The Meaning and Purposes of Political Economy: A Schumpeterian Framework

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Schumpeter's *History of Economic Analysis* wears well.1 As his title suggests, Schumpeter's aim is to focus primarily on what to him is "scientific" economic practice. However, this particular topical area, since it is located within the unstructured vastness of economic thinking as a whole2, can be analyzed only after it is clearly identified and isolated. And this is accomplished by an interlocked system of clear conceptual definition and distinction.3 In developing his taxonomic task, Schumpeter self-consciously attaches particular spheres of meaning and purpose to the notions of "economics" and "political economy." Thus a pattern review of Schumpeter is germane, and it is argued, useful to the objectives of this symposium. We proceed by piecing together key concepts and ideas from his scope and method as put forth in *History of Economic Analysis*.

Concepts and Taxonomy

Essentially, Schumpeter's conceptual taxonomy cleaves the two areas of economics and political economy on the basis of function. This is to say that while the former deals primarily with how one argues, the latter's priority of interest is on what one argues (pp.21-22; 28).

In the "how" of economics – an activity encompassing the largely synonymous terms of science and analysis – the economist practitioner is primarily focused on the instrumental application of the discipline (p.1141). This involves economics' "rules of procedure" (p.41) applied to... "the stock of facts and methods that economists collect with the purpose of explaining the phenomena of economic life" (p.1141). Schumpeter goes a taxonomic step further, for within the purview of (scientific) economic analysis is economic theory qua theory. It is this theoretical component - to be understood as explanatory hypotheses, models, strategically useful assumptions and other such "gadgets" – that specifically imparts the operational and instrumental dynamic to economic analysis (p.15). This spells out, as Schumpeter puts it, what Joan Robinson captured in her "... unsurpassably felicitous phrase [that] economic theory is a box of tools" (p.15). But as such, economic theory cannot in itself produce concrete results without the raw materials of experience and method (p.1141).

Political economy, on the other hand – the counter-poised "what" that the economist argues – devolves from the practitioner's perceptions and views of relevant and interesting problems and perceptions and views of relevant and interesting problems and issues. This involves "... [the] sum total of these views together with the schema of social values that underlies these views" (p.1141). Thus according to Schumpeter, a system of political economy is "... an exposition of a comprehensive set of economic policies that its author advocates on the strength of certain unifying (normative) principles such as the principles of economic liberalism, of socialism and so on" (p.38).

Thus Schumpeter draws simple conceptual distinctions in economic thinking that essentially express the innocent positive-normative dichotomy codified by such ("classical") predecessors as Senior, Cairnes, Mill, Menger, Neville Keynes and Marshall (pp.538;824).

Obviously, Schumpeter's classification, though painstakingly thought out, would not be remarkable, even 40-50 years ago when he wrote, if not that it was only prefatory to a larger purpose that he had in mind. This becomes apparent when we situate his patient taxonomy into its broader context, the relationship between science and ideology.4 For here we move beyond the simple if not simplistic clarities of idealized conceptualization and slip into the muddy real-world machinations of human cognition.5 As Schumpeter is at pains to point out, the instrumentality of scientific analysis, itself specifically directed by economic theory, can only take place within the context of an underlying "vision". The latter is elaborated as an intuition of...

... the set of phenomena that caught our interest, no matter whether that set lies
in virgin soil or in a land that has been 
cultivated before. The first task is to 
verbalize the vision or to conceptualize 
it in such a way that its elements take 
their places with names attached to them 
that facilitate recognition and 
manipulation, in a more or less orderly 
schema or picture (p.42).

Thus to Schumpeter, vision is a preanalytic 
cognitive act; it is a gestalt-like sense of the 
structure and function of an economy or of some 
sub-set of relations thereof. Its essential function 
is to provide an object on which to instrumentally 
apply "the rules of procedure", i.e. of scientific 
analysis itself directed and honed by the 
thetical apparatus that expresses that vision. 
Thus vision in Schumpeter's schema is a 
prerequisite for scientific endeavor; although it 
metaphysical it fulfills the necessary function 
of giving the scientist something to be scientific 
about.

The thrust of Schumpeter's argument here, 
of course, is the unavoidability of ideological 
bias in "scientific" economics. For 
... it should be perfectly clear that there 
is a wide gate for ideology to enter into 
this [scientific] process. In fact it enters 
in on the very ground floor, into the 
preanalytic cognitive act of which we 
have been speaking. Analytic word 
breaks with material provided by our 
vision of things, and this vision is 
ideological almost by definition (p.42).

The thrust of Schumpeter's argument here is 
that, a preanalytic, metaphysical vision is the 
basis for both the scientific "how" (economics) 
as well as the clearly normative "what" (political 
economy) of the broader discourse on economic 
matters. And thus we have the basis for the 
interjection of normative perception and 
judgement not only into political economy's 
problem selection but also into economics' 
theory, models and analysis as well as into the 
raw materials of its facts and data. For the theory 
and analytics that explicate any vision of the 
world also go a long way in identifying relevant 
facts from non-facts; useful data from non-data.

In addition, embedded in this notion of an 
intuitive vision - the latter given structured 
expression through "(idea-logical)" theory and 
models and thence articulated via scientific 
analysis - is a more or less implicit complex of 
doctrine (the perceived good vs the bad) and 
policy (action heuristics). This is to say, that a 
notion of the polity, its composition and 
purposes, is intimately involved with the very act 
of recognizing an (or "the") economic problem. 
What Schumpeter identified as "economic thought" involves this notion of polity. It is, as 
noted above, reflected by "... the sum total of 
all the opinions and desires concerning economic 
subjects, especially concerning public policy 
bearing on these subjects that any given time and 
place float in the public mind"(p.38,52)

The following diagram is useful for 
visualizing the Schumpeterian schema herein 
described.

**Political Economy & Economics: A 
Schumpeterian Schema**

![Schumpeterian Schema Diagram]

**Meaning and Purposes of the "How What" 
Dichotomy**

One important purpose of the Schumpeterian 
distinction between economics and political 
economy is to enable better insight into the 
workings of the economist's mind (see n.5 
above), both its modus and the affects of its 
thinking, i.e. the words and language which are. 
so to speak, the mind's footprints. For even 
though as Schumpeter points out, the historical 
competition between the two terms is largely "...
unimportant matter [that] will be attended to 
as we go along ... " we must be forewarned that 
to interpret correctly we must always make sure 
of the particular meanings any writer attached 
to these terms"(p.21)

As for general meaning that can be attached 
to our Schumpeterian distinction between 
political economy and economics, keeping in 
mind their common roots in an ideological 
vision, we might quip that we (economists) are 
all political economists now, although some of
us might not be "economists". For as the two way arrows in the above diagram imply, "political" economists who are not rooted in or otherwise disciplined by some systematic corpus of theory and analysis are not economic scientists as Schumpeter would have them. They are rather part of the sub-domain of historically specific "economic thought", that is, part of the amorphous complex of "opinions and desires on economic matters that float in the public mind at a given time and place." (These can be perhaps best exemplified by the so-called "utopian" socialists of the 19th century, whose purely idiosyncratic schemes and musings would lead "nowhere" and on which Marx heaped such scholarly as well as practical scorn.)

Yet, despite its ideological foundations, the above schema also makes clear that neither political economy or economics is a matter of ideological position, whether "left" (e.g. radical political economy), "centrist" (e.g., the so-called "mainstream") or "right" (e.g. the New Classical, Chicago and Public Choice Schools). The nature and practice of political economy/economics, i.e. coherent economic thinking, encompasses all hues of the ideological spectrum. For, as Schumpeter noted, ideology enters into the discipline at the very ground floor.

Perhaps in this day and age of “growth of knowledge” theses (e.g. Popper, Kuhn and Lakatos), of the motivational psychoanalytics of deconstructionism and of economics as literary criticism and rhetoric, Schumpeter’s conceptual clarities may seem dated if not quaint and naive. However, it is useful to remind ourselves that even at the time he wrote Schumpeter was apparently quite aware of the influences of such contemporary concerns as human motives (pp.10-11), of the social cohesion of professional groups inclusive of pre-Kuhnian and pre-Lakatosian notions of the paradigm and of the scientific research program7 (p.45), of the mechanisms of scientific development (pp.9,44)8 and, as this essay draws out, of the communicative function (and disfunction) of language and meaning.

Thus above and beyond its clarity and flexibility, an important and useful purpose of a Schumpeterian framework is its modernity; it easily accommodates major concerns of the various contemporary approaches to enhancing our understanding of economics. To repeat the opening statement of this essay, “Schumpeter’s History of Economic Analysis wears well.” It helps us, for example, with various nebulous boundary problems among such things as economic ideas/thought/opinion/doctrine/science etc., (see, for example, Coats, pp.208-09) as well as establishes a useful framework for both identifying “economics” with “political economy” while at the same time distinguishing the former from the latter.

Acknowledgement
My colleague, Shirley Gedeon, offered valuable comments and advice on an earlier draft and is to be thanked.

Notes
1. Textual references referred to by page number alone.
2. What we refer to as “economic thinking as a whole” is not to be taken as synonymous with Schumpeter’s narrower conception of “economic thought”. The latter has to do with time and place specific opinions and ideas, particularly regarding matters of economic policy that “float in the public mind” and which are in the province of economic history (p.38-40, 52, and text below).
3. Indeed, the introductory section of History of Economic Analysis, subtitled “Scope and Method”, contains painstaking and explicit definition of concepts and terminology as well as of approach and focus (see chapter 1-4, pp.3-46. Also, part V, pp.1139-41 is a sketch of Schumpeter’s plan for revision of the original introduction.)
4. “Science and Ideology” is, of course, the title and subject matter for Schumpeter’s famous presidential address to the American Economic Association in 1949. The word “and” in the title rather than “or” is significant and indicative of Schumpeter’s theme.
5. Indeed, Schumpeter defines science as, “...any kind of knowledge that has been the object of conscious efforts to improve it.” Further, science may be thought of as “refined common sense” and/or “taught knowledge”, and engaging in it produces particular “habits of mind” (7). From this follows his observation that “...the highest claim that can be made for the history of any science or science in general is that it teaches us much about the way of the human mind (p.3.)
6. This of course paraphrases Milton Friedman’s famous quip that “we are all Keynesians now... and there are no longer any Keynesians “. The first part of this sentence was quoted in Time magazine December 31, 1965; the second part, an addendum supplied by Friedman himself in the following week’s letters column.)
7. In a Kuhnian vein, Schumpeter notes that science develops within a professional social group demonstrating cohesiveness among members. Continuing, Schumpeter writes: “Our individual [scientists] must first recognize the phenomena on which he is going to work and he must recognize them as being somehow connected with one another and distinct from others. This recognition is a cognitive act” (p.45-7, passim). As noted elsewhere in this essay, this cognitive act, like the paradigm, springs from a gestalt-like intuition or vision. Related to the above, more Lakatosian in flavor. Schumpeter continues, “The analytic work itself then consists of two different though inseparable activities. The one consists in conceptualizing the contents of the vision. [That is] fixing its elements into precise contents that receive labels or names in order to retain their identity, and in establishing relations (theorems or propositions)
between them. The other consists in hunting for further empirical data (facts) with which we enrich and check the ones originally perceived ... In an endless sequence both activities improve, deepen and correct ..., etc. (ibid).

8. Schumpeter's point of view here, perhaps more consistent with Lakatos than Kuhn, was that sciences emerge and grow by slow accretion (p.9, 46-47). Scientific reasoning in economics is evolutionary since it bears on social phenomenon which themselves constitute a unique process in historical time subject to incessant and irreversible change (p.435, section 4, subtitled, "Evolutionism")

References