I. Introduction

In my perspective, the concept of economic sociology is basic to everything that Joseph A. Schumpeter wrote on the history of economic thought. Hence the title. I also shall make a few references to the contributions of Karl Mannheim because I believe that Schumpeter was influenced by Mannheim’s work on the sociology of knowledge. In addition to substantial circumstantial evidence, some direct evidence to that effect appears in Schumpeter’s work. In his Capitalism, Socialism, and Democracy, he referred to the sociology of knowledge as “that most interesting post-war [interwar] development”: the “German word is Wissenssoziologie and the best name to mention are those of Max Scheler and Karl Mannheim. The latter’s article on the subject in the German Dictionary of Sociology... can serve as an introduction” (10, 11, 11n, 12, 33n, 33-47).

II. Schumpeter's Sociological Theory of the History of Economics

In one of his last works on doctrinal history, Schumpeter made the following cryptic observation that may provide a beacon that lights Schumpeter’s approach.

It is impossible to tell not only where economists end and sociology begins but also what the frontiers are of that intermediate field of economic sociology that has come into existence via both. The difficulty of satisfying our craving for definite frontiers is that this seems to be fundamentally quite different from the type of difficulty which we often encounter in trying to delineate a thing that is perfectly definite in itself (8, 20).

Schumpeter was referring to two fields of sociology. The one, which he simply called sociology, is actually a Mannheimesque variety of the sociology of knowledge and hence broad in its coverage. The other type, economic sociology, is narrower in scope; it served Schumpeter as a tool of analysis within the confines of the first.

Sociology of Knowledge

Schumpeter agreed with Mannheim that “actual thought is influenced in many decisive points by extra-theoretical factors.” That is so, the latter argued, because these elements have impact upon human “experience” by virtue of their embedment in a particular, “concretely” operating order of life.” In other words, the relevant factors are part of a per-
son's "existence" (2, 267, 194). This means, of course, that "[social location undoubtedly is a powerful factor in adapting our minds," as Schumpeter put it (12, 36). Given their similar viewpoints, Schumpeter had no difficulty in accepting Mannheim's definition of "the sociology of knowledge as a theory of the social and existential determination of actual thinking" (2, 267). Schumpeter's Manichaeism orientation is clearly discernible in his extended definition, or description, of what he called "the theory of science considered as a social phenomenon" (12, 3).

(Science) analyzes the social factors and processes that produce the specifically scientific type of activity, conditions its rate of development, determines its direction toward certain subjects rather than other equally possible ones, fosters some methods of procedure in preference to others, sets up social mechanisms that account for success or failure of lines of research or individual performances, raises or depresses the status and influence of scientists (in our sense) and their work, and so on (12, 33).

Thus the sociology of knowledge which views science as a social phenomenon served Schumpeter as a framework for his interpretation of the various phases of the history of a doctrine. Economic sociology, on the other hand, is a device that Schumpeter employed for the purpose of explaining the nature and origin of that "pragmatic vision" which each "master-economist" of the past constructed and used as a "new material" with which he engaged in "model building" and the associated formulation of "theory" (9, 350; 1, 12, 12, 41, 562).

Economic Sociology in the Sociology of Economic Knowledge

Why are the courses of new departures (and thus new doctrines) so special that their interpretation requires explanation? Schumpeter's answer may be summed up in one word: motivation. He observed, for example, that whereas the purely scientific character of a piece of analysis is independent of the motive for which it is undertaken, the functions of analysis are not independent of motivation. Consequently, the "question of motivation is by no means different to the historian or sociologist of economic science" (9, 8).

What kind of motivation inspired doctrine builders? According to Schumpeter, Adam Smith wanted to contribute to a development that would make it possible for all men to exercise a "natural freedom of action," "for the workman to acquire a 'natural right to the whole produce of industry,'" and for every male person to live and act in accordance with the principle of "individualistic rationalism." Karl Marx's motivation was in the nature of a wish to end "the exploitation of . . . [the] workers . . . by the hoarders." John Maynard Keynes was motivated by a desire to contribute to a correction of the course on which "capitalist evolution . . . issues into a stationary state that constantly threatens to break down" (9, 353, 354, 7, 512).

In order to explain the source, setting, and analytic consequences of such motivations Schumpeter introduced a field that he called "Economic Sociology." With his penchant and his ideological "vision of the capitalist process had become set . . . before his serious analytic work had begun" (7, 505; 9, 354).

As these views indicate, Schumpeter believed that a founder of a school sees what he thinks he sees because he has been conditioned to think as he does (12, 833). Therefore, if one is to understand a particular body of doctrine, one must be aware of the circumstances instrumental in conditioning its founders. In Schumpeter's opinion, however, this understanding is virtually impossible "without a pretty extensive command of the relevant chapters of economic history." It was partly for this reason that he argued that "economic history . . . is by far the most important" of those "fundamental fields" that make "up what we shall call Economic Analysis" (12, 339b, 12).

Thus, on the basis of his reading of "the great ones," Schumpeter was convinced that ideological elements constituted a central part of that praeScientific vision upon which the leaders of the past had erected their scientific structures. Consequently, he fully accepted the ubiquity of ideological bias in economics (11, 3; 9, 362; 12, 892, 46, 37). Does this mean it was Schumpeter's opinion that ideology is not confined to the visionary foundation of a theory, but that it has somehow seeped from there and into the analytic apparatus erected on this ground? As answer will be sought after considering Schumpeter's concept of a vision.

Vision

Economic analysis, and hence "pure" theory as a "box of tools," is firmly planted in that ideology-laden, praeScientific cognitive act in which a master's vision of economic reality is formed. But where does an innovator obtain the configurations—lines, circles, etc.—that conform with his ideology and go into the construction of his vision? What are the coherent phenomena which he ultimately works up into scientific propositions?

Schumpeter's answer was that a doctrine builder acquires inputs from the disciplines that surround economics—philosophy, psychology, political theory, history and, of course, economic sociology (12, 395-462; 8, 46). In particular, a trailblazer is "concerned with the propositions of the sciences of human behavior about this behavior" (12, 31). In other words, when the founders of new doctrines drew their pictures of social reality, they included a number of classes of economic actors who behave and perform in accordance with the adopted behavioral theories.

Although the doctrine builder makes his actors behave in conformity with the chosen psychological theories, Schumpeter implied that such an innovator views the actors' behavior in terms of a series of responses to external, factual stimuli embedded in the master-economist's vision. As Mannheim had pointed out, however, the "nature of facts is in itself a considerable problem. They exist for the mind always in an intellectual and social context" (2, 102). On what basis does an author of a new departure conceptuize this context? According to Schumpeter, the basic basis is history because the "subject matter of economics is essentially a unique process in historical time" (12, 12, 20). A master-economist's "schema of economic theory derives the institutional framework within which they are supposed to function from economic history" because economic history "alone can tell" such a master "what sort of society it . . . is to which the theoretical schemata are to apply" (8, 34, 10, 20).

But, as described Schumpeter, an innovator did not just rely on his familiarity with past development. Since Schumpeter also introduced social facts, a sort of generalized or stylized economic history, this particular analysis belongs to sociology or to economic sociology rather than to economic history per se. And whether this description of reality was the product of the master's own thought or one that he had acquired from some other
source, it "deals with the question how" the relevant economic actors "came to behave as they do" [12, 23].

Thus by combining together his chosen psychological, historical and sociological data with the motto of his ideology, each innovating economist constructed a mental picture of the economic order that included its institutional organisation, the behavioural propensities of its actors, and the problems it harboured. To each a mental image Schumpeter affixed the label of "vision of reality," a vision that provided the raw material for the analytic effort of a master, and hence enabled him to formulate scientific propositions [9, 382; 12, 21].

The essence of Schumpeter's concept of a vision is captured in the following observation:

If we define human behavior widely enough so that it includes not only actions and motives and propensities but also the social institutions that are relevant to economic behavior, such as government, property inheritance, contract, and so on, that phrase really tells us all we need [12, 21].

Among the several available examples of such a vision, Schumpeter found that Keynes provided the most outstanding illustration. The whole "process," said Schumpeter, "stands out... with such unsurpassable clarity because we can read a formulation of the vision, and so analytically control it, in a few brilliant pages of Keynes' The Economic Consequences of the Peace (1919) [12, 42]. Hence Schumpeter used Keynes' contribution as a proxy for the "thesis that, in principle, vision of facts and meanings precedes analytic work, which, setting in to implement the vision, then goes hand in hand with it in an emerging relation of give and take" [12, 171]. Schumpeter described the essence of Keynes' vision and its relation to The General Theory in the following manner:

Keynes' vision... appeared first (as already mentioned) in a few thought-provoking paragraphs in the introduction to the Consequences of the Peace... These paragraphs created modern stagflation... and indicated its essential features... of mature and semiclassical capitalist society that tends to save more than it declines opportunities for investment one suburbs [9, 385].

Nothing can be more obvious than that in the beginning of the relevant part of Keynes' work stood his vision of England's aging capitalism and his intuitive diagnosis of which he followed up without the slightest consideration of other possible diagnoses the interwar economic struggle for reorienting venture decline while the old habits of saving formed in times of plentiful opportunity persist [12, 171].

[This vision of an economic process in which investment opportunity thy save and saving habits nevertheless persist, is theoretically implemented in the General Theory of Employment, Interest, and Money (Proposed date December 10, 1950) by means of three interrelated concepts: the consumption function, the efficiency of capital function, and the liquidity preference function. These together with the given wage and the equally given quantity of "money" determine interest and wages in employment (7, 510).]

The General Theory constitutes the means by which Keynes effected an "analytic implementation" of his vision. The "individual tools of analysis" contained in the theory "fits his (Keynes') purpose as well as a well-tailored coat fits the customer's body" [9, 386].

This fact, in conjunction with "the wide appeal of the Keynesian ideology," assured that the "success of the General Theory was instantaneous and, as we know, sustained" [9, 386; 7, 513]. A "Keynesian school formed itself," a school that is "genuine" in the sense that it "is a sociological entity, namely, a group that professes allegiance to One Master and One Doctrine, and has its inner circle, its propaganda, its watchwords, its esoterics and its popular doctrine" [9, 470]. Thus he declared in the History that a Ricardian school existed in the same sense in the nineteenth century. Schumpeter argued in 1946 that in the history of economics, there were only two cases analogous to the Keynesian case, namely the Physicists and the Marxists [12, 400; 7, 518].

In the case of Keynes, Schumpeter encountered no difficulties in describing the road from a new vision to a new theory designed specifically to explain behavior within the very same (new) vision. He faced a problem, however, in a case in which a preexisting (old) vision was used as an input for a new theory that differed substantially from the prior analytic apparatus used for an implementation of the very same (old) vision. Schumpeter solved this problem by injecting the concept of value judgments into his discussion [8, 37a].

III. From Ideological Vision to Theory via Value Judgments

Schumpeter discussed this problem in terms of the transition from the classical to the neoclassical doctrine. There were, he said, some classical topics left uncharged by the neoclassical "revolutionaries":

The first item to be mentioned is the phenomenon's Vision of the economic process. We are already familiar with this concept and with the role that Vision plays in any scientific endeavor... Now, it is perfectly obvious that the leaders of that time, such as Jevons, Walras, Menger, Marshall, Walch and so on, visualized the economic process much as had J. S. Mill or even A. Smith;... they added nothing to the idea of the prevailing period concerning what it is that happens in the economic process and how, in a graphical way, this process works out;... they saw the subject matter of economic analysis, the particular things that are to be explained, much as Smith or Mill had seen them, and all those efforts aimed at explaining them more satisfactorily. He conceptual creation of the period points toward a new fact or a new start [12, 892].

Consequently, the classicals' conception of the economy's institutional framework was left practically untouched by the architects of neoclassicism. "Social classes," for example, "were not living and fighting entities but were mere labels affixed to economic functions," said Schumpeter. "Nor were the individuals themselves living and fighting beings: they continued to be mere clothelines on which to hang propositions." The only major difference between the classical and neoclassical visions in this respect was that the neoclassical "clothelines stood out even more visibly" than did the classical ones [12, 898, 1007].

In spite of crystallization of the classical view of the economy in the vision of the marginalists, Schumpeter insisted that the so-called neoclassical theory was genuinely new, "in revolution [was] affected... by Jevons, Menger, Walras, and... Marshall" [12, 918]. The change they wrought in economics was so "thoroughgoing and discontinuous... that the claim of those pioneers of modern theory—the claim to having revolutionized the pure 'part of economics—should be admitted" [12, 918]. Schumpeter saw the replacement of the classical by the marginal utility system as a "unifying reconstruction" rather than just a normal-science refinement of the older theory. Therefore there was "no more sense in calling the Jevons (Marshall)Menger-Walras theory neo-classical than there would be in calling the Einstein theory neo-Newtonian" [12, 918].

Thus Schumpeter was faced with a dilemma: two radically different theories grew out of the same vision. As suggested above, Schumpeter resolved this problem through the concept of value judgments. By a value judgment, Schumpeter meant that which Nassau W. Senior and Henry Sidgwick had understood by that term, namely a statement about "what one ought to be," a definition that reveals the connection between ideology and value
judgments. The latter are revelatory of the former. Although ideologies are potentially biased explanations of social structures and processes and hence not value judgments themselves, an economist's value judgments are often hidden in his ideology [8, 37, 12, 37]. An ideology may be viewed as a set, or bundle, of "ultimate values" or "ultimate value judgments." Extending this notion slightly, ordinary value judgments may be instrumental because an achievement of the goals they pose is, or can be, a prerequisite for the attainment, or accomplishment, of that which the ultimate value judgments define as desirable [12, 806].

This supports Schumpeter's contention that the neoclassics produce value judgments that differ from those held by the classicals. The founders of the two schools made different appraisals of the institutions in their otherwise identical visions. One far-reaching consequence of their different evaluations was that the neoclassicals developed a concept of the economic problem that was unlike the old classical problem of "quantitative expansion" over the long run. For example, said Schumpeter, Marshall appraised the institutions of his vision from the view of "his own scheme of life's values." These values, "shaped on the model of the typical life of a Cambridge professor," moved Marshall to formulate a "definite concept of the Noble Life" [12, 152, 584, 125].

Inasmuch as Marshall fervently desired this lifestyle for all members of society [3, 118, 4, 174], Schumpeter found it logical for this Cambridge economist to concentrate on those processes in which resources that are useful for the "Noble Life" are allocated. Thus Marshall's vision became an integral part of the institutions in the classical-neoclassical vision by the inventors of neoclassicism, the "analytic core," for which the term Value and Distribution became increasingly popular, experienced a revolution ... which was to subside into a typical Classical Situation around 1900" [12, 825].

IV. "Positive" Analysis

Although the vision of an innovator is "ideological almost by definition," Schumpeter argued that "the analytic apparatus of the evolution of which is the subject" of the History is in the nature of "positive" science because it is simply "told knowledge." For example, the "apparatus of the theory of demand and supply is scientific in this sense" [12, 42, 365, 5]. Thus one gets the impression that Schumpeter believed that the analytic tools devised by a theory founder, and accepted by his followers, are not contaminated by the ideology of his vision. This notion is reinforced by Schumpeter's observation in the History that it was one of his objectives to make the reader aware of the existence of ideology in economics "without infusing him with a sterile pessimism concerning the objective validity of our methods and results." But Schumpeter added a qualification: "We also observe that the rules and procedures that we apply in our analytic work are almost as much exempt from ideological influence as the results and conclusions we display." For many of us, the "box of theoretical or statistical tools" are "ideologically neutral" [12, 43-4].

Does Schumpeter's use of the words "almost" and "many" indicate that he presumed that economic analysis may not be pure from contamination by ideology? To as effort to answer this question, I shall next consider Schumpeter's discussion of the theoretical work of innovators and conclude with a few observations on the work of the practitioners of normal economic science.

V. Ideology and Science in New Tool Boxes

According to Schumpeter, the analytic apparatus of innovating economists consist of "theoretical work" and "scientific models" [12, 42]. His distinction between models and theories was somewhat blurred, however. He often referred to "what we call a theory or a model," as if the two were the same [12, 952]. At other times, he distinguished between the two concepts. He observed in the 1948 manuscript that "economics ... often resorts to the construction of abstract schemata ... Such schemata we shall call Models. They are simplified pictures of reality; presumably the reality envisioned by an innovator. Schumpeter understood "model building" to be the "process of conceptualizing the contents of the vision" [8, 21]. And by conceptualization, he simply meant "the fixing of its [the vision's] elements into precise concepts that receive labels or names in order to retain their identity" [12, 45].

But the "frame provided by the model" is "filled in" by a theory, or sometimes, as in the case of J. S. Mill, "by two theories (or types of theories)" [12, 567]. Theoretical work, therefore, consists of the establishment of "relations between the concepts" contained in the model and the "method of handling these relations" [12, 151]. The relation between models and theories, and among the concepts and variables of the model are determined by the use of certain "gadgets" or tools, such as "marginal rate of substitution," "marginal productivity," "multipliers," "accelerators," and so on. Even the matristitists' concept of the balance of trade was "in fact an analytic tool." And, said Schumpeter, "it is the substance of this concept which constitutes analytic science" [12, 15, 352, 18].

Given these concepts of models and theories, and their relation to a vision, it seems that Schumpeter would have to admit that there cannot be an iron curtain between an ideologically vitiated vision, on the one hand, and a model and a theory, on the other. With regard to models, Schumpeter observed that "in strict logic," innovators "are of course at liberty to construct any models" they "please," but in practice they are not. Why? Because the purpose of a model "can hardly be other than to bring into bold relief those features of reality" that the master-economist "believe to be important" [8, 22]. Of course, this belief, formalized in value judgments and distilled from a vision of the social process, must contain ideology components.

But what about theories? Given that they are tools and methods for establishing relations between the facts of the model, are theories not in the nature of a purer analytic effort than a model can be because of its anchorage in the mine of ideology? Not necessarily, said Schumpeter; a theory contains certain elements that are taken for granted by its architect. And the "things" that a theory builder takes "for granted may be called indeterminately either hypotheses or axioms or postulates or assumptions" [12, 151]. As Schumpeter saw it, however, things can be taken for granted by a master-economist only because such things are contained in his vision in the form of preestablished facts. In turn, each relevant "fact enter a theoretical structure in the character of an assumption or hypothesis" that is tainted by the ideology of the vision in question [8, 32].

Although the pertinent tools of analysis may "have nothing hypothetical about them," these devices are the means "by which results may be extracted from ... [vision-based] hypotheses" [12, 15]. It seems, therefore, that there is one conclusion to be drawn: as it leaves the hands of an innovator, an economic theory is just as ideology ridden as is the model with which it is associated. Schumpeter did actually draw such a conclusion. But,
there are indications that Schumpeter entertained at least a hope that in the long run normal sciences might "tend to crush out ideologically conditioned error from the visions from which we start" [12, 43]. If that should come to pass, the economics profession would end up with purely positive classical situations in the future. Yet, by 1948 Schumpeter had decided that it is "no misfortune" that "acne ideology will always be with us" [9, 359].

References


THE ENTREPRENEURIAL ENIGMA

BERT ELMERT* 

I. Introduction

Entrepreneurship has a firm and time-honored place in the lexicon of Western economic systems. It is one of those ideas readily available since "we all know what it means." Yet it is hard to define. This paper takes as a theme the idea that entrepreneurial activity is an enigma, a puzzle, a riddle. Why is this so?

First is the fact that, for all of its wide use in so many significant formulations, the concept of entrepreneurial activity is understood only in a very limited way. There is, for example, constant confusion between it and small business, as if all people who started or operated a small enterprise were entrepreneurs. Also common is the imprecision of the term in connection with any business showing rapid growth.

Next, there is the enigma of the entrepreneurial role in theories of market behavior. Entrepreneurial activity can be an important element in explaining market phenomena, yet it is possible to formulate whole theories without ever alluding to the entrepreneur. Moreover, theory fails to give us a full understanding of why entrepreneurial activity exists and flows, or of what particular conditions in the market environment are strongly associated with its emergence or absence.

Lastly, it is puzzling to find that the entrepreneurial label is affixed to a range of economic activities which is desirable by modern normative standards of efficiency and growth, but which does not involve entrepreneurship as a major element. In this context the term "entrepreneurial" is an euphemism for factors leading to good economic performance but not adequate explanation for the. The effects of the conclusion can match for afar and be serious. Students of developing economies, for example, have a strategic interest in whether such economies suffer from a shortage of entrepreneurial effort. Recent work shows the importance of careful concept delineation. For example, Kilby's study [1] found the actual shortage to be a lack of managerial control, coordination, and efficient supervision. While these are matters of much importance, they are also matters that it is important to distinguish from entrepreneurial activity.

II. The Concept as an Analytical Tool

The main reason for refining a concept is to sharpen its analytical focus, to make it a more useful tool for exploring, explaining, and perhaps predicting. To do this with the entrepreneurial concept, the starting point is with Schumpeter. Besides giving the concept

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