JOURNAL OF ECONOMIC ISSUES
Vol. XVIII No. 3 September 1984

Economics and Political Economy: Marx, Keynes, and Schumpeter

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The centenary connection of the death of Karl Marx and the birth of J. M. Keynes and Joseph Schumpeter is an historical accident that poses an unusual challenge. One would think the occasion would provide an excuse for exploring the lines of influence emanating from Marx to Keynes and to Schumpeter, and the mutual interaction of the latter two. But that, I fear, would be disappointing. Marx exerted a profound effect on Schumpeter, as we all know. So far as Keynes was concerned, Marx might as well have never lived—at least that is the conclusion to which I come when reflecting on Keynes's statement that "the future will have more to learn from the spirit of Gesell than from that of Marx,"[1] a judgment I attribute to the fact that Keynes had probably read more of Silvio Gesell than of Marx.

More interesting is that Keynes and Schumpeter, each a towering figure in the twentieth century, seem to have exercised very little effect on one another. In his magisterial *History of Economic Thought*, Schumpeter refers to Keynes as "the father of modern stagnation"—an appraisal that in itself indicates the distance between them.[2] That distance quite apart, it is clear that Keynes's major contributions—the bold use of aggregates as the pillars of a new form of analysis that we call macroeconomics, the central placement of expectations and uncertainty, the emphasis on liquidity—had no relevance whatever to Schumpeter's major analytical work

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in the development of a new theory of profits and of the business cycle.[3] And if Keynes seems to have given nothing to Schumpeter, Schumpeter gave as little in return. We know that Keynes read and commented on Freidrich von Hayek's *The Road to Serfdom*, published in England in 1944, but there is no record of his having read or written about Schumpeter's incomparably more important *Capitalism, Socialism, and Democracy*, published two years earlier.

Thus the centenary does not provide much occasion for the usual tracing of filiations and reciprocal influences. It does, however, serve another and more useful purpose: to raise with rare clarity a question about which surprisingly little has been written. The question is why economists come to such different conclusions about the common object of their scrutiny. I do not refer to the notorious differences among economists who seek to forecast next month's economic performance. There is no more difficulty in understanding this range of opinion than there is in understanding the divergence of meteorologists' predictions. The reasons are the same in both cases, and no cause for scandal in either. The real issue, which may indeed appear to have its scandalous aspect, arises when great economists, of the stature of our three exemplars, direct their attention to what I shall call the cosmological problem of economics, namely, the social configurations of production and distribution—if you will, the macro and micro patterns—that ultimately emerge from the self-directed activities of individuals. That problem was first resolved by Adam Smith in his extraordinary depiction of a society that generated from its spontaneous activity both a tendency toward internal order and "external" expansion. What is remarkable about Marx, Keynes, and Schumpeter is that they are among the very few who have proposed resolutions to this problem of an imagination and scope comparable to that of Smith—but that their resolutions differ from one another almost totally. In Marx's great schema the system is destined to pass through successive crises that both alter its socioeconomic texture and gradually set the stage for a likely final collapse of some sort.

In Schumpeter's view, the dynamics of the system give rise to a prospect of long-term, continually self-generated growth—not quite the "hitchless" growth of Smith's model—but growth dependable and powerful enough to form the basis for Schumpeter's "plausible capitalism."[4] In Keynes the trajectory is much less certain because it depends on the outcome of a tug of war between the animal spirits of entrepreneurs and the constraints of saturable markets and propensities of thrift—a tug of war whose outcome, however, can be remedied by appropriate government intervention.

What is different, not to say more scandalous, about this divergence of views from the divergence of forecasts about next month's economic performance? The answer is that each model serves all too plainly to underpin or substantiate the political values of its proponent. Marx's projection of a crisis-ridden, unstable economic system has an obvious affinity with his explicit political animus against capitalism and his hopes for socialism. Schumpeter's plausible capitalism is clearly supportive of his conservative socioeconomic views. And Keynes's conception of an economy in which government intervention could assure full employment—could indeed abolish scarcity itself within the span of a single generation—unquestionably provides a propitious setting for the liberal society that was his avowed political preference.[5]

The scandal, then, is that these three great economists—and if they, then what of the lesser lights?—seem to have resolved the cosmological problem not by looking into their telescopes but into their hearts, projecting into the skies the constellations they wished to see there. How, then, shall we explain this congruence of political economy—the name we shall attach to the large-scale scenarios of socioeconomic change—and economics, the process of analysis that undergrids the scenario?

Let us see if we can account for this problem in the most direct way, simply by admitting that it *is* nothing but a scandal. In other words, let us propose that the political conclusions of our trio are added, exogenously and arbitrarily, after their analyses are complete, more or less in disregard, or even in the face of, conclusions to which their economics has led.

This thoroughly discreditable idea, which suggests that economists doctor or simply ignore their "economic" results when they turn to "political economy" has, in fact, a good deal going for it. At the end of *The General Theory* Keynes defends the "moderately conservative" implications of his analysis as well suited to preserve "the traditions which embody the most secure and successful choices of former generations."[6] With the benefit of hindsight (and I daresay even *ex ante*) we can see that this statement is little more than wishful assertion. Keynes's social outcome assumes the most extraordinary passivity on the part of the capitalist class—acquiescing without a murmur in the euthanasia of its aunts and uncles, as well as in a marked diminution in the stakes of the game—while taking for granted continuing working-class agreement on "the most secure and successful choices of former generations." Marx would have scoffed at such a naive prognosis. From another vantage point and for different reasons so did Hayek. I see no way in which Keynes's chapter on "Social Philosophy" can be presented as the reasoned conclusion of the economic investigation that has preceded it.

The case of Schumpeter is more complex. The idealized plausible capitalism of *Capitalism, Socialism, and Democracy*, as Schumpeter himself wrote, contains "no *purely economic* reasons why capitalism should not have another successful run."[7] The socialist finale of Schumpeter's drama therefore rests wholly on extraeconomic factors, namely, on the subversion of the capitalist spirit by the corrosive rationality of capitalism's offspring, the intellectual frame of mind.[8] As with Keynes, there is no clear chain of causality or even of consistency leading from the economic to the political. Indeed, the very success that Schumpeter predicts for capitalism would seem to incline the outcome in another direction, dispelling the skepticism of the critics, perhaps even giving rise to a spirit of neo-conservatism. This leaves unanswered why Schumpeter came to such a perverse conclusion (a matter about which I will offer a conjecture shortly), but assuredly it also makes clear that Schumpeter's political economy does not emerge inexorably from his economics, any more than does that of Keynes.

Marx is of course the key figure here. In the general view, the political economy of Marxism is inherent in Marx's analysis of capitalism. But is it? If by "political economy" we mean a scenario leading not merely to crisis but to socialism, I am certain that virtually all Marxists today would agree that Marx's economics implies no such conclusion. One can validly claim that Marx's analysis points with overwhelming likelihood, although not absolute certainty, toward a climactic failure for the system. But the aftermath of that failure need not be socialism. It may not even be revolution. The political consciousness of the worker, instead of being beaten into fine steel on the anvil of history, may simply be hammered into insensibility. That is what Adam Smith foresaw in *The Wealth of Nations*, so far with greater prescience than Marx.[9] Or capitalism may end with the mass bourgeoisification of its working class, as Engels complained at the end of his days.[10]

So the discreditable suggestion that economics proposes, and political economy subsequently disposes *as the author wishes*, has some disconcerting evidence in its favor. Perhaps, however, that fact is not quite so discreditable as it may at first appear. The lack of strict connection between economics and political economy may only reveal the underdetermination of the sphere of politics by that of economics, or if you will, the large amount of play in the linkages that connect the material "base" with the political "superstructure." As E. P. Thompson has bitingly argued, we would have a great deal to worry about if the political conclusions of economists followed with iron certitude from their economic analyses.[11]

Nevertheless, a large amount of play in the linkages is not the same as a total absence of connection between the analytical work of economics and the cosmological findings of political economy. When all is said and done, it would be difficult to sustain a Marxian view of capitalism's unfolding if one started from a Schumpeterian economic model, or to perceive conservative or liberal constellations in the heavens if one looked through the telescope designed by Marx. That there is some linkage, however loose, between the economic core and the political outcome is perhaps best exemplified by Schumpeter himself, whose socioeconomic conclusion seems completely at odds with his strictly economic assumptions and analysis. For on further investigation, key elements in the discrepancy between the two disappear. This is because in crucial respects Schumpeter's socialism is surprisingly like capitalism. It is governed by the same principles of "efficiency"—better achieved than under capitalism, Schumpeter expects—and it retains the all-important division between managers and workers. Socialism is, in a word, a more *rational* form of capitalism.[12] This tolerant appraisal of socialism would seem to make Schumpeter an example of his own worst enemy, the intellectual applying his subversive rationality to the capitalist system. But he avoids this ignominious fate because he can assure his careful readers that the consequences of the passage from one system to another will have little or no adverse effect on the chances for success of the "supernormal quality" of bourgeois minds.[13] The conservative principle is thereby vindicated, despite the transition from capitalism to socialism.

Our inquiry must therefore delve a little more deeply. Granting that political economy develops only political *possibilities* within its economic core, what is it that explains the differing cores themselves, and how do we account for the political possibilities that seem to inhere within them? To put the matter differently, assuming that strictly economic analysis will lead economists of the most differing persuasions to agree about the outcome of a clearly defined economic problem—say, the effect on wages of an increase in the demand for labor—how do we explain the original difference in "persuasions," and how do these differences affect the outcome that emerges from a shared analytic method?

There are, I think, two distinct, albeit related, explanations for this problem. The first calls attention to differing specifications of the *empirical* elements from which economic models are constructed—that is, of different real-world attributes that appear, in stylized form, as part of the scenario. Here one begins with the vision of Adam Smith, with its firmament of government, its planetary bodies of classes, its gravitational laws of behavior. Smith's initial model allows us to illustrate how dramatic can be the effect of introducing a new empirical element. The case in hand is David Ricardo's insertion of the empirical assumption of limited land resources into Smith's model. The analytical consequence of this altered real-world delineation of the system is that hitchless growth is turned into a stationary impasse, with immense consequences for political economy as well as for economics. (I have often reflected that another such real-world assumption—namely, a willingness of landlords to use their rising rents to finance capitalist undertakings—would have effectively postponed the stationary terminus for a very long time. Malthus was ideally suited to make this "finding," but did not.)

Thus the introduction of new empirical elements, whether in the initial givens of behavior, constraints, or institutional settings, is clearly capable of altering the conclusions of which analytical processes drive the argument, as well as suggesting different likelihoods of political outcomes. The same is true of differently perceived or interpreted aspects of real-world processes. Consider for example the respective treatments of "technology" in Marx, Keynes, and Schumpeter, meaning by that term the incorporation of technical advance through machinery. Marx depicts this process in the main as the displacement of living labor by dead labor. This has vast implications for the long-run dynamics of Marx's schema, insofar as the displacement of living labor narrows the basis from which surplus value and profit are derived, and also in that the emphasis on labor displacement serves to undermine consumption and thereby to introduce an undertow of contraction into the economic process. By way of contrast, Schumpeter's view of technology plays up a diametrically opposite role. It is the means by which new markets are created, the source of that "perennial gale of creative destruction" that fills the sails of the capitalist armada.[14] Labor displacement is therefore ignored, insofar as the creation of new demands presumably creates new employment opportunities as well. Finally, we note that in Keynes, technology plays no explicit role at all. Capital investment is treated without regard to qualitative change. (It could hardly be otherwise if we are to take seriously the suggestion that the marginal efficiency of investment could be reduced to zero in a single generation.)[15] Keynes's treatment of technology—which is to say, his lack of recognition with respect to its qualitative effect—forces his system into a kind of Ricardian squeeze, where the marginal efficiency of investment becomes as immovable a barrier as the differential qualities of land.

In this way, three differing perceptions of the empirical "facts" of technology profoundly alter the concepts with which the analytics of economics is concerned, and as a result, the socioeconomic drama that is set into motion by these concepts. A second instance is also worth notice: the divergent effects that follow from different perceptions of another real-world process, *competition*, universally recognized as a central constitutive element of the capitalist system. Competition for Marx is very different from competition for Schumpeter or Keynes. It arises in the first place as an aspect of the manner in which "value" expands, the basic conception of Marx's analysis. The expansion of value means that the class dominance of capital over labor, expressed in the ownership of labor's product by capital, must be continuously reaffirmed and extended. That takes place *inter alia* through the efforts of capitals (firms) to displace other capitals. The number of such capitals is therefore of little consequence: competition will be as strong a force in a world of a few "monopolies" as in one of numerous small enterprises.[16] Competition for Marx is therefore essentially an eliminative process ("One capitalist always kills many"), a process that again serves to direct the system toward an outcome that conforms with Marx's vision of instability and eventual failure.[17]

One would think that such a depiction of competition would be congenial to Schumpeter's world of competitive monopolies. But now the Schumpeterian view of technology alters the argument. Competition in Schumpeter has no connection with the relation of capital to labor. It refers to the actions of pioneering firms that establish positions of strategic advantage, followed afterward by the adaptive efforts of less venturesome enterprises. Competition entails social losses among those firms whose products or processes are outmoded, but this is more than overbalanced by the gains to society of its pioneers. Competition is not therefore an eliminative process but a stimulative one. Rather than one capitalist killing many, one pioneer opens the way for others to follow.[18]

From yet another perspective, competition in Keynes plays neither an eliminative or a stimulative role. As in Adam Smith, it is a disciplinary process, maintaining a common rate of return among contending units of the factors of production. In the Keynesian world of business, competitive entrepreneurs constantly scan the field for profitable investment opportunities, one eye on the rate of interest, the other on the marginal efficiency of investment. They thereby bring about a convergence of profit rates toward a central rate, as in Smith and Marx. In Keynes's world, however, competition is essentially neutral with respect to growth, employment, and the outcome of the capitalist process. It is animal spirits, not competition, that drive the system forward; and it is the narrowing of investment opportunities, not competition, that destabilizes or derails it.

Thus, as with technology, the observable, empirical process of competition is differently understood by our three exemplars, bringing different economic, and political economic, results in its train. Why do these specifications of an observable, empirical reality vary so much from one observer to the next? One answer is that the research object itself is constantly changing, so that the social universe examined by economists in different eras makes possible, or encourages, different generalizations or empirical emphases. The importance of the Napoleonic wars in bringing to Ricardo's attention the crucial role of rent has often been cited as an instance of this kind. In a similar manner, the rise of a distinct public "sector," and a spread of Fabian socialist ideas, paved the way for Keynes's proposed use of government intervention as a control variable in a manner hardly available to Marx.

Such new aspects of reality unquestionably require the formulation of new forces or constraints. Let us, however, make the assumption that this was not the main reason for the differing analyses of Marx and Keynes and Schumpeter, assuming—quite correctly, I believe—that examples of labor-displacing, demand-creating, and employment-neutral competition could be discovered in the capitalist processes that all examined. Under this assumption, how do we account for the differences in their models?

That stringent question introduces another dimension into the problem. Now we must pay heed to a source of differing perceptions that lies outside the interpretation of real-world facts or processes, a source that Mark Blaug has called "characterizing value judgments." By this phrase Blaug means the "choice of subject matter . . . the mode of investigation . . . the standards of reliability of the data . . . and the criteria for judging the validity of the findings"—all inseparable from scientific work, but none decidable on the basis of empirical observation alone.[19]

Blaug is certainly correct in calling attention to these unavoidable subjective elements that enter into the most scrupulously positive statements. But this subjective element is not merely a matter of choosing between alternative gestalts, like the rabbits and storks of optical illusions. The act of choice, the "preanalytic cognitive act" to use Schumpeter's phrase, also involves what Blaug calls "appraising value judgments"—that is, moral or value-laden judgments. I have previously written that these judgments are also unavoidable because no social observer approaches his research object in the detached existential frame of mind of the natural scientist. He or she is a member of the community, inextricably bound up with its fate.[20] Rather than repeating my argument, I shall let Schumpeter state my case for me:

> Analytic work begins with the material provided by 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.[21]

My point, then, is not merely that economists of varying persuasions—I shall return to those persuasions—form different characterizing judgments, but that these differences will necessarily embody moral and political preferences in addition to value-free gestalts. *This is because there is no manner of describing a social universe without these valuational elements.* What we call "society" cannot be depicted as a collection of androids. Its very humanness brings wish, hope, purpose, and understanding into the elemental stuff of the social universe itself.

We are here at the level of elemental posits that form the basis—the "hard core," in Imre Lakatos's phrase—of all scientific generalizations. Adam Smith's perception of an order-bestowing Invisible Hand was, of course, the first and most powerful of these conceptual leaps, endowing the empirical realities of the economic process with hitherto unperceived systemic properties (and, let me emphasize, political implications).[22] Another such example, closer to our subject, is illustrated by Alfred Marshall's conception of the economy—or rather, Marshall's analysis nicely reveals the consequences, both analytic and political, of *failing* to make such a conceptual leap.

In the opening pages of his *Principles* Marshall gathers all the necessary components to create a "Keynesian" model of the system. He has distinguished between intermediate and final payments. He has separated transfer incomes from factor incomes. He has even used the term National Income. But he has also rejected the one additional concept needed to reach a Keynesian view. Debating the distinction between consumers goods and producrs goods—a distinction that provides the necessary separation of economic motives required to build a macro model—Marshall has decided that the distinction is not fruitful, because for both classes of goods supply and demand are the tools required to explain price. Thus the concentration of economics (as an "engine for the discovery of concrete truth") on the problem of price formation blocks the possibility of its use for the problem of the determination of the level of output.[23]

Can we discover conceptual differences at this abstract level that also account for the divergences among Marx, Keynes, and Schumpeter? One springs immediately to mind. This is the Marxian penetration of the facade of commodity relations into the social realm, an act of "socioanalysis," as I have termed it, comparable to the conceptual organization of philosophic discourse by Plato and of the unconscious mind by Freud.[24]

Marx discovered a set of relationships within the social process that had no directly visible empirical appearance, but whose organizational and political importance was all-pervasive. This was his perception of a substratum of *abstract labor*—an "essence" of the concrete (and incommensurable) labors of the trappers of beaver and stalkers of deer that appeared when tasks were performed, not to produce use-values for the laborer but saleable objects (commodities) for their owners. This abstract aspect of labor, unperceived by Smith or Ricardo, provided the basis for a theory of value that served at once to endow capitalism with its structural and dynamic tendencies and its political significance. This is not the place to defend or expound Marx's concept, but only to point out that the idea of value permeates all of his analysis, endowing "objects" such as capital with social meanings that they could not otherwise have, and imbuing inert "things" with tense social significance.

It is not surprising, then, that Marx's model contains political possibilities of a different kind from those of Keynes and Schumpeter. The Schumpeterian analog to Marx's value substratum is nowhere spelled out explicitly. I think it resides in a conception of the social process as regulated by a natural hierarchy of talents, organized into social classes.[25] The presence of such a class hierarchy is taken for granted. It is the premise, not the problem. From this premise emerges the special case of capitalism, in which the essentially unadventurous bourgeois class must provide the leadership role. It does so by absorbing within its ranks the free spirits of innovating entrepreneurs who provide the vital energy that propels the system.[26] The underlying "preanalytic" cognitive vision is thus one of a routinized social hierarchy, creatively disrupted by the gifted few.

This is not an analytic concept comparable to Marx's idea of value, but it is a socio-political premise of vital importance in constituting Schumpeter's economic world. One such consequence is the depiction of profit as the reward for the unique function of the entrepreneur, a reward that cannot be legitimately traced to any other factor. In a circular flow, zero-profit economy, surplus value can only enter, on Schumpeter's premises, as the transient returns accruing to entrepreneurs—inventors, innovators, pioneers. In Schumpeter's view this has nothing to do with the power of capital over labor.

As with Marx, I want neither to defend nor expound the Schumpeterian view, but only to underscore its immense significance for the very constitution of the economic model itself. His model then unrolls without a trace of the antagonism between labor and capital that is built into the Marxian model along with its conceptual materials. If Schumpeter nonetheless introduces antagonistic elements, it is by way of a *deus ex machina*, the skeptical intellectual whose dubious rationale I have already mentioned. We can only speculate as to why Schumpeter felt impelled to mount this drama. Perhaps, as I have elsewhere suggested, it was his way of squaring accounts with Marx—recognizing the historicity of capitalism, while still maintaining his conservative stance with respect to the permanence of hierarchy itself.[27]

I have less to say with respect to Keynes. The socio-political underpinnings of *The General Theory* do not depart much from Marshall, even though Keynes makes the leap from a micro to a macro perspective. It is perhaps the retention of Marshall's liberal, individualistic underpinnings that accounts for Keynes's failure to resolve the contradictions of his own judgment, calling capitalism at one moment a system "that doesn't deliver the goods," and at the next assuming it to be the vehicle for a transformation of our society into a world of abundance.[28]

Keynes's very ambivalence may, however, provide an excuse for a few words, necessarily sketchy, on two questions that our analysis raises. The first is why one person will be motivated to find one characterizing gestalt in the social world and another person another. We do not know. No doubt personal as well as social forces determine our cognitive processes, but that is saying next to nothing.

More interesting is whether we can describe the conceptual political elements that our evaluating selves project into the world. Here we can venture a preliminary remark with regard to the quintessential content of the radical, conservative, and liberal perspectives. I believe that the core of the radical view, personified by Marx, is a diagnosis of the human condition as one of unnecessary thralldom to institutions created by humanity itself. The ultimate basis of the conservative point of view, exemplified by Schumpeter, is the assertion that social hierarchy is the necessary condition for social continuity. And the basis for liberalism, embodied in Keynes, lies in an assessment of the social condition as perhaps distasteful, but not intolerable or beyond improvement. From these three views flow the political orientations associated with each—the radical desire to throw off unnecessary thralldom, the conservative effort to support and adapt to necessary hierarchy, the liberal program of pragmatism and social amelioration.

There is, to be sure, a danger that this attempt at clarification will be seen as a structureless relativism, each person constructing his or her own social reality with no possibility of evaluating one gestalt as against another.[29] I hope the tone of my remarks indicates that this is not my intent. My own "persuasions" incline me toward a radical perspective, not alone for those mysterious reasons of preference about which little can be said, but because I believe that the radical view has greater explanatory capabilities than other perspectives. Nevertheless, I would not wish to claim exclusive virtues for such a view. There are important lacunae in the radical gestalt, above all with respect to the origins and uses of power. These questions are more squarely addressed in a conservative view, such as that put forward by Schumpeter. One does not have to subscribe to Schumpeter's idiosyncratic conceptions of social elites to be made thoughtful by his stress on the persistence of hierarchy. Keynes, too, espouses an important political concept in the very meliorism that makes him an easy target from both the radical and conservative perspectives. In a world where the best has often been the fatal enemy of the good, there are salutary lessons to be learned from Keynes's liberal skepticism and perhaps naive good faith.

This brief and necessarily incomplete exploration of the causes of differences in economics and political economy changes our initial question. We no longer ask, "Why do economists arrive at differing outcomes?" but rather, "How can they not?" If differing cognitive and moral gestalts inextricably lodge within the concepts of the discipline, it is no surprise that different observers see different "economies" when they examine the social flux. Indeed, the question now shifts as to how we group under the single rubric of "economics" or "political economy" the intellectual productions of such different parentages. The answer must be that these different productions, for all their variations, still display a family resemblance. Our last task is therefore to bring this resemblance to the fore, to discover what it is that Marx, Keynes, and Schumpeter have in common, rather than what they do not.

I believe there are two such unifying characteristics. The first I have already mentioned. It is the recognition of a common objective that unifies the work of all economists—knowingly or not—because it provides a common problematic for their gestalts, values, research efforts, and analytic work. The common objective is the explanation of the sequential configurations—the path the dynamics—of the "material" activities of societies whose order arises as an unintended by-product of the interplay of self-interested actors. The Invisible Hand, the laws of motion of capitalism, the prospects for plausible capitalism, the possibility of social intervention into the determination of the level of economic activity are all examples of this problematic, brought within a single discipline because of the shared intellectual ambition of its practitioners.

The second binding characteristic is a common approach to the unraveling of the problematic. The approach is called "scientific," although the precise meaning and the exact procedures of science vary considerably from one investigator to the next. Nonetheless, in some large sense all believe that the dynamics of economic (and of political economic) change can be understood from a perspective that is more rigorous—more law-like—than is the method we can apply in seeking to understand the political or religious or cultural or social sequences of history. The economic core and its political economic penumbra, with all its value-laden properties, is perceived as unfolding in some orderly, tendential manner. With all due allowance for error and accident, and for the limitations of thought and understanding, it is the shared belief of economists that the pattern of events will display, however faintly, the structure of some order-bestowing force. To employ a figure of speech that I have used before, economic science believes that events will display regularities, much as iron filings, sprinkled on a sheet of paper above a magnet, will reveal, however indistinctly, the presence of fields of magnetic force.

All economics and political economy is thereby united by its belief in the presence of properties that give coherence to the sequence of configurations that economists study. If behavior is erratic or unpredictable, or if the constraints are unknown or unknowable, or if the initial setting is indistinct and ambiguous, the grand task of all economists is doomed to failure. It may well be, as Adolph Lowe has written, that this is indeed the threat, insofar as our social research object is losing the properties of reliable short-run maximizing behavior produced by an earlier, harsher social setting. If that is the case, economics and political economy must perforce become primarily a matter of praxis—that is, of imparting social order—with theory dependent on the success of this political effort.[30]

Thus I conclude with a definition of economics that is not, in its formal aspects, very different from that of the conventional formulations. Economics is an inquiry into the consequences of foreseeable behavioral paths in settings in which there are clearly perceived constraints. The difference is that I believe the conceptual elements of the investigation—the specification of the relationships into which the social actors enter, the resistance they encounter, the motivations that impel them—to be intrinsically imbued, of necessity, without scandal, and indeed of right, with valuational presuppositions. Values and beliefs about the inevitability of hierarchy, the emancipatory thrust of humankind, or the necessity for making the best of things, are present from the beginning, unavoidably coloring and shaping the concepts out of which the analysis emerges and the cosmological projections in which it ends. In this sense, politics comes first, before economics, and political economy is the precursor to, not the product of, economics. Marx, Keynes, and Schumpeter thus simply give us striking examples of this universal condition of social inquiry, torn between its deep-rooted prompting and its analytic procedures, striving to make a science out of morality.

Notes

1. J. M. Keynes, *The General Theory of Employment, Interest, and Money* (New York: Harcourt Brace, 1936), p. 355.
2. Joseph Schumpeter, *History of Economic Analysis* (New York: Oxford University Press, 1954), p. 1172.
2. See G. L. S. Shackle, *The Years of High Theory* (London: Cambridge University Press, 1973), pp. 144, 145, 270.
4. Schumpeter, *History*, pp. 572-640.
5. See J. M. Keynes, "Economic Possibilities for Our Grandchildren" (1930), reprinted in *Essays in Persuasion* (New York: W. W. Norton, 1963).
6. Keynes, *General Theory*, p. 380.
7. Joseph Schumpeter, *Capitalism, Socialism, and Democracy* (New York: Harper & Row, 1942), p. 163, n. 7 (his italics).
8. Schumpeter tends to treat the "rational spirit" of capitalism in an uncritical fashion, stressing its rationality of means and overlooking its irrationality of ends. This may embroil him in the same "Spurious Problem" as that which he saw as Max Weber's undoing. See his *History*, p. 8, n. 4.
9. Adam Smith, *The Wealth of Nations* (New York: Random House, 1937), pp. 734, 736.
10. See Hal Draper, *Karl Marx's Theory of Revolution*, vol. 2 (New York: Monthly Review Press, 1978), p. 62.
11. E. P. Thompson, *The Poverty of Theory* (New York: Monthly Review Press, 1978); see especially chap. 1.
12. See my analysis: "Was Schumpeter Right?" in *Schumpeter's Vision*, ed. Arnold Heertje (New York: Praeger, 1981).
13. Schumpeter, *Capitalism, Socialism, and Democracy*, p. 204 n. The footnote deserves to be quoted in extenso: "The modal individual in the bourgeois class is superior as to intellectual and volitional aptitudes to the modal individual in any other of the classes of industrial society. This has never been established statistically, and hardly even can be, but it follows from an analysis of that process of social selection in a capitalist society."
14. Ibid., pp. 84, 111.
15. Keynes, *General Theory*, p. 220.
16. See the very lucid exposition in John Weeks, *Capital and Exploitation* (Princeton, N.J.: Princeton University Press, 1981), p. 152-66.
17. Karl Marx, *Capital* (New York: International Publishers, 1967), p. 763. (Somewhat less colorful language, with the same intent, is to be found in the 1977 edition [New York: Random House]).
18. Schumpeter, *Capitalism, Socialism, and Democracy*, pp. 117-18; *Theory of Economic Development* (Cambridge, Mass.: Harvard University

Press, 1949), p. 65; *Business Cycles*, vol. 1 (New York: McGraw Hill, 1939), pp. 130-92.

19. *The Methodology of Economics* (New York: Cambridge University Press, 1980), pp. 131-32, 265.
20. Robert Heilbroner, "Economics as a 'Value Free' Science," *Social Research* 40 (Spring 1973): 129-33. See also K. Mannheim, *Ideology and Utopia* (New York: Harcourt Brace, 1936), pp. 116-17.
21. Schumpeter, *History*, p. 42.
22. It has often been remarked that Smith built a Newtonian model of a social system, but it should not be lost to sight that he also built a social model of a Newtonian system. Moral and political values are openly expressed in his description of and prescriptions for the functions of government, the characteristics of the three social classes, and the roles of sympathy, benevolence, and prudence in the regulation of our daily behavior. See my "Socialization of the Individual in Adam Smith," *History of Political Economy* 3 (1982): 427-39.
23. Alfred Marshall, *Principles of Economics* (New York: Macmillan, 1948), pp. 64, 78-79. The "engine" figure of speech is quoted in Keynes's *Essays in Biography* (New York: W. W. Norton, 1951), p. 171.
24. See my *Marxism: For and Against* (New York: W. W. Norton, 1980), p. 21 and chap. 4.
25. Schumpeter, *Imperialism and Social Classes* (Cleveland: World Publishing, 1955), pp. 137, 160.
26. Schumpeter, *Capitalism, Socialism, and Democracy*, p. 134.
27. Heilbroner, "Was Schumpeter Right?"
28. J. M. Keynes, "On National Self Sufficiency," Yale Review (June 1933): 760-61. It is noteworthy that Keynes's political economy did not depend on his analytic economic breakthroughs. J. Ronnie Davis has shown in *The New Economics and the Old Economists* (Ames: Iowa State University Press, 1971) that many "Keynesian" policy proposals had been worked out by U.S. economists prior to the General Theory.
29. I am indebted to David Harvey for this point.
30. Lowe's thesis is most succinctly stated in R. Heilbroner, ed., *Economic Means and Social Ends* (Englewood Cliffs, N.J.: Prentice Hall, 1969), pp. 169-70. Lowe proposes to rescue economics by making control over behavior its primary task, thereby restoring predictability to social outcomes. This "political economics" would indeed rescue the usefulness of theory, but only by subordinating it to the praxis of behavior-shaping intervention. Needless to say, there is a wide range of options for such interventions. The full argument is set forth in A. Lowe, *On Economic Knowledge* (New York: Harper & Row, 1964; White Plains, N.Y.: M. E. Sharpe, 1983).