeter’s theory of innovation, as well as his statistical methods and proofs, were severely criticised by other economists (notably Simon Kuznets). Consequently, he proceeded to elucidate the sociological aspects of his business-cycle theory, which in turn led him to emphasise the role of ideology in bridging the gap between hypotheses and facts (Swedberg 1991, pp. 58ff; Shionoya 1997, pp. 121ff, 182ff).

Therefore, a survey of Schumpeter’s writings reveals that he never succeeded in detailing objective rules of procedure for economic analysis, either in principle or in practice. Furthermore, Schumpeter acknowledged that these rules are mutable and contestable: ‘[O]ur rules of procedure are, and presumably always will be, subject to controversy and in a state of flux’ (Schumpeter 1954c, p. 8n). Nevertheless, he was reluctant to admit that ideological factors played any role in analytic controversies. Debates over method reflect the relativistic nature of all scientific knowledge, and analytic results must be accepted which use methods that ‘meet the scientific standards of [the economist’s] time and environment’ (Schumpeter 1954c, pp. 8ff). By now it is clear that Schumpeter’s methodology is purely historicist: ideological (socially conditioned) research is said to be assessable by common analytic rules, yet these rules are themselves said to be socially conditioned (ideological). It follows that there are no grounds for considering economics to be a discrete or apolitical science. Rather, economic analysis receives its rules from ideology, to which it is bound. Now analysis cannot be the arbiter of that on which it is itself founded.

At this point, an internal critique of Schumpeter can go no further. Accordingly, the remainder of this paper will criticise him from standpoints that lie outside scientific instrumentalism and Walrasian economics.

7 The Predominance of the Political

I: Schumpeter vis-à-vis Marx and Keynes

I shall now try to show that ideological biases will always prevail over attempts at scientific disinterestedness and that such attempts are themselves political. These are the very propositions against which Schumpeter fought all his intellectual life. For him, economics is a science, ‘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 1954c, p. 10). However, since Schumpeter failed to identify common rules of analytic procedure, this conclusion

could only serve as a prescription. Consequently, he was compelled to recognise the persistence of competing systems of political economy, even as he condemned 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 1954c, p. 9).

Schumpeter's arguments against political economies are not without merit. He reasons convincingly that, when economists theorise uncritically from ideological premises, they are bound to: (1) dismiss or overlook the insights of colleagues on the basis of their political motives or scholastic affiliation; and/or (2) draw general policy conclusions from highly restrictive models (Schumpeter 1931; 1954c, pp. 472ff). Yet what must be obvious from the foregoing is that the presence of politico-ethical elements in economics cannot be viewed as lapses from professional conduct. For, given the existence of pervasive, unconscious ideologies and the absence of unambiguous rules of procedure, it is untenable to treat 'value-laden' analyses as anything other than inevitable, structural effects. By the same token, assessments of analytic performance cannot be separated from the ideological biases of the assessor. Indeed, Schumpeter admitted as much when evaluating the analytic contribution of the mercantilists:

If we want to be just to that age, we must clearly separate substandard chaff from valuable wheat . . . But what, beyond a rather small group of performances on which we may all agree, is the wheat? Here, everyone must rely on his personal evaluations of analytic quality – the only kind of value judgments that are both permissible and unavoidable in a history of scientific economics – a matter of which often the only agreement attainable will be the agreement to differ. (Schumpeter 1954c, p. 348)

In his defence, Schumpeter will have stressed that making the occasional, warranted value judgment is not the same thing as being subject to ideological bias. Recall from section 3 that ideologies were said to be unconscious, preanalytic and social, while value judgments were voluntary, postanalytic and personal. Schumpeter asserted 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 1949, p. 271). However, for economists who are actively engaged in political struggles, or whose research enters into them, ideologies lie well within their range; hence their value judgments on political economies 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 discussions of Marx and Keynes. The work of these two economists had an immediate bearing on his politics: Marx because he inspired the abolition of capitalism, Keynes because he facilitated its control. According to Paul Sweezy, Schumpeter 'was essentially a conservative who disliked Keynesianism and New Dealism, which tinkered with the capitalist mechanism' (Sweezy, paraphrased in Harris 1951, p. 5). Moreover, as Schumpeter saw it, Marx's vision of a dynamic and historically necessary capitalism, driven forward by its own contradictions, was far less harmful to conservatism than Keynes's vision of a stagnating and irrational capitalism in need of permanent state support. For, while the fatalistic politics of (genuine) Marxism

allows capitalism to run its course, the activist policies of Keynesianism (with its anti-saving, distributive and inflationary effects) only hastens its demise. Therefore, it was the political logic of a cosmopolitan gentleman, and not mere eclecticism, which prompted Schumpeter to praise Marx as a profound conservative and to deride Keynes as a parochial English intellectual (Schumpeter 1946, pp. 273-90; 1954b, *passim*).

It was these ideological relationships that ultimately determined Schumpeter's evaluation of Marx's and Keynes's analytic achievements. With respect to Marx, Schumpeter concluded that his analyses were mostly wrong: 'In the court that sits on theoretical technique, the verdict must be adverse' (Schumpeter 1954b, p. 43). The only aspect of Marx's analysis that Schumpeter seemed to accept was his concept of capital accumulation (internally financed real investment), and that not without qualification (Schumpeter 1954b, pp. 30-31n; 1954c, pp. 660ff). Yet Schumpeter discounted all the flaws he perceived in Marx's analysis, because he believed that Marx had formulated a correct vision of the capitalist process:

Marxist analysis is the only genuinely evolutionary economic theory that the period [1790-1870] produced . . . [T]he grand vision of an immanent evolution of the economic process – that, working somehow through accumulation, somehow destroys the economy as well as the society of competitive capitalism and somehow produces an untenable social situation that will somehow give birth to another type of social organization – remains after the most vigorous criticism has done its worst. It is this fact, and this fact alone, that constitutes Marx's claim to greatness as an economic analyst (Schumpeter 1954c, p. 441).

Of course, the view that Marx's analytic apparatus was technically incorrect, but his vision essentially right, is incompatible with the idea (cited above) that ideologies and visions are preanalytic phenomena, unamenable to scientific judgment. Nonetheless, Schumpeter could not help judging Marx in essentialist terms; for he shared Marx's vision of a capitalist system that develops endogenously towards its end (Schumpeter 1937, p. 160; 1954b, pp. 42ff, 162). At the same time, Schumpeter overlooked components of Marx's analysis that were highly relevant to his own theoretical work. Oakley (1990) reasons that Schumpeter could have formulated a more robust theory of business cycles, had he made use of Marxian reproduction schemata instead of Walrasian circular-flow analysis. But, since these schemata imply that capitalism is not a self-equilibrating system, Schumpeter could not have used them without altering his basic vision.

Furthermore, just as Schumpeter appraises Marx's economics on ideological grounds, so he rejects that of Keynes. Notwithstanding his acknowledgement of 'Keynes's brilliance in the forging of individual tools of analysis', Schumpeter regarded 'his social vision to be wrong and every one of his propositions to be misleading' (Schumpeter 1946, pp. 287, 291). In particular, Schumpeter insisted that Keynes's analytic apparatus *necessitates* a short-sighted and false diagnosis of the capitalist economy. First, Keynes set up a static theory of short-run equilibria, in which production functions are invariable, there are no innovations, free competition exists in product and factor markets, and the behaviour of agents is driven by real rather than monetary factors (except when workers are negotiating wage contracts). Next, Keynes made employment depend wholly on national income. Finally, national income was said to be determined by three functions (the consumption function, the marginal efficiency of capital

function, and the liquidity preference function), which were defined in such a way as to attribute flagging real investment to high rates of saving and/or of interest (Schumpeter 1954c, pp. 1174ff). In sum, all these short-run, theoretical constructs served to promote a long-run vision of a chronically stagnant and unstable capitalism, which requires expansionary macroeconomic policies to survive (Schumpeter 1946, pp. 282ff; 1954c, pp. 1170ff).

Once again, Schumpeter's ideological biases impelled him to forsake his own methodological convictions. It may be that 'Keynes's theory abstracts from the essence of the capitalist process' (Schumpeter 1954c, p. 1175); yet from an instrumentalist perspective, the artificiality of his model is itself no obstacle to a scientific result (see the principle of rationality of the observer, above). That is, the relevant criterion of judgment is not the use of realistic assumptions, but logical inference from material adequate to the analyst's purpose. Now Schumpeter does suggest that Keynes's analytic apparatus fails to explain the phenomena in which he (Keynes) is interested:

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, p. 155).

However, in all of Schumpeter's critiques of Keynes, this genuine analytic criticism is never developed. On the contrary, it is displaced by numerous polemics against Keynesian economics, which are directed at exposing it as essentially untrue and politically dangerous.¹³

Nevertheless, Schumpeter should not be criticised too harshly for denying Keynes the scientific rationality that he saw in others' work, or for passing judgment on his nationalistic political economy. For it was impossible for Schumpeter to remain ideologically neutral vis-à-vis Keynes, when the way of life of his own political group (bourgeois conservatives) was at stake. Thus, even when the Keynesian Revolution was a *fait accompli*, the best that Schumpeter could say of Keynes's analysis was that it is a 'severely static' theory, which could perhaps find 'some verification' in 'the freakish situations of deep depressions' (Schumpeter 1954c, pp. 1174, 1179). As Smithies (1951, p. 136) put it: 'Schumpeter did not credit Keynes with a single major improvement in the technique of economic analysis.' This position was clearly at odds with 'the scientific standards of his time and environment', and was not without analytic costs. For, had Schumpeter been prepared to incorporate elements of Keynesian theory, he could have improved his own theory of interest and business cycles, and dropped his highly restrictive assumption that the economy achieves a state of Walrasian equilibrium at the end of every cycle (Smithies 1951, pp. 136ff).

8 The Predominance of the Political II: The Cambridge Controversies

It might justly be objected that Schumpeter's hostility towards Keynes's doctrine does not disprove his theory of scientific economics.¹⁴ Indeed, it might be conceived as an illustration of the non-linear and controversial nature of analytic progress, of which Schumpeter himself wrote (Schumpeter [1914] 1954a, p. 152; 1954c, p. 4). Not only that, Schumpeter's wholesale rejection of Keynesianism

might be interpreted as a reasonable reaction to a politically vitiated analysis, which, moreover, has been vindicated in the long run. That is, Keynesian analysis might be regarded as a detour, from which mainstream economists have been turning since the 1970s.

Against such arguments, it is contended that post-Keynes developments in economic analysis only confirm the presence of ideological imperatives. Specifically, the outcome of the Cambridge controversies in capital theory (which took place in the period 1953-82 between economists centred in Cambridge, England, and Cambridge, Massachusetts) is a striking example of the ideological determination of analysis. For, while the participants in these (often vituperative) debates more or less agreed on the limitations of neoclassical capital theory, the response of the wider economics profession was first to disregard these findings and then actively to prevent their reproduction and extension. Furthermore, this response can only be understood in the context of prevailing political struggles. The brief history that follows is intended to illustrate these points.

According to Pasinetti (2000), the Cambridge controversies can be understood as consisting of three phases. The first was an attack on the neoclassical production function by the British Keynesian, Joan Robinson. This concept treats labour and capital as being perfectly symmetrical to each other. Just as labour is expressed in physical terms (work per unit of time), to which its reward (wage per unit of time) is related, so capital is expressed in physical terms (e.g., number of machines), to which its reward (the rate of profits) is related. However, whereas labour can be measured in natural units (e.g., labour hours by each class of worker), capital cannot. This is because capital is made up of heterogeneous and privately owned goods, whose yields can only be summed in value terms. Hence the rate of profits is not determined by the quantity of capital, but by its value. The latter is obtained by multiplying the physical quantity of capital by its price, which is in turn dependent on the rate of profits. This means that for any model involving two or more goods, it cannot be said that the rate of profits is a function of the marginal product of capital. This problem was first recognised in 1901 by the marginalist Wicksell and forcefully restated in 1953-4 by Robinson. In the debates that followed, it was established that it is impossible to construct a meaningful, aggregate measure of heterogeneous capital goods, in *physical* terms. The solution put forward by US neoclassicists was to represent aggregate capital in terms of its *current value*. Yet this still entails assuming what needs to be solved (i.e., the rate of profits). Thus, it transpires that capital can neither be placed in the same logical class as labour, nor be inserted symmetrically into the same function (Harcourt 1972, pp. 3ff; 1994, pp. 29ff; Pasinetti 2000, pp. 27-31).

In the second phase of the Cambridge controversies, critics of neoclassicism (led by Sraffa) challenged the principle that the price of capital services (the rate of interest) is a continuous function of the relative scarcity and marginal productivity of aggregate capital. By considering the heterogeneity of capital goods and the time-pattern of production, these critics identified two phenomena that invalidate the neoclassical principle. The first is the possibility of 'reswitching of techniques'. This occurs when, as the wage-rate rises and the rate of profits falls, a certain labour-intensive technique may be replaced by a more capital-intensive one, but at a *discontinuously higher* wage-rate (and correspondingly lower rate of profits) the initial labour-intensive technique may again become cheaper. The second (and even more damaging) phenomenon is the possibility of 'capital reversing', whereby, at a lower rate of interest, a *less*

mechanised technique becomes *more* profitable than a *more* mechanised one, which was equally or more profitable at the previous (higher) rate of interest. These findings all but ruled out the applicability of the generic, neoclassical production function, which relates lower rates of profits to higher values of capital per worker, higher capital-output ratios and more mechanised methods of production. Accordingly, the more sincere defenders of neoclassicism conceded that an inverse, monotonic relation between the rate of interest and capital intensity is only a special case (Samuelson 1966),¹⁵ and that the neoclassical theory of income distribution amounts to 'a statement of faith' (Ferguson 1969, p. 259).¹⁶

The final phase of the Cambridge controversies was the suppression of its results by orthodox economists. A tendency to resist criticism had been evident from the very start of the debates, when reswitching and capital reversing were dismissed as theoretical curiosities that have no empirical relevance. Moreover, mainstream resistance did not abate after the capitulations of leading neoclassicists. Rather, attempts were made to specify conditions that would save neoclassical capital theory. For example, Burmeister and Turnovsky (1972) constructed a model of a 'regular economy', in which the rate of interest varies inversely with the capital-labour ratio and there is no 'paradoxical consumption behaviour'. Furthermore, Solow reinterpreted interest as the *social* rate of return on investment (not capital). Given constant prices, this rate of return allows entrepreneurs to calculate the marginal benefit of moving from one 'economic system' (i.e., productive technique of a certain capital intensity) to another, when both systems are currently equi-profitable. Yet reformulations such as these failed to convince critics; for the conditions needed to avoid 'badly behaved' economies are extraordinarily restrictive. Burmeister's and Turnovsky's model excludes capital reversing by definition, while Pasinetti maintained that Solow's argument implies continuity between profit rates and degrees of capital intensity, and hence the 'unobtrusive postulate' that capital reversing does not occur. Solow denied this, but Pasinetti countered that the unobtrusive postulate is essential to deriving an index of scarcity in a general equilibrium model. Nonetheless, the majority of US neoclassicists continued to insist that the distribution of income and factor prices can be explained as the outcome of a general equilibrium system.¹⁷

So, in the end, mainstream economists simply refused to recognise fundamental criticisms of neoclassical theory. As Harcourt (1994, p. 33) wrote: 'Cambridge (UK) won, but who cares, let us assume that they never existed – a good economist's ploy'. Pasinetti affirms that recourse to general equilibrium theory have been justified with reference to an article published by Frank Hahn in 1982. This article asserted that Sraffian critiques of neoclassical capital theory only apply to the aggregate-capital model, and that Walrasian, general equilibrium theory remains unaffected. In addition, Hahn reclassified the specific phenomenon of reswitching as the general problem of systemic instability.¹⁸ These assertions have been repeated uncritically by other orthodox economists, while the objections of critics have long ceased to be published in mainstream journals (Pasinetti 2000, pp. 36-41). And, although many heterodox economists (e.g., Hodgson 1997, pp. 102ff) take Hahn's point regarding Walrasian analysis, the fact remains that the majority of contemporary economists are blithely using analytic tools that *both Cambridges* had agreed were inappropriate. To quote Harcourt again:

Aggregate production function models and accompanying marginal productivity results, together with the long-period method, are being applied in the work which reflects the new interest in growth theory of

the late 1980s and early 1990s, associated, for example, with the contributions of Lucas and Romer. The intellectual dishonesty – or at best ignorance – which characterize these developments is breathtaking in its audacity and arrogance, reflecting the ruthless use of power by mainstream economists in dominant positions in the profession (Harcourt 1994, p. 29).

In sum, the Cambridge controversies demonstrate that formally discredited analyses can survive and prosper in the economics discipline. Obversely, they reveal that contrary visions and analyses cannot take hold, unless they are given a material (institutional) existence.¹⁹ And there can be no doubt that the incorporation of the Cambridge, England, critique would have entailed a new vision. For the marginal theory of value and distribution highlights technical factors over sociological and institutional ones, while the ‘post-classical’ alternatives²⁰ focus on class conflicts and institutions. Hence, the rejection of neoclassicism would have meant: (1) emphasising that profits are received by virtue of ownership alone; and (2) widening the boundaries of economics, so as to include determinants that are social, institutional, historically relative and *changeable*.²¹ When the political implications of a post-classical vision are stated explicitly, it is difficult not to conclude that the Cambridge controversies entailed a definite ideological struggle.

Nevertheless, pointing to the relevance of ideology does not prove that it was a determining factor.²² Indeed, many economists believe that the loss of Cambridge, England, was primarily a matter of theory. Mainstream economists go so far as to deny the role of ideology altogether. For them, the Sraffian critique failed because it was theoretically inadequate.²³ In the same vein, the Sraffian Nell (1989, p. 894) states that ‘the simplest explanation for the failure of the alternative vision is that it has never been fully developed’. And, while the institutionalist Hodgson uses ideology to explain the pattern of acceptance of Sraffian theory, he too attributes the collapse of post-classicism to theoretical factors. According to Hodgson (1997), Sraffian theory had a slow and weak reception, since it originated outside the top US universities and was not discussed in core economics journals. But in the 1970s there was a rapid increase of interest in Sraffian theory, owing to ‘the wave of political radicalism that swept Western universities’ (Hodgson 1997, pp. 104ff). Nonetheless, the doom of post-classicism (Hodgson argues) was solely due to incomplete reasoning. For the Sraffians left general equilibrium theory untouched and neglected key heterodox concepts such as uncertainty and learning. Furthermore, the Sraffian critique of neoclassicism was rendered superfluous in the 1980s by the orthodoxy’s *avant-garde*.

These economists might be correct to say that post-classicists did not produce a viable alternative to neoclassical theory. Yet what they leave unexplained are all the anti-intellectual aspects of the Cambridge controversies; to wit: (1) the general indifference of economists towards the debates; (2) the suppression of Sraffian counterattacks; and (3) the inability of post-classicists to ‘reproduce’ themselves in the next generation of economists. Conversely, an explanation that highlights the predominance of ideology can account for all these facts.

The problem with most commentaries on the capital theory debates is that they view them through rationalist lenses. That is, it is presumed that the controversies were determined by an objective logic. The latter is conceived either as the abstract logic of pure theory or the political logic of capitalist class struggle.

But what these rationalist interpretations overlook are the extra-scientific, non-class antagonisms that transformed capital theory from a site of ideological conflict into an object of esoteric discussion. When the Cambridge controversies were at their height, the antagonists lined up according to their attitudes towards capitalist institutions and the US-Vietnam War (Harcourt 1972, p. 13). Accordingly, the Cambridge, England, camp saw the destruction of neoclassical theory as a prerequisite for a more radical political economy, one aimed at abolishing poverty and promoting peace (Robinson 1976, p. 129; Hausman 1989, p. 828). However, soon after elements of Cambridge, Massachusetts, conceded defeat, the political situation in the USA and the UK changed completely. With the end of the long boom and the impending US defeat in Vietnam, reformist liberals rapidly lost their ground to reactionaries. In economics, this change was reflected in the declining influence of neoclassical Keynesians vis-à-vis monetarists and supply-siders. The latter schools had no interest in capital theory but a great interest in reducing labour's share in GDP (see Walsh 1989, p. 885).

At the same time that neoclassical Keynesians were conducting a rearguard action against regressive macroeconomics, post-classicists continued the capital debate among themselves, arguing over the 'pseudo production function' and the concept of long-period equilibrium. Since none of these disputes was connected to an immediate political struggle, the capital controversies ceased to have any ideological importance. And once the Keynesian counter-revolution had consolidated, post-classicists faced a profession that not only ignored their contributions to capital theory, but also refused to recognise their theorising as such. Thus deprived of any meaningful presence in the discipline, and isolated from any existing political grouping, post-classicists were unable to sway the successive generation of economists and social agents.

It might be tempting to rationalise this outcome as the triumph of bourgeois economics. But such a rationalisation would meet with the objection that the majority of post-classicists were thoroughly bourgeois in their interests and sympathies – Marxian phrases notwithstanding.²⁴ The bourgeois nature of post-classicism can be seen in the underlying political issue of the Cambridge controversies, which was always the military and distributive policies of the capitalist state, and never socialist transformation. Furthermore, it is debatable whether the establishment of so-called neoliberalism has increased the average rate of profits or strengthened the capitalist order. Whatever the case, the prevalence of 'pre-Keynesian' theories of capital and distribution cannot be analysed with any precision in terms of class antagonism. The fact that reactionary political economies have diminished the material conditions of workers does not alter the bourgeois character of the ideological struggle. Quite the opposite: the political failure of post-classicism can be traced to the liberal ideology of its adherents. Since liberalism teaches that social conflicts can be resolved by discussion alone,²⁵ post-classicists did not think it necessary to identify a political group capable of enforcing their political economy.

9 A Note on Objectivism and Philosophical Influence

Some final words need to be said about Schumpeter's belief that economic analysis should be value-free, and that philosophies have no political bearing on analytic work. From the arguments developed above, one can conclude that a certain economic analysis could only be value-free if: (1) no political group perceived it to

harbour any threat to their way of life; or (2) the analysis constituted an act of 'symbolic violence' (Bourdieu 1998, p. 103), meaning that it was generally accepted as an objective treatment of an unchangeable reality. In the first instance, the analysis remains politically irrelevant and therefore value-free; in the second instance, the analysis is objective because all contrary interpretations are collectively repressed.

However, so long as economic analyses continue to be contested by political groups, claims to objectivity will only heighten their antagonism (cf. Schmitt [1932] 1996, p. 21n). Therefore, with both Schumpeter and contemporary economists, we can see that the advocacy of a scientific economics is itself a political act. In the case of Schumpeter, this ideal allowed him to oppose Keynesian nationalism on seemingly apolitical grounds. In the case of orthodox economists, objectivity serves as a pretext for taking private property and class relations as given. Characteristically, Schumpeter was sensitive to such inferences and sought to dispel them. In *Business Cycles*, he declared:

I recommend no policy and propose no plan . . . What our time needs most and lacks most is the understanding of the process which people are passionately resolved to control. To supply this understanding is to implement that resolve and to rationalize it. This is the only service that the scientific worker is, as such, qualified to render. As soon as it is rendered everyone can draw for himself the practical conclusions appropriate to his individual interests or ideals. And it will be seen (and often pointed out) that my analysis can in fact be used to derive practical conclusions of the most conservative as well as the most radical complexion, exactly as one and the same body of engineering or medical knowledge can be used for the most varied purposes . . . But scientific analysis of an organic process easily creates the impression that the analyst 'advocates' letting that process alone (Schumpeter 1939, p. vi).

But Schumpeter's very defence gives the game away. For, in equating capitalism with a natural process and the economist with a natural scientist, he is asserting the rationality of capitalism and the desirability of detached observation.

Furthermore, the distinction between a known object and a knowing subject is indicative of an empiricist epistemology. From Schumpeter's perspective, empiricism is uncontroversial; it is the standpoint of modern science (Schumpeter 1954c, p. 8; Shionoya 1997, p. 108). But in the view of other thinkers, empiricism is far from being ideologically neutral. According to the conservative philosopher Hegel, empiricism is 'a doctrine of bondage'. On the one hand, empiricism presents the sensuous world as something preponderant and alien; on the other hand, it implies that 'reason and unreason can only be subjective: in other words, we must take what is given just as it is, and we have no right to ask whether and to what extent it is rational in its own nature' (Hegel [1817] 1975, §38, Addition). Similarly, the Fascist Gentile associated empiricism with egoism and spiritual torpor, because it prevents the subject from assimilating his or her experience and identifying with 'the other' (Gentile [1943] 1960, pp. 76ff). Again, Marcuse (a Marxist) reasoned that a philosophy which confines itself to the given banishes everything that may not yet be a fact, thus precluding the interpretation of data in terms of a comprehensive critique of the given itself (Marcuse 1954, pp. 113, 327).

These Hegelian appraisals of empiricism (from thinkers of various political groups) suggest that epistemology cannot be divorced from politico-ethical

attitudes and therefore ideological influence. Some economists (e.g., Dow 2002) also recognise the interdependence of knowledge and politics, without drawing any definite connections between particular philosophies, political doctrines and methods. What I would emphasise is that epistemologies are essentially dogmatic (Larrain 1983, p. 188), and that ideologies deduce a closed logical system from a single, ontological premise (Schmitt [1919] 1986, p. 3; Arendt 1967, pp. 468-72). In other words, ideologies are more than just political doctrines; they are total explanations of reality that posit certain principles of being and knowledge. It follows that: (1) it is impossible to treat philosophy as something irrelevant to the interpretation of economic facts (unless one adheres to an empiricist epistemology and therefore denies the social character of knowledge); and (2) philosophical influence is inseparable from ideological influence. So, while the more abstract components of ideology might be effectively analysed by means of 'philosophical' concepts, a sharp distinction between philosophical and ideological influence is illogical.

10 Conclusion

This paper has maintained that Schumpeter's theory of ideological influence is less restrictive than Marx's, in that it recognises the ubiquity of ideology and its necessity for economic analysis. However, it has also 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 I contend that his epistemological categories remain relevant and useful. First, Schumpeter's notion of ideology (when formulated precisely) does convey the unconsciously political nature of all social-scientific thought. Second, his more restrictive concept of vision highlights the fact that every economist has a dogmatic understanding of the nature and causal relations of capitalism. Finally, Schumpeter's most narrow concept of economic analysis captures the methods and facts that are common to all economists.

As argued above, Schumpeter mistakenly believed that economic analyses could transcend their ideological bases. But this mistake does not invalidate the demarcation itself. On the contrary, the delineation of empirico-logical reasoning (economic analyses) from ideological suppositions about capitalism (visions) affirms the reality of historical and material facts. For there is no paradox in acknowledging the existence of 'brutally elementary data', while insisting on the ideological determination of their selection and interpretation (Arendt 1977, pp. 238ff). Indeed, if no attempt is made to distinguish between empirical facts and ideological statements, then economic analyses are doomed to arbitrariness.

Nevertheless, it is clear from the foregoing that only one 'scientific' assessment of economic analysis is possible; namely, whether the operation and findings of an analysis are consistent with its fundamental premises. Moreover, even the most refined assessments will be inconsequential if they are not backed by ideological force. An emphasis on the partisan character of economic analysis might seem nihilistic to some economists. But the same political conflicts that prevent scientific economics also enable creative thought. For the absence of ideological struggles

could only mean that all economists were subject to the tyranny of one ideology.

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Notes

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2 It might be protested that Marx and Engels also spoke of ideology in a positive way, as the worldview of a class. However, Larrain (1983, pp. 53ff) 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.' See also Marcuse (1958, pp. 124ff).

3 Note that many Marxists deny that Marx opposed science to ideology. Larrain (1983, pp. 42, 173) contends that Marx restricted the concept of ideology to a particular form of erroneous thought (i.e., that which misrecognises class societies), while Mészáros (1989, pp. 241-8) insists that Marx regarded all science as ideological. My interpretation, conversely, is closer to that of Marcuse (1954, pp. 320ff) and Althusser (1970, p. 175).

4 See, for example, Smithies (1950, pp. 17-21), Meek (1967, p. 198n) and Heilbroner (1993).

5 At the outset of the *Theory of Economic Development*, Schumpeter defined economic behaviour as 'conduct directed towards the acquisition of goods.' A few pages later, he added: 'Economic activity may have *any* motive, even a spiritual one, but its *meaning* is always the satisfaction of wants.' And, in a subsequent chapter, he wrote: 'In *all* cases, the *meaning* of economic action is the satisfaction of wants in the sense that there would be no economic action if there were no wants' (Schumpeter [1911] 1961, pp. 3, 10, 91, emphases in original).

6 However, as Shionoya (1997, pp. 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.

7 It is curious that Schumpeter attributed Marx's and Engels's doctrine of class consciousness to psychological dysfunction and not to their position as bourgeois intellectuals. Certainly in principle he recognised intellectuals as a social group with their own ideologies (Schumpeter 1949, p. 281; 1954c, p. 37). Indeed, in *Capitalism, Socialism and Democracy*, Schumpeter (1954b, p. 153) argued that the stratum of intellectuals in bourgeois society is full of discontented people who cannot find better employment elsewhere and who accordingly rationalise their failure into social criticism of the capitalist order. Moreover, in the same work, Schumpeter suggests that the doctrine of class consciousness might not amount to self-delusion after all; for Marx 'had probably a clear perception of what the masses are' when he imputed to them 'social goals altogether beyond what they thought or wanted' (Schumpeter 1954b, p. 7).

8 See also Schumpeter ([1914] 1954a, pp. 49ff; 1954b, p. 10; 1954c, p. 780).

9 See, for instance, Meek (1967), Dobb (1973, chapter 1) and Mészáros (1989, pp. 10ff).

10 I am aware that both the actions and ideas of Carl Schmitt remain extremely controversial. Schmitt began his career in 1910 as a Popish legal theorist and became famous after World War One for his penetrating critiques of liberalism and the Weimar constitution. However, Schmitt destroyed his reputation forever when he joined the Nazi Party (May 1933) and made scholarly defences of the Night of the Long Knives (1934), the Nuremberg Laws (1935) and (arguably) the genocidal policy of *Lebensraum* (1939). In 1936 the SS denounced Schmitt as a political Roman Catholic, a pretend racist and an opportunist. This attack effectively ended his work within the Nazi Party. After the defeat of Germany, Schmitt was detained and interrogated at Nuremberg, but released without charge. Subsequently, he was banned from teaching at university, on account of his stubborn refusal to submit to a denazification procedure (see Bendersky 1983).

Not surprisingly, Carl Schmitt's intellectual legacy continues to be a subject of intense debate. For his admirers (e.g., Schwab 1989), Schmitt's work primarily consists of significant contributions to legal and political theory, which were never intended to facilitate National Socialism. For his detractors (e.g., Dyzenhaus 1997), Schmitt's writings constitute a sustained and effective campaign to undermine the rule of law in favour of totalitarianism. However, assessments such as these place far too much weight on Schmitt's personal motivation and conduct, as if establishing whether or not he was a 'real' Nazi could determine the nature and influence of his intellectual work. It should be obvious that the political effect of a social theory need not correspond to the intentions and behaviour of its author. Thus Hannah Arendt could plausibly maintain that although Schmitt was a 'convinced' Nazi, who constructed 'very ingenious theories about the end of democracy and legal government', he exercised 'no influence on totalitarianism whatsoever' (Arendt 1967, p. 339 and note). I might add that my own

view is precisely the opposite: Schmitt's philosophy was not totalitarian, but this did not prevent him from giving real, ideological support to National Socialism. An analogous relationship was that between Lukács and Stalinism.

11 Note that Schmitt's political concepts facilitate a conservative critique of liberalism. Moreover, Schmitt violates his own theoretical injunctions when he condemns liberalism on pseudo-scientific and ethical grounds. See Schmitt ([1932] 1996, pp. 31ff, 65ff, and cf. Pp. 30, 53ff, 61) and Dyzenhaus (1997, p. 51).

12 It is interesting to note that Meek (1967, p. 200), in contrast, did not dispute the ideological neutrality of statistics.

13 See, for example, Schumpeter (1936, p. 157; 1946, p. 275; 1954b, p. 424).

14 This objection was put to me by Dr. Michael McLure.

15 Cf. Samuelson (1989, pp. 137ff).

16 See Harcourt (1972, pp. 122-59), Dobb (1973, pp. 248-57) and Pasinetti (2000, pp. 31ff).

17 See Harcourt (1972, pp. 155-76), Pasinetti (2000, pp. 34ff) and Cohen and Harcourt (2003, pp. 205ff).

18 Cf. Hahn (1989, pp. 895-900).

19 Cf. Schumpeter ([1914] 1954a, pp. 183ff) and Althusser (1970, pp. 166-70, 183ff).

20 This term is taken from Lavoie (1992, p. 2).

21 See Harcourt (1972, pp. 1ff), Dobb (1973, pp. 175ff, 261) and Cohen and Harcourt (2003, p. 208).

22 It was on this ground that Bliss (1975, chapter 15) rejected Harcourt's argument that the Cambridge controversies were essentially ideological.

23 See, for instance, Arrow (1989, pp. 154-64), Hahn (1989, pp. 896ff) and Hausman (1989, p. 828).

24 I leave aside the argument that Marxism itself is a bourgeois doctrine (see Schmitt [1923] 1985b, p. 73; Schumpeter 1954b, pp. 6ff).

25 For an elaboration of this view, see Schmitt ([1922] 1985a, chapter 4; [1923] 1985b, chapter 2; [1932] 1996, pp. 62ff, chapter 8).