

Ideology, power, and progress: Economics and its dilemmas

RICHARD STURN* 

Institute of Public Economics, University of Graz, Universitätsstr. 15, 8010 Graz, Austria

Received: December 30, 2021 • Revised manuscript received: April 9, 2022 • Accepted: May 9, 2022

© 2022 Akadémiai Kiadó, Budapest



ABSTRACT

The complex co-evolution of economics as a scientific discipline is accompanied by two dilemmas which are reflecting ambivalent effects of two ideologies: economism and scientism. Economics may go wrong when certain tendencies occasioned by those inevitable “ideological” influences are ignored. Pertinent problems include pseudo-rationalist conceptions of policy advice and the failure to deal with the limited status of partial analysis and abstractive dichotomies (notably allocation – distribution), the status of core concepts such as scarcity, instrumental rationality, exchange, and contract, as well as the related abstraction from power, distribution, and human sociality relevant for non-contractual interaction in various spheres of social life, including the market economy.

KEYWORDS

ideology, progress, power, Schumpeter, sociology of knowledge, Whig-History

JEL CLASSIFICATION INDICES

A 11, A 12, A 14, B 00

1. INTRODUCTION: ECONOMICS AND ITS TWO DILEMMAS

The evolution of economics was and is accompanied by waves of critical discussions of achievements and failures. This should not be considered an anomaly. The cultures of modern science, unlike the environments embedding some other forms of theoretical knowledge, include

* Corresponding author. E-mail: richard.sturn@uni-graz.at

criticism and questioning of established truths as guiding principles. However, economics is recurrently confronted with waves of foundational criticism which are neither part of everyday disciplinary practices challenging specific research results or designs, nor can they be well understood in terms of paradigm shifts inducing the scientific revolutions envisaged by Thomas Kuhn. This constellation is associated with its complex co-evolutionary development including two genuine dilemmas of economics dealt with in the present piece. As a scientific discipline, it seems to be subject to a kind of dialectic of enlightenment, with some parallels to the vicissitudes of modern society at large.

Progress in economics is impressive in terms of the growth of its scientific machinery, including theoretical and empirical tools as well as its role in the overall landscape of research and teaching. As observed by Schumpeter (1949: 345), that growth is not necessarily coinciding with the degree to which economists are “pleased with their performance”. This is not surprising. According to Schumpeter (1926: 358), the *struggling knowledge* (“ringendes Wissen”) emerging from co-evolution of the different theoretical and empirical branches of economics can be compared with the spontaneous growth of a tropical forest. Such complex development is associated with unintended consequences and dilemmas (“Nöte”). Unproductive battles-of-method are epiphenomena indicating the degree of incongruence of that spontaneous growth with the fictitious reference point of some ideal division of labour, due to propensities of single branches towards disproportionate developments that are not self-correcting.

The ensuing imbalances and dilemmas are also reflected by the “fragmentations” highlighted as a key feature in the history of modern economics by Alessandro Roncaglia (2019), or by the “betrayal of liberal economics” carefully scrutinized by Amos Witztum (2019), or by David Colander’s – Craig Freedman’s (2019) diagnosis “where economics went wrong”, invoking the wisdom of the classics (according to whom economics is a *socially useful science* only if the branch of science-supported economic policy is taken seriously as an “art and craft”) has been largely abandoned. Polemics questioning the fruitfulness of disciplinary progress for addressing the most pressing problems of contemporary economies (gaining leverage in the wake of major challenges such as the financial crisis 2007–2008, see, e.g., Posner 2009 or Kurz 2010) are indicative of such problems in the interface of science and policy.

The tensions triggering the dilemmas discussed in the present paper are at the bottom not only of the derogatory but (paradoxically) also of the laudatory epithets that have been bestowed on economics. Indeed, both may be considered as thought-provoking exaggerations: thinking about their meaning in a theoretical context comes close to opening Pandora’s Box.

Economics has been famously called the “dismal science”. One need not dig very deep to uncover specific problems envisaged by two different interpretations of that derogatory epithet – problems not confined to the years in the 19th century when it was coined and became currency. Thomas Carlyle (1849) first used the expression “dismal science” when he wished to stress his unconditional rejection of abstract, parsimonious conceptions of human agency disregarding differences between agents. In a different context, Carlyle used the label “dismal” also referring to the mechanics of Thomas Malthus’s population principle – which may be taken *pars pro toto* of socio-economic theorizations where the *avarice of nature* is considered the core of economic mechanisms determining the fate of human societies. While there are excellent reasons to reject



the reactionary framing¹ of Carlyle's remarks, they are pointing to foundational problems, notably to the limits of economic man as a model of human agency (whether considered an abstraction or an ideal type), of scarcity as the pivotal concept for capturing socio-economic interdependences – and of scarcity-constrained instrumental rationality as *the* canonical parsimonious model of human interaction.

Laudatory superlatives occasionally bestowed on economics seem to be in sharp contrast to that. However, rightly understood, they are begging partly overlapping, partly complementary sets of questions and challenges. Taking seriously the superlatives implies spelling out the conditions required for the sustainability of pertinent claims, and the ways in which “economics goes wrong” when those conditions do not obtain.

In the American Economic Association (AEA) Awards Ceremony and Presidential Address, Paul Samuelson (1962: 2) alludes in passing (without explicit reference) to a formula used by Keynes (1933: 294) in an obituary for Frank Ramsey, characterizing economics as “the most agreeable branch of the moral sciences”. In another AEA Presidential Address, Abba Lerner (1972) referred to economics as the “Queen of the social sciences”. In this paper I am going to argue that those superlatives, if taken as seriously as they deserve to be taken, are leading us to two difficult-to-address dilemmas of economics, the (1) *scientism dilemma* and (2) *the economism dilemma*: the scientism dilemma includes problems of dealing with the interfaces of the sphere of science and other societal spheres, notably the political sphere, amounting to a dilemma for a discipline promising light and fruit in the form of policy advice supported by scientific rigor. The economism dilemma refers to core models resting on abstractive dichotomies (e.g., allocation vs. distribution), dealing with facts and values of human sociality in very specific (restrictive and reductionist) ways. A tension exists between the merits of the “economic way of thinking” as a framework for parsimony and simplification (making social problems scientifically tractable) vs. facts of socio-economic life calling for richer characterizations of human agency, and for more encompassing (less partial) interdependences, and sometimes even for the perspective of the seamless whole of society. The ensuing tension may be addressed by a variety of research strategies and designs, all of them necessarily relying on the analytical decomposition of the seamless social whole. While the history of economic thought and the history of economics reveals a panorama of various subclasses of such decompositions, one of those subclasses (“economism”) seems to be specifically relevant for the paradigmatic identity of mainstream economics.

The remainder of this paper is organized as follows. Section 2 will briefly scrutinize two diagnostic framings for discussing the above-sketched challenges faced by economics, including the two mentioned dilemmas. Section 3 will provide a brief account of the vicissitudes accompanying the concept of ideology, motivating the use of specifically targeted forms of ideology critique for dealing with those dilemmas without pouring out the baby with the bathwater. Section 4 introduces two strands of ideology critique and shows how they are related to the economism dilemma and the scientism dilemma, associated with difficulties of applying expert knowledge based on partial analyses in a world of more encompassing interdependences including the political sphere. Section 5 is sketching the ideological background of the way in

¹While pertinent criticism originated from many different backgrounds, Carlyle's (1849) rejection was embedded in the kind of reactionary anti-egalitarianism also known from other “thinkers against the current” such as Joseph de Maistre, who confessed to have met Germans and Russians etc., and to have heard of Persians, but never to have met a human.



which power and distribution are dealt with in important strands of economics, and Section 6 is dealing with pseudo-rationalism as an “ideological” challenge to applied economics. Section 7 concludes by confronting the sociology of knowledge strand of the analysis of ideology with issues of innovation, improvement, and progress.

2. WHERE ECONOMICS WENT WRONG: DIAGNOSTIC FRAMINGS

Why was economics “most agreeable” for Keynes? He considered it a discipline “in which theory and fact, intuitive imagination and practical judgement, are blended in a manner comfortable to the human intellect” (Keynes 1933: 294). While the extent to which the norms and incentive mechanisms currently effective in the discipline are supporting such a blend of faculties may be questioned, Keynes may have broadly got it right. David Colander – Craig Freedman’s (2019: 139–159) sketch of role models among prominent living economists suggests that Keynes’s blend is still possible and somehow attractive. However, they appear as the result of lucky idiosyncratic combinations of personal faculties, circumstances, and opportunities – and less of incentives and constraints set by disciplinary constitution.

Pertinent specific challenges faced by economics are not only reflected in laudatory and derogatory rhetoric sketched by way of introduction but have been addressed in scholarly debates. In their above-mentioned book, Colander – Freedman (2019: 133, 139) explain “where economics went wrong”, on the grounds that it came to develop a scientist paradigm of economic policy, while abandoning the “firewall” between economics and economic policy (properly understood as “art and craft”, in keeping with John Neville Keynes and John Maynard Keynes, among others). There is much to be said in favor of this line of argument and the related “solution” (the “classical firewall”). However, it is not sufficient for addressing the scientism dilemma and as a regulative idea for the “constitution” of economics. I will come back to that.

Coping with the economism dilemma is an equally demanding task. Consider the abstractions and idealizations associated with “economic man”. To be sure: pertinent methodological tenets were criticized in many interesting ways and from different angles, highlighting the drawbacks of reducing human sociality to price-mediated trade, and of ruling out context-dependency and endogeneity of preferences. However, the economism dilemma cannot be understood without considering certain strengths of the implied combination of *analytical egalitarianism* and parsimonious *methodological individualism*,² e.g., as a handy way of capturing purposive action in analytical models and tools.

As illustrated by Carlyle’s (1849) reference to economics as a dismal science, the pivotal role of economic man (the combination of individual instrumental rationality with analytical egalitarianism, often complemented by selfishness) was countered by severe critique from early on in the development of economics as a scientific discipline: while parsimonious conceptions of human agency may help avoiding the problems associated with conceptions of agency mirroring given institutions and cultures (let alone anthropological conjectures or prejudiced stereotypes looming large in institutionalist speculations of the 19th century, much beyond Carlyle 1849), and may help shifting the intricacies of market interdependences centre stage, reductionist individualism ignoring relational dimensions of human sociality may go wrong in several ways.

²It is *not* an irony that both notions were coined and often violated by Schumpeter.



Construing social interdependences in terms of a pattern of constraints shaped by prices and private property (where individuals need no more social competence than Robinson Crusoe before the arrival of Friday) may be a useful or even important thought experiment regarding specific contexts and questions but will be misleading in others. It is providing a lens fading out all sorts of non-contractual social interaction, presupposing that the latter either are best dealt with *as if* they were contracts, or can be treated as a residuum separated from economic analysis, or play no role at all. This strategy fails when aspects of power, distribution, and agent heterogeneity, are centre stage. In conjunction with that, the issue of social change poses challenges: references to the “dismal science” of the Malthusian population principle are pointing to limits of capturing the forces of socio-economic economic evolution and development under the aegis of the cold star of scarcity. Malthusian avarice of nature and generosity of technical progress coming as manna from heaven (with technological knowledge conceived of as pure public good) are associated with somewhat contradictory perspectives for civilization. Might their combination offer a plausible synthesis? Notice that both are missing the endogenous forces driving the polycentric dynamism of entrepreneurial change and cumulative division of labour with all its potentials and risks – and in that sense are two sides of the same coin. Schumpeter, Marx, Veblen, Marshall, and Endogenous Growth Theory tried to offer developmental or evolutionary theorizations capturing some of those forces, with mixed success.

While the just sketched aspects of economism are at the bottom of specifically relevant variants of scientism criticized by [Colander – Freedman \(2019\)](#), those are not the only relevant forms of scientism conducive to misleading recipes in the science/policy interface: scientism may go along with doctrines stressing “the primacy of politics” over economics. Moreover, further problems of economism were sometimes addressed in terms of the distinction between sciences and the humanities, without referring to issues of economic policy. In view of the economism dilemma, recalling arguments stressing that economics has something in common with the humanities may indeed uncover some underlying problems. However, while the reasoning behind the science-humanities distinction may be thought-provoking in the context of discussions of economism, eventual conclusions might be question-begging, not only because they are patently incongruent with the understanding of most modern economists and their practices. Most modern economists count economics among the sciences without any hesitation, and feel comfortable in an academic culture shaped by natural sciences. However, a minority position *inter alia* made explicit by some Austrian economists, including an in-depth argumentation by Friedrich von [Wieser \(1884: 2–9\)](#), stresses the character of economics a humanity (*Geisteswissenschaft*).

Could it be that Wieser is right and the mainstream is wrong? Economics as a science is inevitably committed to specifically limited approaches regarding a *subject matter that typically has been attributed to the humanities, i.e., the world that human beings create and inhabit*. While the sciences typically study the physical world, the human world may itself be a reasonable subject of quasi-natural social science, but only regarding limited aspects, perhaps abstracting from what makes the social world distinctive. Pertinent arguments have been persuasively elaborated by Isaiah Berlin, as aptly summarized by [Cherniss – Hardy \(2020: 2.3\)](#): “... the human and natural worlds must be studied differently because of the differing relationship between the observer or thinker and the object of study. We study nature from without, culture from within. In the humanities, the scholar’s own ways of thinking, the fabric of his or her life, every facet of his or her experience is part of the object of study. Such understanding is



based on our own experience, which in turn necessarily involves certain ‘common-sense’ assumptions, which we use to fit our experience into patterns that make it explicable and comprehensible.”

Taking on board insights of Colander – Freedman’s argumentation motivating the firewall, and of Berlin’s argumentation stressing the drawbacks of studying human social affairs outside the ambit of the humanities is useful. However, both arguments provide little guidance for what economists (whose discipline is supposed to deliver “light and fruit”, as stated by Pigou 1932: 3) should do. Both are responsive to the respective dilemmas, but the envisaged perspectives do not sufficiently address the needs and potentials of economics as an academic discipline. Some great economists suggested an elegant way out: caution and modesty. For instance, Samuelson (1962) clearly refrains from assertive speculations as to the status of economics among the sciences and their eventual role as a basis for social technology. He finishes with cautious remarks on the role of the economist in modern society, who more often is in a position of analytical criticism regarding views which are gaining applause in the mainstreams of politics, than in the position of guiding the implementation of theoretically designed blueprints for policy. Modesty and caution may be wise and agreeable, and prevent aberrations triggered by arrogance. However, steering clear of the dilemmas does not provide a solution.

Scientism dilemma and economism dilemma are dilemmas since they reflect inevitable tendencies in the evolution of scientific economics. In other words, those tendencies are not the result of whimsical idiosyncrasies or vested interests. They are reflecting mechanisms, practices, and potentials which are inextricably linked to important subsystems in modern societies, notably the market economy, and the science sector, and the public/political sector. However, capturing problems of mediation of inter-systemic interfaces and interactions between those subsystems requires further theoretical resources.

It is contended here that

- both dilemmas are reflecting tendencies associated with the ideological role of pertinent tenets;
- such an ideological role of scientism and economism is almost inevitable and ambivalent in its effects; and
- those ideologies may become hegemonic and impose specific constraints and biases.

Schumpeter (1926) described development and progress of scientific economics as a co-evolution of fields (including economic theory, empirics, history, and institutional theory) that is not likely to bring about well-designed schemes, but rather something like a tropical forest.³ Indeed, division-of-labour between those fields is not straightforward, nor are their interfaces, co-operations, and combinations. In that co-evolution, economism and scientism evolve as disciplinary devices, triggered by the understandable quest for cutting a clearly visible path in this forest, in the hope and expectation that this will lead to some vantage point for exploring further territory. Ideology critique may be helpful for achieving that. Or so I will argue.

³For Schumpeter (1926), battles of method are related to those difficulties. They are not just a waste of time and energy but indicate a misunderstanding of the progressive co-evolution of scientific economics. Schumpeter sees partly similar tendencies in some rituals of distinction in the natural sciences, affirming a hierarchy between mathematics, theoretical and experimental physics.



3. SOCIAL SCIENCE AND IDEOLOGY

The two strands of ideology critique distinguished below can be understood as remedies for distortions induced by ideologies. While they are interrelated in important ways, one of those strands is more directly addressing the scientism dilemma; the other one is more entangled with the economism dilemma. Here are a few remarks on the modern history of the concept, which goes back more than 200 years: Destutt de Tracy is regarded as the protagonist of an Enlightenment program of “idéologie” (scientific examination of ideas), which attracted the displeasure of Napoleon Bonaparte because of its lofty Enlightenment gesture. This idéologie had the goal of overcoming obscurantism and stood in the great tradition of French sensualism with its important references to political economy exemplified by Condillac (Faccarello – Steiner 2008). Since then, the term has undergone a complex and eventful history and has been used in a variety of ways (Eagleton 2013) – culminating in its critical turn towards domination by Karl Marx, to whom not only Joseph Schumpeter (1949) and Karl Mannheim (1929) refer as the *locus classicus*.

In a constellation that developed after World War II, however, there were increasing signs that the question of ideology had become obsolete and that the business of ideology criticism had therefore become dispensable, after the terms had been used in the Cold War mostly in a simplifying and pejorative way to characterize poisonous webs of opposing fictions – diagnosed from the perspective of truth, however assured. Corresponding tendencies gained ground on several levels. In economics, the “neoclassical synthesis” promised a basic consensus that extended into economic policy: in comparison, the economic policy trench warfare of the interwar period and the period before World War I looked museum-like and atavistic. Theories based on axioms à la Gérard Debreu and Kenneth Arrow enjoyed great prestige. Their theorems were ascribed a degree of generality that would be comprehensible to anyone with methodological training. Any ideological tendencies, as well as problematic ad-hoc assumptions, would immediately become visible and criticisable on the level of axioms: In this understanding, ideological residues would dissolve in the acid bath of scientific methodology. Progress happens through variation of axioms/assumptions, which makes new theorems possible, whereby earlier or supposedly competing findings are identified as special cases and the theory as a whole attains an even higher degree of generality. Complementary to this, positions in the philosophy of science such as critical rationalism seemed to predetermine the constitutional framing and empirical reference of research processes in a way that neutralizes ideological contamination and guarantees piecemeal progress – especially since the paths towards dangerous ideological poison cabinets were clearly signposted with impressive warning signs.

The overcoming of ideology, however, also seemed to be emerging at the level of big politics. In the post-Cold War thaw, views gained ground that diagnosed the obsolescence of ideology under technocratic notions of system convergence. In view of cybernetic models of socio-economic control advanced in East and West, the age of a scientific civilization seemed to have dawned, in which politics could no longer be anything but rational administration. At the nation-state level, the median voter model served as an explanation for the widely perceived de-ideologization in terms of programmatic convergence in two-party democracies.

It is true that the political movements of the 1960s set contrary accents. The conjunctures that developed in their context were initially associated in part with interesting forms of ideology critique, not least with regard to aspects relevant to economics in several ways: instrumental rationality, the dialectic of enlightenment, ambivalence of progress, and growth. Jürgen



Habermas (1968) analyzed the ideological dimension of narrowing rationality to its instrumental and technical dimension, which holds specific pitfalls for economics. However, in the wake of pertinent discussions currents unfolded that are to be understood more as variations of post-ideological programmatic than as ideology critique. The narrative of the end of the grand narratives became popular – and, complementary to it, forms of post-ideological deconstruction that are steering clear of the two strands of ideology critique referred to in this essay.

In the face of market-driven globalization and the implosion of Soviet communism, however, all these currents were overarched by a historical-philosophical narrative – that of the end of history under the sign of market society and democracy. The post-ideological thrust of this coincided with a new generation of mental models of rationalist progress grounded in market theory, including a decentralized version of scientistic control projections, and, at a more political level, in striking statements on the quasi-natural character of globalization and market liberalization. As a representative, we may quote Tony Blair,⁴ who stated at the 2005 Labour Party Conference: “I hear people say we have to stop and debate globalisation. You might as well debate whether autumn should follow summer.”

In the meantime, the death of ideologies under rationalist-scientist auspices appears highly questionable. The relationship between ideology and economics plays a special role here. The two strands of classical ideology critique outlined in the following Section 4 have considerable diagnostic potential – as a line of critique that takes account of the ambivalence and multi-layeredness of ideologies, regarding their social function and their dynamics in the context of systems of knowledge: The genesis of actors’ knowledge (inevitably historically and situationally conditioned) about the complex social systems in which they operate is interesting not only as an archaeological curiosity. For the social sciences, it is particularly important to see how ideologies support, distort, or cut off problems that are more or less interesting in terms of research questions, and why ideology-free, “pure” or “innocent” economics remains fiction. However, it is possible to diagnose whether and where economic research sheds more or less light – and to what extent its application brings benefits and/or problems. To shed some light on the background of these differentiations, the two strands will be explored and used in the further sections regarding aspects of scientism and economism specifically correlating with ideologies and their ambivalence. Power, distribution, non-contractual interaction, economy-politics interfaces, and socio-economic change will be major issues.

4. TWO STRANDS OF IDEOLOGY CRITIQUE

The two strands of ideology critique taken up in the following are specifically relevant for the two dilemmas of economics. As “sociology of knowledge”, one strand develops the concept of ideology based on the “being-boundness” (*Seinsgebundenheit*) of all living thought” (Karl Mannheim 1929).⁵ In the context of economic theorizing, the variety of forms of such boundness is highlighted by Schumpeter (1949), tracing an arc from mental and cognitive dispositions (e.g., degree and kind of affinity to mathematical thinking) to the “social conditioning” of class- and origin-dependent views. Subsequently, a specific function of such “ideology” relevant for the

⁴UK Prime Minister 1997–2007.

⁵The meaning of “*Seinsgebundenheit*” is only partly captured by “situationally bound” or “socially bound”.



constitution of science can be analyzed: To what extent and on what levels do these multiple forms of “Seinsgebundenheit” in the form of resulting pre-scientific visions influence the scientific research process? How do they stimulate it, and how (as discussed in Schumpeter’s case studies of Adam Smith, Marx, and Keynes) do they constrain it?

Schumpeter (1949) illustrates the diversity, complexity, and inevitability of possible ideological influences on prejudices, problem perceptions, and the pre-scientific organization of knowledge, which by no means gives way to a tabula rasa as soon as science begins its work. Moreover, he distinguishes his kind of ideology critique not only by focusing on the inevitability of such an ideological bias and the ambivalent (i.e., sometimes stimulating) role of ideology in the constitution of theories and research programs, but also on those potentials of disciplinary science to free itself from certain contextual conditions that have always been suspected of contaminating scientific “objectivity”: values and material interests. As an example, Schumpeter (1949: 347) refers to the seminal contributor to the neoclassical literature on economic planning, Enrico Barone (1908/2012), who demonstrated the possibility of socialism within a Walrasian-Paretian theoretical framework, although he was certainly not a supporter of socialism in politics. Also, according to Schumpeter, economists hired by interest groups may deliver scientifically valid results – and (on this, Sturn 1998) exchange arguments with economists of other interest groups in a scientifically and politically meaningful way, which is of utmost importance for a beneficial role of science in the context of democratic negotiation processes. Thus, ideology critique à la Schumpeter is not to be confused with the insinuation that economics is nothing but the propagation of values, interests, or the projection of power by other means. And it goes further than the mere observation of “fads and fashions” in the academic world. Rather, it is related to the notion (hinted at in Schumpeter 1954, among others) that science is a social subsystem with its own functional logic, and with complex interfaces involving other subsystems. Within such a framework, sociology of knowledge can examine the extent to which ideological influences become effective at the various stages of theory formation and the research process – and the extent to which they possibly condense into norms, incentives, and (quasi-)institutionalizations of disciplinary research and publication norms that are relevant in the longer term. According to Mannheim (1929: 5) a new type of objectivity can be achieved “not through the exclusion of evaluations but through the critical awareness and control of them”.

Among other issues, qualitatively different effects of ideologies on two areas can be examined:

- *Scientific knowledge production.* This includes the following questions: When and under what conditions can theoretical models become citadels or even “prisons” (Atkinson 2015)? How come that certain models are used for questions with respect to which they are clearly inadequate? How is it to be explained that progress in economics, despite cumulative advancement, is in any case not linear (Schumpeter 1954: 6)?
- *Different levels and contexts of practical application of economics.* These include the critique by Colander – Freedman (2019), the so-called “Ricardian vice”⁶ as well as Otto Neurath’s critique of technocratic pseudo-rationalism (Linsbichler 2021).

⁶Kurz (2017) argues that Ricardo is wrongly chosen as the namesake for the vice. For a detailed discussion of the problems associated with the “vice” (or with ignoring the specific challenges of the “art of economic policy”), see Colander – Freedman (2019).



Both can be understood as specific forms of critique of ideology considering the ambivalent role of ideologies in science emphasized by Schumpeter.

The second strand of ideology critique, which is of interest to economics, is specifically developing analyses of knowledge systems in their relation to power. The classical reference is Karl Marx. While approaches à la Mannheim focus the influence of “ideologies” in the development of knowledge-generating systems with specific reference to modern science, the scope of ideology critique à la Marx (even when abstracting from the latter’s embeddedness in a specific historical conception of theory in its relation to practice⁷) is narrower in that it focuses power. At the same time its focus is different in that it brings to the fore power-related *social functions of ideologies* in the economy, politics, and the Lebenswelt (living world). Pertinent discussions focus on the systemic function of social theories in establishing/supporting power structures enabling and conditioning collective and individual agency, including their historical, economic, anthropological, or psychological backgrounds. Specifically, it critically deals with properties of theoretical architectures which (1) make asymmetrical power relations appear as free exchange and (2) make the results of political power appear as natural law events. A particular susceptibility of economics to this kind of ideology arises from an inadequate understanding of invisible hand processes and a kind of power blindness through the kind of faith that posits the “principle of free contract” (Basu 2010) as an epistemic and normative central principle. This kind of market faith is based on an insufficient grasp of the conditions of modern markets, in particular (i) the background conditions of “voluntary contracts”, (ii) the implications of incomplete contracts, (iii) the inter-sectoral interfaces requiring mediation of mechanisms of different spheres (private economy, public/political sector, “lifeworld”, science) and (iv) the systematic significance of distributional issues. Moreover, this susceptibility to ideology correlates with deficits in the problem-oriented handling of partial analytical assumptions and theoretical architectures.

A particularly strong sensorium for such specific forms of ideology and power critique has emerged in American institutionalism (Samuels 2002, 2005; Langholm 1998) as well as in authors such as Bowles (2004, 2016) and Bowles – Gintis (2007). The general background of these forms of ideology critique is the ubiquity of power in social systems. Nevertheless, neither for Marx nor for the American institutionalists does this amount to science merely being the continuation of power politics by other means. Marx counts science among the “social productive forces”, along with division of labour and cooperation. Moreover, Marx’s critique of socialist as well as bourgeois economists are primarily targeted at their “bad economics”, i.e., at immanently diagnosed failures, mistaken conclusions, and inconsistencies, even if these scientific failures are then interpreted in an “ideological” context. Last but not least, “scientific socialism” à la Marx/Engels gives a programmatic dimension to what is implied by Schumpeter as an open historical possibility: Schumpeter (1954: 741–742, footnote 5) criticizes Herbert Spencer for making a dogma of “natural selection”, thus unreasonably ruling out “methods (of social change) more humane and more scientific than natural selection”, which may play a more or less important role in processes of socio-economic change.

It is not the place here to discuss the problems and complications of Marxian and Marxist ideology critique. Rather, Section 5 will specify the power-critical discussion of ideological

⁷This embeddedness rules out applying the tools of such ideology critique to Marxism itself, as criticized by Schumpeter (1949) and Mannheim (1929), whereas the latter’s version of ideology critique (sociology of knowledge) is to be applied all over the place.



influences regarding certain building blocks of neoclassical theorizing. Central to this is the strategic role of simplifying dichotomies, in particular the distribution-allocation dichotomy. Following this, analyses of the combination of further model assumptions, axioms and, “self-evident” architectural presuppositions allow for identifying constraining effects of economism, including aspects preempting clever ways of dealing with the dilemma.

Schumpeter’s (1949) argumentation implies an interesting ambivalence of ideology: for on the one hand, implied architectural presuppositions enable a concise model-theoretical access to certain problems. On the other hand, they are assuming away or concealing aspects that may be secondary, or irrelevant, or centrally relevant, depending on the problem at hand. Here are a few examples.

- Scarcity as definitory problem of economics. Robbins’ (1935) formula (“the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses”) is widely taken for granted in the discipline, without consideration of a proviso wisely noted by David Hume (Sturm 2011, 2016). Hume (1739/40: III) saw that the status of private property, contract, and price system hinges on there being “moderate scarcity,” that is, neither absolute scarcity (Hume’s example: a besieged city with a shortage of food) nor abundance. If one forgets this proviso, one overlooks the fact that there are indeed economically interesting worlds and questions for which non-rivalry, bottlenecks, or complementarities relativize the logic of scarcity and price-shaped mediation of interdependencies in comparison to other rationing mechanisms – possibly also to quantity planning, as M. Weitzman (1974) showed. It is undisputed that various price-theoretical thought experiments can be carried out for Hume’s besieged city. However, their meaning and relevance are not obvious. Conclusion: On a conceptual level, scarcity is to be understood as a general equilibrium property (despite all pragmatic justification of partial analyses as part of a toolbox that can be derived from a thorough study of Alfred Marshall’s works), i.e., a property that may result in an unambiguous system of positive (scarcity) prices, not as a problem-defining starting point or premise.⁸
- In the “neoclassical” mainstream, in the Austrian School, and in the tradition of James Buchanan, catallactics and the “principle of free contract” are playing different, but anyway central roles for the subject area of economics (Basu 2010). Pertinent theoretical architectures often fail to capture the socio-economic relevance of “incomplete contracts” (even though some mainstream strands significantly contributed to pertinent analyses), endogenous preferences and the co-evolution of preferences and institutions (Gneezy – Rusticchini 2000; Bowles 1998), and those dimensions of human sociality summarized by Bowles (2004) under the term “non-contractual interaction”.
- A complete system of markets as the reference point. Externalities are a paradigmatic case of a gap in such a system of complete markets, which appear as a singular “freakish anomaly” (an island of unmediated state of nature, as it were) in a multitude of price-mediated

⁸In the current crisis-ridden transformation processes, however, economics has a special problem of problem-oriented transition to “less partial” analyses. Systemic risks, or the risk of contagion across subsystems, are inherent in the nature of crises associated with major transformations: Between individual institutions of the financial sector, between the financial system and the so-called real economy, between economics and politics, between global ecology and economics, etc. Mechanisms of inter-sectoral contagion and pertinent properties of interfaces cannot be understood by way of models and theories of the market system.



interdependencies. The single unmediated interdependence called externality naturally calls for an additional price (supported by some market or quasi-market) as a “solution”. The point is not that this “solution” is not efficient or expedient (which may be the case, depending on whether assumptions are approximately supported by factual circumstances), but that a perfect, complete market system may be unsuitable as a reference point and solution horizon for a number of reasons (among others [Sturm 2021](#); [Sandel 2013](#); [O’Neill 2005](#)), including Peter Hammond’s “widespread externalities” ([Sturm 2011](#)).

Some of those problems are focused on in Section 5 including a critique of the treatment of power and distribution, and in Section 6 dealing with pseudo-rationalism as a problem of applied economics. The distinctions indicated above become particularly clear in a historical perspective sketched in Section 7. This is because “Seinsgebundenheit” is related to the subject area of economics in a specific way, which has historical-processual dimensions. Therefore, the question of ideology is closely related to the question of progress in economics. Freedom from ideology as a scientific guiding principal correlate closely with a Whig notion of cumulative progress in economics, whereas an archaeologically understood emphasis on the historical context of epistemic formations is at odds with the very idea of progress (and also with distinctions such as that between science and ideology) and focuses on the diagnosis of epistemic ruptures. Against this background, ideology critique promotes a mediating position: the inherent logic of the system of science is to be combined with a conception of progress that makes sense within certain limits and which accommodates the manifold “Seinsgebundenheit”/forms of ideological bias. The latter may support developments that run counter to Whig’s narratives of progress. The question of progress, which is controversially discussed among historians of science and ideas, therefore offers the opportunity to discuss the complex and ambivalent role of ideology in economic theory formation and research practice.

5. IDEOLOGY AND POWER

Let us begin with two truisms: (1) Interdependencies between the subsystems of modern societies may play a significant role (e.g., market processes triggering distributional polarization may have repercussions on political processes, which in turn have repercussions on markets, etc.). Part of those interdependencies may be mediated in institutionalized inter-systemic interfaces. (2) For specific analytical purposes it is often advantageous or necessary to fade out such interdependencies and to examine, as it were, the logic of the subsystems each for itself, in a kind of division of labour. Referring to the architecture of economics, [Abba Lerner \(1972: 259\)](#) pointed this out in a laconic and provocative way in his mentioned AEA-Presidential Address, namely with the dictum that economics is the queen of the social sciences – based on solved political problems.⁹ This implies two things: firstly, a sharp demarcation of the subsystems of the economy and the political, abstracting from complex interfaces and changing interdependencies; secondly, that “unresolved” (or newly emerging) political problems including mixes of conflict

⁹This could be extended as follows: “... on the basis of solved problems of ecological-socio-cultural reproduction and the technologies provided by the science system as public goods.” For reasons of space, I cannot go into pertinent critical perspectives of feminist, ecological, or Schumpeterian economics.



and coordination, and concomitant processes occurring in interfaces, do not influence the data set of economic models in a way that would spoil the unique analytical status of the queen of the social sciences. From Walras' *économie sociale* to Wicksell's analysis of public goods to Solow's characterization of the labour market as a social institution, leading protagonists of neo-classicism knew that distributional aspects are important, that for "factor markets" further considerations beyond the scarcity-theoretical framework are relevant – and that for public goods economics political mechanisms must be considered. Economics, however, developed strong tendencies promoting Lerner's provocative thought experiment demarcating the economic sphere to a theoretical (and sometimes practical) ideal. This favours, among other things, modelling strategies in which power and distribution, or specifics of labour markets, or specificities of the public sector are analytically marginalized, either because they do not matter due to implicit carving out of problems, or by making them tractable in specific reductionist ways.¹⁰

Lerner's dictum points towards characteristic strengths, weaknesses, and ideological connotations of certain modern mental models, including mainstream economics. Regarding the latter, two interrelated questions need to be addressed: (1) how distributional aspects are being treated; (2) what scarcity-theoretic reductionism implies, conceptualizing labour and capital as scarce resources like others. Considering larger tracts of pertinent passages from [Lerner \(1972: 259\)](#), its critical potential becomes visible: according to Lerner, the solution is essentially the transformation of the conflict from a political problem into an economic transaction. An economic transaction is a political problem solved. Economics has earned the title of queen of the social sciences by making solved political problems its domain.

Lerner's provocative and intriguing vision of an aseptic sphere of pure economics, rigorously freed from distributive concerns, sounds too good to be true as an algorithm for problem solving in the entire domain of economics. While it is indeed too unworldly to be true, analogous sharp demarcations of the political (allegedly concerned *only* with distributive conflict) are popular much beyond economics, not least in political theory. Such sphere demarcation is a matter of analytical convenience. However, as illustrated by theories stressing the conflictual nature of the political, it is more than that. Lerner's version of a freedom- and welfare-maximizing "utopian capitalism" ([Bowles 2004: ch. 6](#)) offers transparent touchstones for the adequacy of such sphere demarcation, namely the premises of the Second Theorem of Welfare Economics. Properly understood, they may clarify some drawbacks of its utopian idealization (whose partial anchoring in liberal and contractual philosophical traditions cannot be further discussed here; see [Gauthier 1986](#)). Based on awareness of respective limits, a broader class of problems can be analysed to a good extent without changing that theoretical framework altogether – but rather by explicitly considering distributive effects, specificities of labour markets, etc. However, things become problematic when the static ideal of solved political problems is maintained in contexts where its counter-factual nature is fatal for the purpose of analysis, e.g. by making the political/public sector a static residual in view of the dynamism of spontaneous processes, or by reconstructing political influence activities as rent-seeking triggered exclusively by state redistribution, whereas implicit and explicit forms of private rulemaking (eventually establishing a polarization between rule-makers and rule-takers) remains in the shadows of supposedly

¹⁰ Adopting quasi-linear preferences as a modeling strategy (which makes life easier by eliminating complications from wealth effects) is just the tip of an iceberg.



apolitical market processes (Samuels 2002). Moreover, when fairness, distributive justice, and procedural justice are a priori considered exogenous from the perspective of the economic system (since they belong to the sphere of political arguing and bargaining), eventual repercussions of market processes on contract enforcement and motivational states are beyond the scope of inquiry.

In contrast to classical theory inaugurated by Adam Smith, modeling in the neoclassical tradition opens the possibility to steer clear of distributional aspects altogether. In some respects, this seems attractive. Anyway, this vision is to be taken seriously as the outline of a theoretical architecture informing modeling choices for a particular class of problems. For distributional aspects not only cloud the clarities of the invariance thesis of the Coase theorem, but also put the bright future of modern economics at risk, through political economy imponderables: “Of the tendencies that are harmful to sound economics, the most seductive, and in my opinion the most poisonous, is to focus on questions of distribution”, says Lucas (2004: 13). This includes the economic policy level: For students of modern neoclassical economics, scrutinizing the *information- and incentive-theoretical* premises of the Second Welfare Theorem that ensure the availability of non-distortionary lump-sum taxes and transfers is an obvious move. While it does not require any particular acumen to stress ensuing welfare costs of redistribution by distortive taxes/transfers, a far more subtle and thus unlikely step further includes the insight that *under the information and incentive constraints that invalidate the Second Theorem* (over and above some distortions) *we leave those neoclassical worlds in which the economy-politics interface functions as simply as in the Lerner quote.*

Interim conclusion: The architectural features of Smith’s theory (which are mutatis mutandis also relevant for the subsequent classical tradition) determine the way in which key aspects of distribution are located within the theoretical framework such that steering clear of them is not an option (Gehrke et al. 2020). In contrast, a framework such as that outlined by Lerner may support the fiction of getting rid of distributional aspects analytically and politically. This may be considered as an expedient modeling strategy for limited purposes. Overstretching it may, however, lead to distribution getting out of sight, creating a situation in which they must be brought back in “from the cold”, as Tony Atkinson (1997) put it.

Abba Lerner’s (1972) statement that economics is “the queen of the social sciences” based on solved political problems sums up an ideological fiction that was productive scientifically because it simplified certain analyses or made them possible in the first place. However, this vision must be put into perspective, since complex interdependencies in the inter-systemic interfaces play a role in central problems of socio-economic dynamics and, consequently, the *definitive “solution of political problems” is impossible* (Sturm 2021). The fiction becomes an ideological corset especially when a surge of discontinuous innovation and division of labour dynamism à la Schumpeter/Adam Smith adds new fuel enhancing distortive forces operative in the interfaces. Such dynamism compromises the predictability of equilibrium economics. It contributes to endogenously generating cascades of new “political problems”: Innovation dynamism creates constellations for more *incomplete contracts and contested exchange*. Innovation dynamism and cumulative division-of-labour processes are associated with changes in relative scarcities eventually including new bottlenecks, and corresponding rent redistribution dynamics. Innovation/specialization moreover implies specific investments and corresponding *sunk costs*, creating further asymmetries. Overall, this creates specific *dynamics of new rents and quasi-rents, which create potentials and incentives for specific policy influence activities*



(Zingales 2017; Sturn 2021). Quasi-rents due to *sunk costs* are linked in a particular way to the incompleteness of the market system: Sunk costs correlate with limited tradability of the specific assets in question and are the cause of further non-market mechanisms that determine the appropriation conditions for quasi-rents. Such mechanisms are part of informal governance solutions in response to induced coordination problems (e.g., the “hold-up problem”). As the incompleteness of contracts and other unmediated interdependencies set the scene for “*local private governance solutions*”, their dynamics create further momentum for power asymmetries. Here, specific rents act as microeconomic incentive mechanisms, but also as fuel for the long-run political protection of temporary economic power. Rents support contract enforcement in cases where exogenous enforcement is too costly or impossible.¹¹ However, rent dynamics also provide specific fuel for polarization and shadow political dynamics that occasionally turn the ideal of distribution-neutral allocative or regulatory policies into a smokescreen for upward redistribution (Zingales 2017; Sturn 2021).

Following Bowles (2004, 2016), we may take Lerner’s above-sketched vision as critical point of departure: theory-building preserving major elements of the neoclassical tradition is not generally doomed to ignorance regarding the role of power in view of the interdependences just outlined, if it is expanded in a problem-oriented way acknowledging the potentially misleading implications of the architecture of “the queen of the social sciences” and searching for constructive perspectives of ways out. This includes critical perspective concerning homo economicus as the “engine of truth” (which may be expected to fail especially when we wish to explain processes in complex inter-systemic interfaces), inter alia using the insights and methods of behavioral economics. Such “ways out” will typically both include the importance of distributive outcomes (not least regarding their potential of affecting the structure of interdependences relevant for the whole system) and specific models to account for contextually relevant features of specific markets (notably for labour and capital) that are not captured in the scarcity framework of price theory. An example is the modeling of incomplete contracts that enable political economy perspectives such as Zingales’s (2017) “political theory of the firm.”

Thus, models based on solved political problems may serve as reference point of focused critique, leading beyond its ideologically conditioned narrowness and blind spots. Nevertheless, important mainstream discussions of the past decades (including globalization, deregulation, and privatization) were rather naive in terms of power and distribution, despite the work on “regulatory capture” and distribution.¹²

Compare this with approaches from US-American institutionalism or Polanyi (1944). The claim is not that those are superior as socio-economic theory. However, they developed a more pronounced sensorium for spontaneously emerging or shadow-politically superimposed *embeddings and regulations and their power-political connotations*, which may develop precisely when the official focus is on regulatory abstinence: If politically generated regulations and *embeddings* do not exist, are ineffective due to technological change or administrative incompetence, or erode through deregulation, the result will hardly be pure self-regulation by the price system. In the background of the price system, informal norms and embeddings may be effective. Those background conditions emerge spontaneously or are created by private actors or interest groups.

¹¹Rents are thus linked to economic dynamism, which implies that you cannot get rid of them by simple fiat.

¹²The latter has moved somewhat more into the centre since Atkinson (1997).



In those views, the fictional character of a pure “free market economy” is stressed, motivating different conjectures and framings conditioning research questions: (1) Shadow politics of interest groups and prospective oligarchs on framework conditions (“norm makers”) are not far away, especially when deregulation and privatisation are officially propagated as a mantra. (2) Since deregulation processes are not located in an institutional and power-political nirvana, private development of background conditions will not be guided by imperatives inspired by the search for Pareto efficient equilibria: Warren Samuels (2002, 2005) provides a lucid account of how, especially in times of (supposed) deregulation, a group of *norm makers* favored by the de facto distribution of power tacitly impose their rules on *norm takers*.¹³ Sturn (2021) argues in detail why a distorted understanding of state failure, market failure, and the interface problem of the public and private sectors as a whole is created by neglecting such connections, especially in socio-economic transformations. Important implications of relevant biases can be summarized as follows. Relatively stable power asymmetries that arise in the market process are “overlooked” or resolved in the grand narrative of mutually beneficial exchanges. Moreover, it is “overlooked” that political power can build up endogenously in “spontaneous” market-like development processes (Polanyi 1944; Zingales 2017; Sturn 2021). This is analytically problematic not primarily because an overly rosy picture of reality may emerge in this way – but because the social function of power to solve problems as well as an obstacle to problem solving is ignored, and subsequently the functions and problems of a power-moderating public sector (e.g., a democracy framed by checks, balances, and political accountability) *as a precondition of entrepreneurial market dynamics* is not or only one-sidedly brought into view.

6. SCIENCE AND TECHNOLOGY AS IDEOLOGY

The architecture of the “queen of the social sciences” just outlined is one of the settings in which scientism may develop. However, inadequate claims regarding scientific knowledge of complex systems, neglect of inter-systemic interfaces, and excessive expectations regarding science-based problem solutions are not confined to that setting. Independent of that setting built on the central presupposition of a world of solved political problems, institutional milieus whose incentives and ideological mixtures frame the practical work of economists as advisors need to be considered, along with the complex and dynamic nature of the subject matter of economics, which contradicts the idea of perfectionist technique (Smith 1790: VI.ii.2.17–18 and Colander – Freeman 2019). The nature of economy-politics interfaces is at odds with rationalist technicism for three reasons:

1. Economic policy typically operates in sequences of second-best worlds (Rodrik 2008): thus, even if all institutional changes and interventions required for a “good equilibrium” were known, simultaneous implementation of all “desirable” reforms may be inexpedient due to different time scales of relevant processes and asynchronous evolution of constraints, some of which change more swiftly than others.
2. The success of reform policies on the “great chessboard of human society” (see e.g., Smith [1790] 1976, VI.ii.2, 16–18) requires dealing with their plural, polycentric nature, including problems of multidimensionality in feedback processes. Ignoring this leads to problems of a

¹³ A specific form of this is referred to as *regulatory capture*.



bias in favour of the (more easily) measurable highlighted by [Campbell \(1979\)](#), or by [O'Neill's \(2005\)](#) criticism of surrogate indicators.

3. Economic expert knowledge cannot once-for-all disentangle itself from problems of distribution, power, ideology, and justice ([Schmoller 1881, 1894](#) and [Bowles 2004, 2016](#)).

Ever-improving tools of empirical research may be expected to gradually lower the risks of under-complex technocratic policy interventions (the target of conservative doctrines according to which reforms are either futile or make things worse). However, versions of pseudo-rationalism implying that the political sector becomes dispensable, and society increasingly takes on the features of a machine etc. may be expected to exacerbate the risks, due to factors summarized above by (1)–(3). In keeping with Smith's critique of "the man of system", drawbacks of technocratic views thus need to be stressed, with all due respect for considerable methodological advances. While those advances can be expected to widen the scope of science-supported problem-solving and reasonable reforms, the basic problems implied by technicist perfectionism are not solved by them. Dealing with those problems requires circumspection, unless we do not care about pouring out the baby (science-informed problem solving) with the bathwater (pseudo-rationalism or "abuse of reason" by "men of system"). Such circumspection includes combining reasonably critical engagement with

- problems of ideology and power,
- the linear conception of progress in economics,
- the co-evolutionary processes of division of labour, specialization, and differentiation of subsystems, and
- ensuing challenges of analytical decomposition of problem complexes necessitated by aligning problem settings with scientific tools.

[Güth – Kliemt \(2011\)](#) illustrate the problems of too narrow conceptions of applied economics by elaborating the fragility of the analogy to natural sciences and medicine: With reference to [Mokyr \(2002\)](#) they show the systematic limits of acquiring "propositional knowledge about the quality of our so-called prescriptive knowledge" in economics. Such limits become particularly meaningful in crises and transformations, since we lack a complete theory of the feedback effects that may aggravate or alleviate systemic dysfunctions. The hope of evaluating the quality of this "prescriptive knowledge" with empirical-econometric methods, in analogy to evidence-based medicine, is hampered by data problems: the occurrence of a sufficiently large number of sufficiently similar crises in the "unique historical process" of socio-economic development ([Schumpeter 1954: 6](#)) cannot be expected.

To summarize: large plural societies cannot be controlled in the mode of manipulating chess pieces by a central intelligence. Overstretching the models of static worlds of solved political problems forms one of the backgrounds for technocratic tendencies in the process of the practical application of economics. Assuming that power and distribution problems are "solved" elsewhere, and the way in which they are solved has no repercussions on the core economic system, favours economistic visions of governance that transpose pseudo-rationalistic claims "there is no alternative" into various levels of political agency.

Adam Smith grasped the underlying dilemma in an instructive way. He is perfectly conversant with the idea that progress in scientific "systems" can be seen as analogous to the perfection of a machine, for: "Systems in many respects resemble machines" (Smith EPS IV.19: 66). He



correctly recognized that economic theories and models become part of modern science and therefore to a large extent must follow the logic of “perfecting a machine” (Sturm 2010). In other words, something like a rationalist-technicist machine-ideology will inevitably accompany modern science including economics, and (since “firewalls” between theory and practice are volatile constructions) is likely cast a long shadow on its application. As a disciplinary device, that ideology is to some extent “helpful”, while reconciling it with schemes providing good guidance for practice is a demanding task.

Thus, it is precisely in connection with economics as the “*science of the legislator*” that Smith emphasizes the need for reflection on the ambivalences associated with such perfection: neither the development of social theory in a more encompassing sense nor science-based improvements in society should be analogized with the perfection of a machine. Two aspects stressed by Smith are instructive in this respect: first, his critique of the “man of system” as a symbol of a scientific-technocratic model of science-based politics in his *Theory of Moral Sentiments* (VI.ii.2.17). Second, his anticipation of the dual character of development in processes of division of labour and specialization: on the one hand, incremental perfection of existing machinery by those working with the machinery in the sense of day-to-day practices, and on the other hand, larger-scale new combinations, which he attributes to the “philosophers” “whose trade is ... to observe everything” (WN I.i).

Thus, even as far as it is admissible to characterize the co-evolution of science and politics as a process of rationalization, this process cannot be adequately captured by machine models of progress. Kurz (2010) illustrates with impressive quotations how closely prominent scholars such as Robert Lucas adhere to machine ideals, according to which public problem-solving can rely on an increasingly perfected scientific machinery. Lucas exemplifies alignment of such rationalism with models of the price mechanism as core anchor of modern governance. However, such rationalism does not depend on market paradigms, but may also subsist in other models of governance.

However, the key role of price-mediated decentralization in economic models (based on homo economicus functioning as “the engine of truth”; Lucas 1987) does not alleviate the problems of technocratic perfectionism. Problems of economism and problems of scientism do not mutually cancel out. Pertinent machine ideals of science-based problem-solving are reflecting the scientism dilemma in a peculiar way, culminating in over-optimistic views regarding macroeconomic control. Lucas’s (2003: 1) assessment that macroeconomics has “succeeded” because “its central problem of depression prevention has been solved” provides an apt illustration.

Such “illusions of control” (Colander et al. 2009) are almost inevitable unless the complex interfaces of modern economy and other societal sectors (notably the political/public sector) are considered. The incidence of unintended consequences is enhanced by multi-level interactions across sectors. Put briefly, the problem is that effective mediation of interactions occurring in inter-sectoral interfaces is unlikely solely based on the mechanisms of one of the involved sectors.¹⁴ For instance, regarding interfaces involving the “science sector” including economics,

¹⁴The invention of “Transacademic Interface Managers” (TIMs) indicates some awareness of interface-related problems of science-based policy advice, and of pertinent problems of disciplinary mechanisms in the context of tasks requiring “transdisciplinary” approaches. However, the extent to which the management approach of TIMs can alleviate problems caused by disciplinary axioms implying clear-cut inter-systemic boundaries and unproblematic interfaces remains an open question.



one question is: how do application and implementation problems (occasioned by properties of political or economic mechanisms, or the problems underlying those mechanisms) feedback on the processes in the science sector?

The scope of pseudo-rationalism regarding economic policies becomes visible by the analysis of scientism and economism as ideologies with their ambivalence. Method-driven perfection within the different strands of economics is an important aspect of progress in economics, but it does not address the co-evolution of those strands. Perfectionist ideologies related to scientism and/or economism are supporting the disciplinary focus but are going along with the fading out of prevalent co-evolutionary conditions relevant for exploring zones of congruence between practical challenges and the cognitive resources made available by economics. Moreover, the application of economics does not function as a one-way street in the sense of science delivering a technocratic blueprint for reform, because it depends on learning in the process – analogous to Clausewitz’s demand that “strategy” must move into “the field”: implementing its plans from distant Grand Headquarters will hardly be effective (Sturn 1998). Ideologies of pseudo-rationalism function (as anticipated by Otto Neurath) at best as artificial “auxiliary motives” for collective choices where conditions for determining uniquely optimal solutions do not obtain (Linsbichler 2021: 99–101, Sen 1995) – which will be the rule rather than the exception in complex societies under uncertainties. Ensuing indeterminacy may be seen as a space for political arguing and bargaining, which is subject to shrinking and/or distortion when pseudo-rationalism is carrying the day. In this sense, considerations by GÜth – Kliemt (2011) make it clear why perfect theories, modelling, and empirical methods are not the conditions for policy relevance, and why practical relevance of theory rather requires something like the “liberal methodology” (Colander – Freedman 2019), which conceives economic policy as “art and craft” by taking into account the peculiarities of the political and the mechanisms and institutions of the public sector (Sturn 2021).

Martin Hellwig hinted at a specific aspect of all this, stressing that financial market regulation should be less mechanical than that currently practiced. “Graduated responses to a bank’s difficulties, taking account of the systemic environment, require an exercise of judgment” (Hellwig 2008: 65). That such judgment is a fragile ideal (given the tensions sketched) is beyond doubt. Consequently, one would have to ask about the characteristics of institutional design in which such judgment can develop. Room for reflection of (and dealing with) “ideological” conditioning of knowledge, including scientific knowledge, seems to be an obvious requirement. While few modern economists (the six portrayed by Colander – Freedman 2019: ch.9 are exceptions) feel inspired to engage in nuanced considerations that may be considered as modern versions of those that accompany Smith’s plea for economics as the “science of the legislator”, the institutions and rules of the game guiding teaching and research might perhaps provide more room for the development of qualified ideological critique, discursive ability, and judgmental power.

Interim conclusion: According to Schumpeter (1954: 6), the subject area of economics is “a unique historical process”. This means that patterns of constraints and problem dynamics, as well as spontaneous social reactions to these dynamics and ideological milieus, are subject to change. In this (possibly discontinuous and asynchronous) process, the development of economics as a science is particularly exposed to the challenges of “science and technology as ideology” (Habermas 1968). Its application does not take place in dry dock, but on the open sea of current transformations, in the storm of potentially crisis-ridden developments, and under the influence of ideologies. This should not be attributed as a deficit to individual economists or economic policy makers, nor to economics as a whole. Rather, the horizon of discussion and



application of scientific knowledge should reflect and convey its provisional, fragmentary, and possibly one-sided character, which is rooted in the nature of the problems and the unavoidable ideological factors that help to determine the problem cuts. The problems themselves, however, are such that the idea of purely technical solutions is naïve and doomed to failure. Reducing economic policy to a kind of engineering problem corresponds to the arrogance of the “man of system”, the “abuse of reason”, the pseudo-rationalism that ideologically heterogeneous thinkers such as Adam Smith, Friedrich Hayek, and Otto Neurath have criticised. The epistemic polarizations of the “post-factual” age are probably not solely due to the mobilization of atavistic instincts. They can be understood as a populistically channeled backlash in the face of fictitious depoliticization under technicist auspices.

7. CONCLUSION: IDEOLOGY, INNOVATION, AND IMPROVEMENT

According to Adam Smith, the dynamism of division of labour and specialisation is a condition of the progress of improvement. Moreover, the manifold specialization of the activities of theorists, experts, and innovators is part of a comprehensive, cumulative process of social differentiation. Smith’s scientific-methodological passages, especially in the *History of Astronomy* (Smith 1980: 33–105), but also the overall architecture of his work, suggests that for him fragmenting differentiation is an aspect of progressive development in knowledge production. He has seen, however, that economics, as the “science of the legislator”, is dependent on integrative processes mediating fragmentation and preventing it from becoming a tool of special interests. In a Smithian view, serious challenges arise from all this, which are reflected in ambivalences of the “progress of improvement” and innovation, amounting to a kind of dialectic of enlightenment (Kurz – Sturn 2013).

Schumpeter’s analysis of the ambivalence and quasi-inevitability of ideological influences offers a starting point for understanding the breaks and turns in the history of progress in economics that arise in this context. In the light of his reflections on ideology, it should come as no surprise that Schumpeter (1954: 6) refers to episodes in the history of economics discrediting the narrative of linear progress: The subject area of economics is “a unique historical process ... the filiation of ideas has met with more inhibitions in our field than it has in almost all others ... results have been lost on the way or remained in abeyance for centuries. We shall meet with instances that are little short of appalling.” The transition from “economic thought” to scientific “economic analysis” thus means methodic discipline and the establishment of a scientific system, but not the elimination of ideology.

The importance of ideologies, however, does not rule out episodes of cumulative progress in science, i.e., method-driven cumulative advances of the economic toolbox. However, those episodes are neither the steps of the overarching process of steady linear progress, nor are they the only element in an overall co-evolution of the discipline, which also includes new combinations, as well as “classical” theoretical elements (characterized by their resurgence in different historical and scientific contexts and relative independence from ideological context of discovery (Schumpeter 1942: 3 on Marx).

Compared to other sciences, ideologies in economics are effective at more levels of its development and its application (Schumpeter 1949). Moreover, economics is specifically susceptible to a conglomerate of exaggerations whose components were discussed above:



- distributive neutrality,
- derivation of economic policy statements from overly abstract models,
- technocratic/scientistic policy approaches (pseudo-rationalism, i.e., the suggestion of a scientifically unambiguously preferable solution instead of qualified conclusions, which mark out a space of possibilities as an argumentative infrastructure for political discussion.

The idea of cumulative scientific progress in the sense of Whig history is closely connected to this conglomerate. The limits of the Whig conception of progress in economics are closely related to the ambivalences of ideological influences. Whig conceptions of progress take on a life of their own, becoming a kind of “modernist” ideology that impedes further engagement with the inevitable ideological “Seinsgebundenheiten” in economics. This may support concentration on the development of tools. Depending on circumstances, this may contribute to the usefulness of economics. However, pertinent advances in dealing with controversial issues do not provide evidence that ideology is now once-for-all a thing of the past, superseded by modern economics guided by dos and don’ts of good scientific practice. Constructions of politically-ideologically uncontaminated “pure” economics, or more recent folk beliefs according to which empirical methods are guaranteeing freedom from ideology are influential versions of such misunderstandings. The exaggeration of such views as unquestioned disciplinary a priori creates pitfalls that cut off the constructive examination of the role of ideology and the development of a culture of *reasonable disagreement*.

There are three levels in the evolution of economics on which ideologies (with all their ambivalence) affect its theoretical development as well as its effective tendencies as an applied discipline:

- a) Development of new concepts or their import from other disciplines or social science paradigms.
- b) New combinations and new contextualization of tools and concepts.
- c) The way in which theory formation, research strategies, and “application strategies” react to the epoch-specific dominant challenges of practice in the co-evolutionary setting sketched above. This includes the shaping of an epoch by confrontations of interests and ideologies as well as the nature of current problems, e.g., whether an era of incremental reforms or comprehensive regulatory and political transformation is imminent.

The developmental problems of economics are related to central challenges, the appropriate processing of which appears to be the key to the constitutional framing of the discipline in terms of a critical-productive tension between the manifold “Seinsgebundenheiten” and cumulative disciplinary progress. The analysis of these zones of tension must take into account, among other things, that the following two complexes are indissolubly linked to progress:

1. Openness/contestability/learning/competition
2. Division of labour/specialisation/differentiation

Consequently, progress does not exist without tensions: first, between productive dynamics of specialization and necessary non-reductionist mechanisms of “integration”; second, between openness and competition “as a process of discovery” on the one hand, and necessary disciplinary elements of consolidation and closure on the other. The historically contingent forms of mediating such tensions will include ideologies. More specifically, two characteristic tendencies are



triggered by scientism and economism as ideologies: (1) Economism puts contingently plausible, but in certain respects peculiar constraints on the principles of openness and “contestability”, in the constitution of the discipline. These can enhance, impede, or distort conceptual and combinatorial innovation. (2) Scientism tends to diminish awareness of the challenges that disciplinary division of labour and inter-sectoral differentiation processes inevitably entail.

It is in the nature of the challenges outlined that they are permanent and complex. Therefore, it is to be expected that obstructive imbalances in coping with “specialization problems” will always occur – as well as problematic forms of “closedness”. This has indeed been the case time and again in the history of the subject (Schumpeter 1954: 6), including its battles-of-method. Due to the nature of the underlying challenges, however, one should not hope for patent solutions that will solve the problem in one fell swoop and once and for all. “Openness” is a permanent challenge, because the practice and institutionalization of disciplinary research depend on a sufficient degree of closure and consolidation. A look at the history of the discipline shows that the (re)balancing and adjustment of institutions and mechanisms in the sense of a deliberate balancing of openness and closure was and is difficult. Thus, in the early developmental phase of neoclassicism, the broad field of methodological analogies and systematic connectivity of economics between engineering, social physics, biology, psychology, and cultural studies or the humanities was explicitly spanned by pioneers such as Walras, Marshall, Pareto, Wieser, Cournot, and Dupuit. For a while, such discussions seemed passé, but neuroeconomics on one side of the spectrum and substantive recourse to cultural milieus on the other (see, e.g., Mokyr 2016) illustrate that the multiple references of economics are not mere theoretical history. An apt example of relevant tensions is provided by the apparent inconsistencies of Schumpeter, who on the one hand proclaims a “Monroe Doctrine” for the disciplinary delimitation of economics, but on the other hand, develops new combinations that confidently leave both disciplinary delimitations and “schools” behind. Overall, the constitutional development of the discipline (including its limited multi-paradigmatic character and current developments such as the “plural economics” movement) needs to be discussed in terms of the extent to which it provides specific, contextual, and ideologically framed responses to the vicissitudes of openness and closure.

Thus, economics is a subject that must deal with its manifold potential connections regarding theoretical foundations and empirical approaches one way or another. A Monroe Doctrine imposing economism as disciplinary core is one possibility but comes at considerable costs. Moreover, economics is expected to provide “light and fruit” (Pigou 1932: 3) in the form of policy advice. As Pigou (1937) argues, this fruit should not consist of just adding a further voice to a diverse mix of ideologies and interests. Against such a background, ideologically excessive tendencies towards technocratic scientism are understandable. Anyway, such pressing demands for unity of doctrine, however, may lead to ideologically exaggerated, one-sided mechanisms of closure.

This, in the consolidation phase of the classical period, a non-negligible group of epigones endeavoured a theology of divine providence (providentialism), to bring about coherence in the development of theory, in the message of economic policy and the exclusion of supposedly irritating empirics. Gossen construed economics as a comprehensive, self-contained doctrine of salvation. Others sought to consolidate a disciplinary core of *économie pure* (Walras) regardless of the contingencies of applications and of distributional issues. Still, others think they can free themselves from the problem of ideology through apriorism (Mises), objectivism, an axiomatic-mathematical epistemology, or a focus on empirical methods. These attempts have been productive and problematic in different ways and degrees.



What are the problems of the closure mechanisms that have been effective in recent decades? Joseph Stiglitz (2010: 243–250) diagnoses blockages that ultimately result from an incoherent application of market and policy failure models and attributes this to the increasing role of ideological “self-evident facts” as a closure mechanism. This diagnosis can be complemented by focusing on ideology-laden architectural deficits of market failure and policy failure approaches (Witztum 2019; Sturn 2021).

Discussion of ideological factors thus offers a differentiated view of disciplinary progress and its future perspectives. A focus on tools and empirics does not guarantee freedom from ideology, given the multi-layered potential of economism and scientism. Dealing reflectively and critically with the ambivalent (constructive as well as limiting) potentials of ideologies in the tension zones of disciplinary development and with pre-scientific visions in the research process (as inspirations and limitations for research strategies) could support innovation and improvement in economics and enhance its practical usefulness – rather than degrade it to just one voice in the postmodern theatre.

REFERENCES

- Atkinson, A. (1997): Bringing Income Distribution in from the Cold. *Economic Journal*, 107(441): 297–321.
- Atkinson, A. (2015): *Public Economics in the Age of Austerity*. London: Routledge.
- Barone, E. (2012): The Ministry of Production in the Collectivist State. *Giornale degli Economisti e Annali di Economia*, 71, Anno 125(2/3): 75–112 (original version was published in Italian in *Giornali Degli Economisti*, 1908).
- Basu, K. (2010): *Beyond the Invisible Hand*. Princeton: Princeton University Press.
- Bowles, S. (1998): Endogenous Preferences. The Cultural Consequences of Markets and Other Institutions. *Journal of Economic Literature*, 36(1): 75–111.
- Bowles, S. (2004): *Microeconomics*. Princeton: Princeton University Press.
- Bowles, S. (2016): *The Moral Economy*. New Haven: Yale University Press.
- Bowles, S. – Gintis, H. (2007): *Power*. University of Massachusetts Amherst, Economics Department Working Paper Series, No. 37.
- Campbell, D. (1979): Assessing the Impact of Planned Social Change. *Evaluation and Program Planning*, 2(1): 67–90.
- Carlyle, Th. (1849): Occasional Discourse on the Negro Question. *Fraser’s Magazine for Town and Country*, XL: 670–679.
- Cherniss, J. – Hardy, H. (2020): Isaiah Berlin. In: Zalta, E. N. (ed.): *The Stanford Encyclopedia of Philosophy*. <https://plato.stanford.edu/archives/fall2020/entries/berlin/>.
- Colander, D. – Freedman, C. (2019): *Where Economics Went Wrong*. Princeton: Princeton University Press.
- Colander, D. – Follmer, H. – Haas, A. – Goldberg, M. D. – Juselius, K. – Kirman, A. – Lux, T. – Sloth, B. (2009): *The Financial Crisis and the Systemic Failure of Academic Economics*. Discussion Paper, No. 09–03, University of Copenhagen, Department of Economics.
- Eagleton, T. (2013): *Ideology*. London: Routledge.
- Faccarello, G. – Steiner, Ph. (2008): Interest, Sensationism and the Science of the Legislator: French ‘philosophie économique’ 1695–1830. *The European Journal of the History of Economic Thought*, 15(1): 1–23.
- Gauthier, D. (1986): *Morals by Agreement*. Oxford: Oxford University Press.



- Gehrke, Ch. – Kurz, H. – Sturn, R. (2020): Classics Today: Smith, Ricardo, Marx. In: Marcuzzo, C. – Deleplace, G. – Paesani, P. (eds): *New Perspectives on Political Economy*. London: Palgrave, pp. 171–192.
- Gneezy, U. – Rustichini, A. (2000): A Fine is a Price. *Journal of Legal Studies*, 29(1): 1–17.
- Güth, W. – Kliemt, H. (2011): Rational Choice Models in Economic Policy Advice. *Jahrbuch für normative und institutionelle Grundfragen der Ökonomik*, 10: 243–262.
- Habermas, J. (1968): *Wissenschaft und Technik als Ideologie*. Frankfurt: Suhrkamp Verlag.
- Hellwig, M. (2008): *Systemic Risk in the Financial Sector*. Discussion Paper Series of the Max Planck Institute for Research on Collective Goods, No. 43.
- Hume, D. (1739/40): *Treatise of Human Nature*. London: John Noon.
- Keynes, J. M. (1933): *Essays in Biography*. London: Macmillan.
- Kurz, H. D. (2010): On the Dismal State of a Dismal Science. *Homo Oeconomicus*, 27(3): 17–41.
- Kurz, H. D. (2017): Is there a “Ricardian Vice”? And what is its Relationship with Economic Policy ad “Vice”? *Journal of Evolutionary Economics*, 27(1): 91–114.
- Kurz, H. D. – Sturn, R. (2013): *Adam Smith: Pioneer of Modern Economics*. Frankfurt am Main: Frankfurter Societäts-Medien GmbH.
- Langholm, O. (1998): *The Legacy of Scholasticism in Economic Thought*. Cambridge: Cambridge University Press.
- Lerner, A. (1972): The Economics of Consumer Sovereignty. *American Economic Review*, 62(2): 258–266.
- Linsbichler, A. (2021): Rationalities and their Limits: Reconstructing Neurath’s and Mises’ Prerequisites in the Early Socialist Calculation Debates. *Research in the History of Economic Thought and Methodology*, 39B: 95–128.
- Lucas, R. E. Jr. (1987): *Models of Business Cycles*. Oxford: Blackwell.
- Lucas, R. E. Jr. (2004): *The Industrial Revolution: Past and Future*. 2003 Annual Report Essay. Federal Reserve Bank of Minneapolis.
- Lucas, R. E. Jr. (2003): Macroeconomic Priorities. *American Economic Review*, 93(1): 1–14.
- Mannheim, K. (1929): *Ideology and Utopia*. Bonn: Cohen.
- Mokyr, J. (2002): *The Gifts of Athena*. Princeton: Princeton University Press.
- Mokyr, J. (2016): *The Culture of Growth*. Publication Series Graz Schumpeter Lectures. Princeton: Princeton University Press.
- O’Neill, O. (2005): Justice, Trust and Accountability. In: Neumaier, O. – Sedmak, C. – Zichy, M. (eds): *Justice: in Search of a Balance*. Frankfurt – Lancaster: Ontos Verlag, pp. 33–55.
- Pigou, A. C. (1932): *Economics of Welfare*. (4th ed.) London: Macmillan.
- Pigou, A. C. (1937): *Praktische Fragen der Volkswirtschaft*. Jena: G. Fischer.
- Polanyi, K. (1944): *The Great Transformation*. New York: Farrar & Rinehart.
- Posner, R. (2009): *A Failure of Capitalism*. Harvard: Harvard University Press.
- Robbins, L. (1935): *The Nature and Significance of Economic Science*. (2nd ed.) London: Macmillan.
- Rodrik, D. (2008): Second-best Institutions. *American Economic Review*, 98(2): 100–104.
- Roncaglia, A. (2019): *The Age of Fragmentation*. Cambridge: Cambridge University Press.
- Samuels, W. (2002): *Economics, Governance and Law*. Northampton, MA: Edward Elgar.
- Samuels, W. (2005): How I Taught Law and Economics. *Australasian Journal of Economic Education*, 2(1-2): 1–54.
- Samuelson, P. A. (1962): Economists and the History of Ideas. *American Economic Review*, 52(1): 1–18.
- Sandel, M. (2013): Market Reasoning as Moral Reasoning. *Journal of Economic Perspectives*, 27: 121–140.



- Schmoller, G. (1881): Die Gerechtigkeit in der Volkswirtschaft. *Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft*, 5: 19–54.
- Schmoller, G. (1894): The Idea of Justice in Political Economy. *The Annals of the American Academy of Political and Social Science*, 4: 1–41.
- Schumpeter, J. (1926): Gustav von Schmoller und die Probleme von Heute. *Schmollers Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft im Deutschen Reiche*, 50(III): 337–388.
- Schumpeter, J. (1942): *Capitalism, Socialism, and Democracy*. New York: Harper.
- Schumpeter, J. (1949): Science and Ideology. *The American Economic Review*, 39(2): 346–359.
- Schumpeter, J. (1954): *History of Economic Analysis*. London: Allen & Unwin.
- Sen, A. (1995): Rationality and Social Choice. *The American Economic Review*, 85(1): 1–24.
- Smith, A. (1980): Essays on Philosophical Subjects. In: Raphael, D. D. – Skinner, A. D. (eds): *Glasgow Edition of the Works and Correspondence of Adam Smith*. Oxford: Clarendon Press.
- Smith, A. (1759, 1790, 1976): The Theory of Moral Sentiments. In: Raphael, D. D. – Macfie, A. L. (eds): *Glasgow Edition of the Works and Correspondence of Adam Smith*. Oxford: Clarendon Press.
- Stiglitz, J. (2010): *Freefall*. New York: Norton.
- Sturn, R. (1998): Wirtschaftspolitik Heute. In: *Ökonomie und Common Sense: Festschrift für G. Tichy*. Graz: Leykam, pp. 257–286.
- Sturn, R. (2010): On Making Full Sense of Adam Smith. *Homo Oeconomicus*, 27(3): 263–287.
- Sturn, R. (2011): The Nature of Problems. *Jahrbuch für normative und institutionelle Grundfragen der Ökonomik*, 9: 9–38.
- Sturn, R. (2016): Scarce Means, Competing Ends: Lord Robbins and the Foundations of Contextual Economics. *Journal of Contextual Economics – Schmollers Jahrbuch*, 136(1): 59–85.
- Sturn, R. (2021): Market and State Failures in Major Transformations. *Jahrbuch für normative und institutionelle Grundfragen der Ökonomik*, 19: 41–94.
- Weitzman, M. (1974): Prices vs. Quantities. *Review of Economic Studies*, 41(4): 477–491.
- Wieser, F. (1884): *Über den Ursprung und die Hauptgesetze des wirtschaftlichen Werthes*. Vienna: Hölder.
- Witztum, A. (2019): *The Betrayal of Liberal Economics*. London: Palgrave.
- Zingales, L. (2017): Towards a Political Theory of the Firm. *Journal of Economic Perspectives*, 31(3): 113–130.

