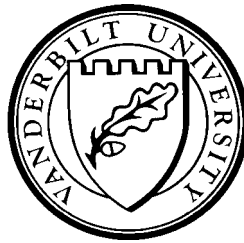


**SCHUMPETER'S 'VISION' AS FILTER FOR HIS EVALUATION OF
OTHER ECONOMISTS' VISIONS**

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In his *History of Economic Analysis* (1954), Schumpeter stated that the subject of his book (as its title implies) is a history of economic analysis, rather than a history of systems of political economy or a history of economic thought. Toward the end of Part I, he observed that at the beginning of any research, “we should first have to visualize a distinct set of coherent phenomena as a worth-while object of our analytic efforts. In other words, analytic effort is of necessity preceded by a preanalytic cognitive act that supplies the raw material for the analytic effort. In this book, this preanalytic cognitive act will be called Vision” (p. 41).¹ Schumpeter recognized the close relation between vision and ideology. Regarding “the process by which we grind out what we call scientific propositions”, he wrote:

Now it should be perfectly clear that there is a wide gate for ideology to enter into this process. In fact, it enters on the very ground floor, into the preanalytic cognitive act of which we have been speaking. Analytic work begins with 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. (1954, p. 42)

Schumpeter was of course well aware of the dangers of ideological bias, and discussed ways in which it can be perceived and uprooted.² He noted that vision not only precedes analytic work, but is also invoked later by economists who wish to interpret the work of their predecessors. Schumpeter also referred to vision as “this ‘way of our mind’”

(p. 42), and later in the book characterized it as “akin to artistic creation”, from which flow “the strongest achievements in science” (pp. 113-4).³ The book’s subject index reveals fifteen entries under “Vision”, mostly relating to the form this took for a number of economists or schools of economic thought. These are revealing with regard to the economists or schools deemed by Schumpeter to be endowed with vision, as well as to those omitted from his list.

The fact that Schumpeter could couple the term vision with “all the errors that go with it” (p. 570) shows that he did not necessarily approve of other thinkers’ visions. It will be argued in this article that such approval was predicated on whether a particular vision approached or departed from his own. To test this hypothesis, and in order to put an economist’s vision (or lack of it) in Schumpeter’s perspective, I attempt in section 1 to piece together his own vision of the economic process. This will subsequently be used as a filter through which the visions of other economists can be interpreted and appraised. Section 2 examines the economists and schools of thought that Schumpeter described as marked by vision, and aims to discover why they were so characterized. The concluding section discusses the role of vision in the history of economic thought in light of Schumpeter’s elaboration of this concept.

1. What was Schumpeter’s “vision”?

Heertje (1987, p. 266) has argued that “while Keynes dominated economic thinking during

a large part of the present century, there are indications that Schumpeter will be a major source of inspiration during the rest of this century. Schumpeter's view of society is based on the integration of historical facts, philosophical considerations and sociological visions. [His] preoccupation with the dynamics of economic life broke the spell of the static approach to economic problems". Schumpeter's vision of the economic process has been the subject of numerous commentaries, starting with the obituaries written after his death in 1950 and including most of the chapters of this book. The term "vision" is so closely associated with Schumpeter that it has appeared in the titles of books and articles devoted to him, such as Heertje (1981).⁴ Since a large literature now exists on Schumpeter and his vision, it is expounded in this section only in highly condensed form. Commentators have chosen to highlight different aspects of it, sometimes pointing out contradictory facets or allowing their remarks to be colored by their own visions of the economic process. The elements of Schumpeter's vision discussed in this section are chosen with an eye to their relation to the visions of the economists examined in the next section.

An important part of Schumpeter's vision refers to a capitalist system whose form constantly changes thanks to innovations that introduce qualitative changes in the structure of production, and are carried out by entrepreneurs in search of profits. This vision was spelled out in Schumpeter's early writings, including his 1912 book *The Theory of Economic Development* (Schumpeter, 1934), written in the third decade of his life when, according to him, intellectuals make their most memorable contributions.⁵ One of the striking features of

that book is the contrast between chapter 1, titled “The circular flow of economic life as conditioned by given circumstances”, and chapter 2 titled “The fundamental phenomenon of economic development”. Chapter 1 portrays an economy in a state of general equilibrium analogous to that sketched by Léon Walras, where economic activities replicate in an unchanged pattern period after period and entrepreneurs earn zero profits. Chapter 2 contrasts the static outlook of chapter 1 to the qualitatively different phenomenon of economic development:

Development in our sense is a distinct phenomenon, entirely foreign to what may be observed in the circular flow or in the tendency towards equilibrium. It is spontaneous and discontinuous change in the channels of the flow, disturbance of equilibrium, which forever alters and displaces the equilibrium state previously existing. Our theory of development is nothing but a treatment of this phenomenon and the processes incident to it. (1934, p. 64)

Schumpeter illustrated the qualitative changes produced by development by noting, “Add successively as many mail coaches as you please, you will never get a railway thereby” (ibid.). Development is marked by “new combinations” of materials and productive forces, later called *innovations*, whether these be new goods, new methods of production, the opening of new markets, new sources of supply of raw materials, or a new organization of industry (1934, p. 66). The activities of entrepreneurs are rewarded by profits. Schumpeter devoted another chapter of his book to the justification of profits in this time-limited and dynamic context. He thus developed a rationale for them additional to the earlier ones formulated by the classical and neoclassical economists, and by Karl Marx.

Many observers have noted that Schumpeter never achieved the marriage of statics

and dynamics. This is symbolized by the fact that chapters 1 and 2 of *The Theory of Economic Development* are juxtaposed, but not integrated.⁶ To the end of his career, Schumpeter continued to admire the general equilibrium properties of the Walrasian system. In the *History of Economic Analysis* he praised Walras in glowing terms: “so far as pure theory is concerned, Walras is in my opinion the greatest of all economists. His system of economic equilibrium, uniting, as it does, the quality of ‘revolutionary’ creativeness with the quality of classic synthesis, is the only work by an economist that will stand comparison with the achievements of theoretical physics” (1954, p. 827). Despite his references to evolutionary processes, Schumpeter’s “own conception of evolution ... forms an adjunct of Walrasian equilibrium, and represents an ostensible but ultimately unsatisfactory attempt to reconcile general equilibrium theory with notions of variety and change” (Hodgson, 1993, p. 150).⁷ Like Walras, Schumpeter adopted a conception of dynamics which is reducible to disturbances to an ever recreated equilibrium. His espousal of “methodological individualism” (a term coined by him) and its implied reductionist outlook are consistent with his Walrasian orientation.

Schumpeter’s dualistic attitude toward statics and dynamics in *The Theory of Economic Development* can be traced to the philosophical currents that swept through Vienna at the beginning of the twentieth century. In fact, “it is possible to argue that the overall ‘vision’ of Schumpeter’s two early works has elements in common with the philosophy of Friedrich Nietzsche” (Santarelli and Pesciarelli, 1990, p. 689).⁸ Nietzsche’s

division of humans into “overmen” and the “mass” or “herd” is reminiscent of Schumpeter’s subdivision of individuals into an elite that he named entrepreneurs, able to develop “new combinations” of means of production, and the businessmen of average abilities who carry out the routine economic activities of the circular flow. Santarelli and Pesciarelli have observed that “the separateness of the static and dynamic worlds on which Schumpeter dwells at such length in [Schumpeter, 1908] springs from the separateness of the two types of human being that the two worlds underlie” (p. 691).⁹

Schumpeter took up again the evolutionary theme of chapter 2 of *The Theory of Economic Development* in his 1942 book *Capitalism, Socialism, and Democracy*. This book had a significantly greater repercussion on the lay public than his earlier works. In a chapter titled “The Process of Creative Destruction”, he observed: “the essential point to grasp is that in dealing with capitalism we are dealing with an evolutionary process”, and “capitalism, then, is by nature a form or method of economic change and not only is but never can be stationary”. Hence “the fundamental impulse that sets and keeps the capitalist engine in motion comes from the new consumers’ goods, the new methods of production or transportation, the new markets, the new forms of industrial organization that capitalist enterprise creates” (1950, pp. 82-3). Schumpeter even used the biologically derived term “industrial mutation” to describe the process that “incessantly revolutionizes the economic structure *from within*, incessantly destroying the old one, incessantly creating a new one” (p. 83).¹⁰ The “perennial gale of creative destruction” (p. 84) that characterizes capitalism

justifies large-scale plants and a monopolistic structure of industry, which is in fact the only structure that enables it to take place. Despite the implied restriction of output, “there is no more of paradox in this than there is in saying that motorcars are traveling faster than they otherwise would *because* they are provided with brakes” (p. 88).

The main thesis of Schumpeter’s 1942 book is that capitalism is doomed and will one day be replaced by socialism. In fact, this is the “vision” with which Schumpeter is often associated, for instance in titles of books such as Heertje (1981). Since this is not the “vision” with which Schumpeter links economists in the next section of this article, I will not dwell long on it here. Even though the first part of *Capitalism, Socialism, and Democracy* provides a magnificent account of the Marxian doctrine, according to Schumpeter the downfall of capitalism will not occur for the reasons that Marx expounded. One of the best-known texts in the history of economic thought, Robert Heilbroner’s *The Worldly Philosophers* (1999), devotes its penultimate chapter to “The Contradictions of Joseph Schumpeter”, expressing admiration and critique in about equal proportions. Heilbroner identifies Schumpeter’s main contradiction in his belief that “capitalism may be an *economic* success, but it is not a *sociological* success” (1999, p. 302). According to Schumpeter, the rationalist frame of mind that was responsible for capitalism in the first place will also spell its eventual downfall, when intellectuals become disaffected with it. Capitalism will disappear not because of its failure, but of its very success. Heilbroner as well as the contributors to Heertje (1981) disagree with Schumpeter’s pessimistic thesis, and

trace it to factors such as his upbringing or the *Zeitgeist* prevalent in Austria in the early part of his career. While they find his thesis unconvincing, they acknowledge the many valuable insights into the nature of capitalism that the book still affords the present-day reader.

Several additional aspects of Schumpeter's vision could be mentioned in this section, such as his original thoughts on the genesis and consequences of business cycles, to which he devoted the last chapter of *The Theory of Economic Development* and another of his major books (Schumpeter, 1939). An important cause of these cycles is the tendency of innovations, whose importance for the capitalist system was highlighted above, to appear in groups or swarms. But enough has been said to enable us to relate Schumpeter's own vision of the economic process to the visions of the economists who preceded him.

2. Economists and schools of thought marked by vision or its absence

As Heilbroner (1999, p. 308) aptly argues, "Schumpeter employs his economic model to flesh out a larger social vision. In his magisterial survey of economic thought, on which he was working at his death in 1950, 'vision' lies at the center of things". Vision also lies at the center of the achievements of many of the economists and schools of thought that Schumpeter described in his 1954 *History of Economic Analysis* and in his other writings. These will be reviewed in this section in roughly chronological order.

St. Antonine of Florence

St. Antonine of Florence (1389-1459), the first exponent of vision mentioned by Schumpeter, earned high marks from him for being “perhaps the first man to whom it is possible to ascribe a comprehensive vision of the economic process in all its major aspects” (p. 95). Antonine was one of the first scholastics who attributed the value of a commodity to its utility to the purchaser rather than to its cost of production. He conceptualized what was later called *homo economicus* as well as economic activity itself, naming it *industria*, and was the first to provide a cogent economic rationale for a positive rate of interest (1954, pp. 98-105).

James Anderson

James Anderson (1739-1808), an early classical economist whom Schumpeter (1954, p. 263) described as a “Scottish gentleman farmer” and “one of the most interesting English [sic] economists of the late eighteenth century”, was credited by him with having “to an unusual degree what so many economists lack, Vision”. Anderson is best known to historians of economic thought for developing what is now described as the Ricardian theory of rent based on the extensive margin. In order to ensure the equalization of the profit rate on lands of different fertility, “in his *Observations* of 1777 [Anderson] arrived at the conclusion that the rent of land is a premium paid for the privilege of cultivating soils that are more fertile than others”. Moreover, “the association of rent with decreasing returns, which was to be one of the most characteristic features of the Ricardian system, was established by

Anderson” (1954, p. 265).

National system economists: Friedrich List and Henry Carey

The list of Schumpeter’s exponents of vision skips significantly over the names of Adam Smith, David Ricardo, Thomas Robert Malthus and John Stuart Mill, for reasons that those acquainted with his appraisal of them in the *History of Economic Analysis* can readily understand, though not necessarily agree with. The national system economists Friedrich List and Henry Carey are the next figures whom he considers. The German public at large and many social scientists would be tempted to ascribe vision to the fact that List envisaged and successfully championed the customs union of the German States known as the *Zollverein*. Schumpeter would not be counted among them, as can be readily deduced from the title of his 1954 book and its implied emphasis on theory rather than economic policy.

However, List is credited with vision for another reason:

Even as a scientific economist, however, List had one of the elements of greatness, namely, the grand vision of a national situation, which, though not in itself a scientific achievement, is a prerequisite for a certain type of scientific achievement—that type of which, in our own day, Keynes is an outstanding example. Nor was List deficient in the specifically scientific requisites that must come in to implement vision if it is to bear scientific fruits: his analytic apparatus was in fact ideally adequate for his practical purpose. (1954, p. 504)

This passage is significant since it links List’s name with that of Keynes, whom Schumpeter singled out in Part I of his book as an “outstanding” contemporary example of vision.

Schumpeter added that “[List] was a great patriot, a brilliant journalist with definite purpose,

and an able economist who co-ordinated well whatever seemed useful for implementing his vision. Is this not enough?” (p. 505). He also alluded to the infant-industry argument that List doubtless assimilated through the writings of Alexander Hamilton during his stay in the U.S., an argument that J. S. Mill approved of (under the influence of John Rae rather than List) and made his own.¹¹

After finding “scientific merit” in List, Schumpeter went on to chastise Henry Carey for his “technical deficiency” and “negative contributions to analysis”. However, “the man who could conceive of the United States as a world unto itself, with all this implies economically, morally, culturally, had no doubt the gift of grand vision in the same sense as had List” (1954, p. 516). Schumpeter takes pains to reassure his readers that his dismissal of Carey’s theory as basically wrong-headed should not be allowed to negate his appraisal of Carey as a man of great vision: “we cannot excuse ourselves from recognizing that this vision *was independent of its deplorable analytic implementation and capable of being implemented more satisfactorily*” (1954, pp. 516-7; emphasis in the original). Schumpeter contrasted Carey’s vision with that of the English free traders, noting that the latter was supported by solid analytic apparatus such as the theorem of comparative costs, clearly absent in Carey’s case.

The ‘classic’ conception of economic development

This is the title of the concluding section of chapter 5 of Part III of Schumpeter (1954),

which deals with the period from 1790 to 1870. Unlike the previous examples where vision was associated with specific individuals, here Schumpeter relates it to the views of economic development held by classical economists in general over almost a century. He recognizes that in dealing with a static condition such as the classicals' stationary state, "the role of Vision is but a modest one". As regards instead the process of economic change, "Vision (and all the errors that go with it) ... plays a greater role in this type of venture than it does in the other. This may be illustrated by the Stagnationist Thesis of our time" (p. 570).

Schumpeter examines three types of classical theories of economic development and the associated visions. The first he considers is that of the "pessimists" represented by Malthus, West, Ricardo and James Mill, who held that the Malthusian pressure of population and decreasing returns in agriculture preordain the advent of a stationary state. "The most interesting thing to observe is the complete lack of imagination which that vision reveals. Those writers lived at the threshold of the most spectacular economic developments ever witnessed" (p. 571). They believed that technological progress could not reverse the trend toward stagnation except in the very short run. However, Schumpeter insists that J. S. Mill must be distinguished from the above economists. Though Mill also believed in the eventual advent of a stationary state, the latter was not inconsistent with either technological progress or a comfortable standard of living for the masses, who had learned to control their urge to procreate. While Schumpeter approves of Mill's more optimistic outlook, he criticizes him since "he greatly underrated the importance in economic development of the element of

personal initiative and, correspondingly, he greatly overemphasized the importance of mere increase in physical producers' goods. And in this again, he overemphasized the importance of saving". According to Mill and his predecessors, all saving is automatically converted into investment goods, which means that the process of economic development is "essentially hitchless" (pp. 571-2).

The second type of vision is the optimistic one associated above with Carey and List, who "at least ... did not lack imagination" since "they felt intuitively that the dominant fact about capitalism was its power to create productive capacity, and they *saw* vast potentialities looming in the near future" (p. 572). Schumpeter notes that most economists on the Continent (and, he might have added, in the United States) also refused to share the pessimism of the Ricardian vision, and were more influenced by J. B. Say's writings. Their vision was more correct than that of the pessimists despite the fact that they were technically less accomplished.

The third type of vision of economic development is limited to Karl Marx. Despite its many flaws, "Marx's performance is yet the most powerful of all" since "development was not what it was with all other economists of that period, an appendix to economic statics, but the central theme" (p. 573). Because of Marx's importance to Schumpeter, his case is considered separately next.

Karl Marx

Even though the entry “Vision” in the subject index of his 1954 book does not list Marx explicitly, we just saw that he occupies the entire third category in the classics’ conceptions of economic development. The book’s index of authors and its subject index combined yield almost a full page of references to “Marx, Karl”, “Marxist System” and “Marxism”. Even more telling is the fact that Part I of Schumpeter’s *Capitalism, Socialism, and Democracy* is titled “The Marxian Doctrine”, with successive chapters devoted to “Marx the Prophet”, “Marx the Sociologist”, “Marx the Economist” and “Marx the Teacher”. In these chapters, the word “vision” puts in many appearances, particularly in chapter 3, where it is contrasted with “theory” or “analysis”. Schumpeter is impressed with the depth of Marx’s vision, more profound than that of all the economists who preceded him, but he is less impressed with his theories. His splitting this part of the book into four chapters allows him to subdivide Marx’s overall vision into component parts, and go on to accept some and reject others, while recognizing that this procedure would be anathema to those who believe that this contribution should be accepted or rejected in toto. Marx’s complex vision and the analysis that followed in its wake relate to phenomena such as the theory of exploitation or surplus value, the immiserization of the workers, the creation of an industrial reserve army, the theory of business cycles or “crises”, the law of increasing concentration of industry, the falling rate of profit, the linkage between history and economic analysis. After noting the many flaws as well as the successes in Marx’s analysis, Schumpeter argues that “the author of so many misconceptions was also the first to visualize what even at the present time is still

the economic theory of the future for which we are slowly and laboriously accumulating stone and mortar, statistical facts and functional equations” (1950, p. 43).

Schumpeter’s admiration for Marx relates especially to his vision of economic development:

Capitalist economy is not and cannot be stationary. Nor is it merely expanding in a steady manner. It is incessantly being revolutionized *from within* by new enterprise, i.e., by the intrusion of new commodities or new methods of production or new commercial opportunities into the industrial structure as it exists at any moment. And ... in this turmoil competition works in a manner completely different from the way it would work in a stationary process, however perfectly competitive. (1950, pp. 31-2)

Economic development is thus intimately related to technological change in a manner that the classical economists never perceived. While Schumpeter’s purpose was to set out Marx’s vision, the above passage and surrounding discussion can be used equally well to describe what he labeled in Part II of his book the “perennial gale of creative destruction” inherent in capitalist economic development, discussed in the previous section. Schumpeter added that “Marx saw this process of industrial change more clearly and he realized its pivotal importance more fully than any other economist of his time”. Despite flaws in his analysis, “the mere vision of the process was in itself sufficient for many of the purposes that Marx had in mind” (1950, p. 32). It is difficult to find better supporting evidence for the importance of vision in Schumpeter’s mind. The above passage also provides evidence for the influence of Marx on Schumpeter, an example of what in the *History of Economic Analysis* he referred to as the filiation of economic (or scientific) ideas (1954, p. 6). By the

same token, it clearly demonstrates how Schumpeter's appraisal of an economist's vision was colored by his own vision, since on this particular issue the two visions practically coincide.

Schumpeter cited several other examples of issues examined by Marx where "vision lent its aid to analysis so as to remedy some of the shortcomings of the latter and to make the import of the synthesis truer than the contributing elements of the analysis were themselves" (1950, p. 48). This tension between "vision" and "theories" in Marx and in Schumpeter is analyzed by Zassenhaus (1981), who argues that in retrospect Marx's vision is revealed as faulty as his theories. According to him, the vision that inspired *Capitalism, Socialism, and Democracy* also turns out to have been deficient, given the way that capitalist economies evolved in the forty years after that book was written. But "the 'theories' which are offered to support it—so utterly unacceptable with Marx that not a single one of his 'visions' came true—are far superior, or at least a good many of them are. Thus, one finds—quite the opposite to what Schumpeter found in Marx—a wealth of penetrating and successful 'theories' in Schumpeter, even though one cannot befriend the 'vision'" (Zassenhaus, 1981, pp. 172-3).

W. Stanley Jevons

Schumpeter dealt fairly summarily with Jevons, despite the fact that "he seems to have built the essentials of his teaching from bricks of his own manufacture" and "was without any

doubt one of the most genuinely original economists who ever lived”. However, “it is also true that his work in economic theory lacks finish. His performance was not up to his vision”. This vision yielded “brilliant conceptions and profound insights (particularly his championship of mathematical modes of thought, his theory of value, his theory of capital and interest)”, which however “were never properly worked out” (1954, p. 826).

Léon Walras

Given the importance that Schumpeter ascribed to vision, and his encomium of Walras cited in the previous section, that he was “the greatest of all economists”, it seems surprising that Walras’s name is not coupled with vision in his 1954 book. The concept of general equilibrium alone would seem to warrant such characterization. However, in an obituary article that Schumpeter published in 1910, reprinted in Schumpeter (1951), he textually attributed vision to Walras:

When ... the novelty consists essentially in the manner of looking at things and not in discoveries and inventions which appeal to the interest and understanding of wide circles, when finally the ‘vision’ is as far removed from the current interests of the profession as was the case with Walras, it is readily understood that external success could come neither easily nor quickly. (1951, p. 76)

He went on to argue that “the theory of general equilibrium is Walras’ claim to immortality, that great theory whose crystal-clear train of thought has illuminated the structure of purely economic relationships with the light of *one* fundamental principle” (ibid.).

Eugen von Böhm-Bawerk and Friedrich von Wieser

Böhm-Bawerk and Wieser, the best-known pupils of the founder of the Austrian school Carl Menger, became Schumpeter's teachers when he studied at the University of Vienna. His intellectual indebtedness to them is obvious, and it is not surprising that both are credited with vision. More surprising is the fact that Menger was not so honored in his 1954 book, given that in his obituary article of 1921 Schumpeter stated that "Menger belongs to those who have demolished the existing structure of a science and put it on entirely new foundations. His essential aim is to discover the law of price formation" (1951, pp. 83-4).

Schumpeter labels Böhm-Bawerk "the bourgeois Marx", since both thinkers made fundamental contributions to the theory of capital. Although Böhm-Bawerk is often remembered for his infelicitous concept of the period of production,

the Böhm-Bawerkian theory of interest and, incidentally, the Böhm-Bawerkian period of production are only two elements in a comprehensive model of the economic process, the roots of which may be discerned in Ricardo and which parallels that of Marx. It is Böhm-Bawerk's model or schema of the economic process ... which makes him one of the great architects of economic science, and this schema was quite outside Menger's as well as Jevons' range of vision. (1954, pp. 846-7)

Wieser chose to devote more of his professional life to his work as an economist, being less interrupted than Böhm-Bawerk by spells in the civil service, including cabinet office. Schumpeter argues that "the great thing about him was a spacious vision that went deep below the surface. But he implemented this vision very imperfectly, for he not only lacked, like Böhm-Bawerk, the necessary technical training, but in addition, the natural

aptitude for turning out an effective argument” (1954, p. 848). In his obituary article on Wieser of 1927, Schumpeter stated further that “he was a theorist first of all. Few men have thought so deeply on the fundamentals of the theory of value or have had so clear a vision of the groundwork of economics. But what I should like to insist upon is not the importance of any single instrument or theorem of his, but the fertility and grandeur of his conception of economic life as a whole” (1951, p. 300).

The neoclassical vision of the economic process

A page in the penultimate Part IV of the *History of Economic Analysis*, which treats the period “from 1870 to 1914 and later”, is devoted to “The Vision” which marked this allegedly revolutionary period in economic thought. It occurs in a chapter that begins by examining concepts which remained relatively unaffected by the marginal revolution. After discussing that period’s sociological framework and population theory, Schumpeter went on to comment on the relatively unchanged vision of the economic process maintained by most neoclassical economists: “it is perfectly obvious that all the leaders of that time, such as Jevons, Walras, Menger, Marshall, Wicksell, Clark, and so on, visualized the economic process much as had J. S. Mill or even A. Smith” (1954, p. 892). They still viewed the economy as populated by numerous, small, independent, competitive firms, not simply as an abstract model to analyze, but as a picture of reality.

Schumpeter’s beloved Walras was singled out as a case in point, with reference to the

picture of progress set out in Lesson 36 of his *Éléments d'économie politique pure* which, technical considerations aside, “could have been written by J. S. Mill”. Schumpeter could not help adding that “we also know that the subject that is most closely related to Vision is economic evolution” (ibid.). While Marshall’s theory of progress is more complex, it also contains no intimation that progress may not continue more or less automatically for the foreseeable future. Once again, Schumpeter’s evaluation of the neoclassical economists’ vision was colored by his own vision, which as we know ran in a radically different direction, directly traceable to Marx’s laws of motion of a capitalist economy.

John Maynard Keynes

Not only was Keynes the last economist associated with vision in Part V of Schumpeter’s 1954 book, but he was the first to be singled out in Part I as “an outstanding example from our field and time” of a particular type of vision illustrating “the characteristics of England’s aging capitalism as seen from the standpoint of an English intellectual” (pp. 41–2). What he paints as Keynes’s stagnationist vision stands in sharp contrast to Schumpeter’s own view of the capitalist process, whose dynamics are entrusted to an innovative entrepreneurial class. Schumpeter’s regard for Keynes’s contributions is reductionist since he fails to mention other more important new insights contained in the *General Theory of Employment, Interest and Money*. In any case, he believes that Keynes’s “vision was clearly formulated in the first pages of the *Economic Consequences of the Peace* (1919) and adumbrated with

increasing clearness in successive works” (1954, p. 1171). The analytic system which eventually matured into the *General Theory* “seems to have satisfied him completely, so much so that he felt himself to have led economics out of 150 years of error into the land of definitive truth” (p. 1172). This hint of sarcasm points to the uneasy relationship between Schumpeter and Keynes, which has been the subject of much commentary.¹²

3. Conclusion

The collection of economists that Schumpeter judged to be endowed with Vision is highly heterogeneous, including a Florentine saint, a Scottish gentleman farmer, national system economists in Germany and the United States, the founder of Marxism, several founders of neoclassical economics (Jevons, Böhm-Bawerk, Wieser and Walras), and Keynes, who vies with Schumpeter for the title of the greatest economist of the twentieth century.

Schumpeter’s choice inevitably raises the question of all the other names that most economists and historians of economic thought would tend to add to the above list but are missing from it, such as Adam Smith, David Ricardo, T. Robert Malthus, John Stuart Mill, Augustin Cournot, Hermann H. Gossen, Alfred Marshall and (surprisingly) Vilfredo Pareto.¹³ Did Schumpeter really believe that they had no vision at all? Given the way he originally defined vision, this is impossible, since they clearly all began with a definite mental picture of the reality they wished to portray in their writings. In the case of certain economists, Schumpeter may well have used words or expressions that are synonymous with

vision. Other economists excluded from his list may have had a vision of sorts, but one that did not approximate sufficiently to the implicit ideal held out by Schumpeter. This ideal was reflected in his own vision of the economic process, which acted as a filter through which other visions were assessed. This can be inferred from the examples of vision with which Schumpeter expressed disappointment, such as the conception of economic development held by most classical economists, marked by a “complete lack of imagination” in the face of the spectacular economic achievements that were occurring under their very eyes, or the vision of the economic process held by all the major neoclassical economists, which was much the same as that of J. S. Mill or even Smith. Regarding the neoclassical economists’ visions, Schumpeter revealed his hand when he added that “we also know that the subject that is most closely related to Vision is economic evolution” (1954, p. 892). This explains his predilection for the national system economists’ vision, which “at least ... did not lack imagination” (p. 572) about the potentialities of the capitalist system, and even more for Marx’s vision, to which his own was so indebted.

Schumpeter’s elaboration and use of the concept of vision is an important contribution to the historiography of economic thought. Vision complements and gives meaning to the analysis which economists carry out, the development of which was Schumpeter’s focus in his 1954 book. Robert Heilbroner has written extensively on the role of vision in economic thought, and on Schumpeter’s vision in particular.¹⁴ The most important change in the seventh edition of *The Worldly Philosophers* (Heilbroner, 1999),

according to its Preface, is his account of the visions of the economists he discusses, including Keynes, Malthus, Marshall, Marx, J. S. Mill, Ricardo, Schumpeter, Smith and Veblen. He thanks Schumpeter, “one of the most imaginative of the worldly philosophers”, for introducing this notion in the 1950s. As we celebrate this year the fiftieth anniversary of Schumpeter’s death and prepare to enter the twenty-first century, one of Schumpeter’s heirlooms, the notion of vision in economic thought, is clearly alive and well.

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Endnotes

1. Section 1 of chapter 4 of Part I, where Schumpeter defines and discusses “vision”, carries the title “Is the History of Economics a History of Ideologies?”. Part I itself is titled “The Sociology of Economics”.
2. In his essay on “Economics and Ideology” in Meek (1967), the author expresses reservations on Schumpeter's outlook on the relationship between ideology and analysis.
3. On the similarities and differences between Schumpeter's “vision” and Thomas S. Kuhn's “paradigm”, see Backhouse (1996).
4. While the book's title is *Schumpeter's Vision*, its subtitle reveals that the vision in question is limited to that expressed in his 1942 book *Capitalism, Socialism, and Democracy*.
5. In his obituary article on Carl Menger, Schumpeter (1951, p. 87) argued that “his gift was the fruit of his thought and struggle during the third decade of his life, that period of sacred

fertility which, in the case of every thinker, creates what is subsequently worked out”.

6. See Hodgson (1993, chapter 10) and the many authors cited there who hold similar views.

7. In chapter 7, titled “Schumpeter’s Vision”, of Heilbroner (1988), the author argues that the same two chapters of *The Theory of Economic Development* represent “the constituent parts of Schumpeter’s two visions of capitalism”, and that “Schumpeter was, after all, perfectly aware of the contradictoriness of his two ‘visions’ of capitalism as circular flow and as creative destruction” (pp. 171, 173). Heilbroner adds several other critiques of Schumpeter’s “vision”.

8. The two early works in question are Schumpeter (1908) and the first German edition of 1912 of *The Theory of Economic Development*.

9. Santarelli and Pesciarelli (p. 679) point out that *The Theory of Economic Development* was regarded by Schumpeter as the continuation of his 1908 work.

10. Despite this biological metaphor and the fact that Schumpeter’s name has often been cited by evolutionary theorists in the 1980s and 1990s in connection with their modeling, Hodgson (1993, p. 151) argues that “Schumpeter provides neither a systematic theory nor an ideal epitome for a new evolutionary economics, if that is to be a precise and meaningful term”.

11. On the contributions of Hamilton, Rae and List to the elaboration of the infant-industry argument, see Maneschi (1998, chapter 5).

12. See, for example, Swedberg (1991) and Shionoya (1996).

13. Reasons for Schumpeter’s limited endorsement of Pareto in the *History of Economic Analysis*, as compared to his effusive praise of Walras, are suggested by Perlman (1996).

14. See Heilbroner (1988, 1990, 1999), Heilbroner and Milberg (1995), Carroll (1998).