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Author(s): ROBERT L. HEILBRONER

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# Was Schumpeter Right?\*

BY ROBERT L. HEILBRONER

No. I do not think he was.

I model my answer, of course, on the apodictic style so characteristic of *Capitalism, Socialism, and Democracy*: “Can capitalism survive? No. I do not think it can.” In point of fact, Schumpeter’s prognosis for capitalism was a good deal more hedged than that uncompromising verdict would indicate. At least during the short run (“and in these things, a century is a ‘short run’ ” [163<sup>1</sup>]), there was reason to expect that capitalism would adapt and survive, despite the workings of an ultimately fatal process deep within it. And so my summary judgment of Schumpeter’s work must also be taken in a Schumpeterian vein. At the innermost core, I think his analysis is flawed, incomplete, inadequate. But on the surface of things, and certainly compared with the vast majority of the writers of his time, it is a bravura performance, closer to the subsequent trends of history than the heady expectations of the contemporary Left, the naive hopes and fears of the liberal middle, and the black forebodings of the believers in the Road to Serfdom.

There is an initial problem in taking the measure of *Capitalism, Socialism, and Democracy*. It is to come to terms with the irritation aroused by its style—an irritation I sometimes think Schumpeter deliberately sought to provoke. There is a great deal of attitudinizing in Schumpeter, an open delight in

<sup>1</sup> All parenthetical citations refer to Joseph A. Schumpeter, *Capitalism, Socialism, and Democracy*, 3rd ed. (New York: Harper, 1950).

*épatant les bourgeois* and tweaking the noses of radicals. There is also pomposity and pedantry, mixed with an arrogance that teeters at the edge of a dangerous elitism: arguing the advantages of monopoly, for example, Schumpeter declares that “monopolization may increase the sphere of influence of the better, and decrease the sphere of influence of the inferior, brains . . .” (101); a statement that he footnotes with the even more infuriating comment:

The reader should observe that while, as a broad rule, that particular type of superiority is simply indisputable, the inferior brains, especially if their owners are entirely eliminated, are not likely to admit it and that the public’s and the recording economists’ hearts go out to them and not to the others (101 n.).

Perhaps of greater importance, there is Schumpeter’s penchant for the delivery of prognostic statements with Jovian force and certitude, even when, alas, we now know them to have been based on nothing but the authority of his own convictions:

[I]t is one of the safest predictions that in the calculable future we shall live in an *embarras de richesse* of both foodstuffs and raw materials, giving all the rein to expansion of total output that we shall know what to do with. This applies to mineral resources as well (116).

Coming to terms with *Capitalism, Socialism, and Democracy* requires, therefore, steeling oneself against its egregious surface blemishes, for example the statement, difficult to regard blandly after Vietnam, that “the more completely capitalist the structure and attitude of a nation, the more pacifist—and the more prone to count the costs of war—we observe it to be” (128–129); or the declaration that “very little influence on foreign policy has been exerted by big business” (55), a view of things that will interest the historians of the Middle East. Statements such as these, with which the book abounds, set one’s teeth on edge and shake our confidence in the speaker. But they do not constitute the central fault of the book. One

learns to live with Schumpeter's idiosyncratic thought, his involuted style. And there are perceptive insights that redeem some of the extravagances from another side: "The evolution of the capitalist style of life could be easily—and most tellingly—described in terms of the genesis of the modern lounge suit" (126), a remark worthy of Thorstein Veblen.

### *Plausible Capitalism*

*Capitalism, Socialism, and Democracy* must of course ultimately be judged by the internal consistency and historical cogency of its argument, not by its style. And so we come to the famous depiction of "plausible" capitalism overcome by the hostility of the social milieu that it has itself created. The argument can be reduced to a set of interlocked propositions:

1. Capitalism is a process of continuous accumulation-and-change, the two intimately and inextricably conjoined: "Capitalism . . . is by its nature a form or method of economic change and not only never is but never can be stationary" (82).

2. The propulsive force for change consists of technological innovation: "The fundamental impulse that sets and keeps the capitalist engine in motion comes from the new consumers' goods, the new methods of production or transportation, the new markets, the new forms of industrial organization that capitalist enterprise creates" (83).

3. The process of change is self-renewing and self-vitalizing. It is not limited to the satiation of a given demand, but geared to the insatiable pull of ever-newly-created demands. A "perennial gale of creative destruction" (84, 87) continuously infuses new life into capitalism.

4. Monopolistic profits and practices, which might endanger the accumulation process in a static setting, play a quite different and largely constructive function in a dynamic setting. "What we have got to accept is that [monopoly] has come to be the most powerful engine . . . of the long-run

expansion of total output not only in spite of, but to a considerable extent through, this strategy which looks so restrictive when viewed in the individual case . . ." (106).

5. No reasons exist to believe that the period of capitalist growth from 1870 to 1914 were exceptional (108–110). More important, no cogent arguments lead us to believe that the period ahead—that is, the last half of the twentieth century—offers new or significant obstacles to the accumulation process. The closing of the geographic frontier does not imply the closing of the economic frontier: "The conquest of the air may well be more important than the conquest of India was . . ." (117). Technological exhaustion is unlikely—the possibilities of technology remain an "uncharted sea" (118). The threat of a Ricardian or Malthusian problem of resources is, as we have seen, waved away.

What remains is "plausible capitalism," to make the most of Schumpeter's suggestive phrase. It is a depiction of a system that has many of the attributes that Schumpeter ascribed to Adam Smith's vision of a "hitchless" economic process.<sup>2</sup> "[T]here are no *purely economic* reasons why capitalism should not have another successful run" (163, n. 7), Schumpeter concludes.

I shall return to examine the plausibility of "plausible capitalism." But it remains to complete Schumpeter's argument.

6. Capitalism has an economic "base" and a "socio-psychological *superstructure*" (121) which is characteristically "rationalist" (122–125). This rationality is encouraged and expressed by such elements of capitalism as its dependence on calculation, its empirical, science-oriented encouragement of production, its style of life (the lounge suit), its essentially unheroic, even antiheroic mentality. (Schumpeter himself does not mention, but no doubt knew of and enjoyed Miriam

<sup>2</sup> Joseph A. Schumpeter, *History of Economic Analysis* (New York: Oxford University Press, 1954), pp. 572, 640.

Beard's comment somewhere in her *History of the Business Man* that the suits of armor that have come down to us undented were made for bourgeois *gentilhommes*.) Thus the pacificism of capitalist civilization.

7. Ultimately this rationalist bent becomes incompatible with the belief system that supports a capitalist civilization:

[C]apitalism creates a critical frame of mind which, after having destroyed the moral authority of so many other institutions, in the end turns against its own; the bourgeois finds to his amazement that the rationalist attitude does not stop at the credentials of kings and popes but goes on to attack private property and the whole scheme of bourgeois values (143).

This is, of course, the *trahison des clercs*, the revenge of the intellectuals (146).

8. Quite independent of the corrosion of belief is the erosion of the central capitalist function of entrepreneurship. As innovation becomes reduced to routine (132), "personality and will power must count for less . . ." (132). "Economic progress tends to become depersonalized and automatized" (133). And so we have the gradual metamorphosis of the capitalist-entrepreneur into the managerial-bureaucrat. "[T]he modern corporation, although the product of the capitalist process, socializes the bourgeois mind; it relentlessly narrows the scope of capitalist motivation; not only that, it will eventually kill its roots" (156).

9. And so the capitalist process loses its élan (219). The bourgeois family, the great transmission belt of entrepreneurial values, becomes infected with the prevailing disease of rationalism. The bourgeois class loses faith in itself (161). With very little resistance, it yields to the new order—for capitalism, in its dissolution, is in fact creating a new order: socialism. The drama proceeds at an indeterminate pace, with the death sentence given a century-long "short-run" reprieve in the final sentence of the final paragraph of the chapter on Decomposition (163). But then we turn the page: "Can socialism work? Of course it can" (167).

*The Confutation of Marx*

Thus it is plausible capitalism and the triumph of rationalism and bureaucracy that must ultimately command our critical attention. But I think we should begin by considering a prior matter. This is to bring to center stage Schumpeter's evident purpose in writing *Capitalism, Socialism, and Democracy*. This purpose, manifest in the opening section of the book, was to settle accounts finally with Marx. Much of Schumpeter's work, I believe, was guided by the desire to provide an interpretation of history that would do justice to Marx but would provide a view of society's workings more compatible with Schumpeter's temperament and social interest.

Moreover, the difference between Marx's and Schumpeter's views can be precisely defined. For Marx the underlying force of historical change, at least in modern times, was the class struggle with its main source located in the growing power and insight of the working class. For Schumpeter, the driving force of history is also located in a contest of classes—but not the lower classes. Just as the transition from feudalism to capitalism involved merchant and aristocrat as principal actors, with serfs and journeymen playing only background roles, so for Schumpeter the evolution of capitalism into socialism will take place out of the competition of entrepreneurs and bureaucrats, with the proletariat relegated to a position of powerlessness. In Schumpeter's decomposition of capitalism, the working class plays no role at all. In the creation or administration of socialism it is only a spectator.

Schumpeter's historical vision therefore disputes Marx not with regard to the outcome, but the motivation, of the capitalist epic. But more than that. In settling accounts with Marx, Schumpeter reverses Marx's presumed subordination of the "superstructure" to the "base." The thrust of Schumpeter's argument is therefore a second confutation of Marx. It is not crises and contradictions within the base of "plausible capitalism" that bring its civilization to a finish, but

crises and contradictions in its sociopsychological superstructure.

Finally, Schumpeter completes his argument with a characteristic flourish. From Marx, Schumpeter gained a historical and evolutionary view that made it impossible for him to remain a “vulgar” economist incapable of seeing the historicity of capitalism, and from Marx he also gained a dialectical perspective that caused him to search for the seeds of capitalist decline in its own triumphs—in its “plausible” operations, not its failures. Nonetheless, in the end Marx is vanquished. Capitalism will not survive and socialism will come—but for Schumpeter’s reasons, not for Marx’s. Marx was right, but not Marxism.<sup>3</sup> There is room for a conservative view, a view that will permit a managerial, bureaucratic socialism to emerge. A truce has been reached. Marx is accorded every honor, including that of becoming a conservative sage. For this, the footnote on page 58 must be read with care:

. . . [T]here is nothing specifically socialist in the labor theory of value; this of course everyone would admit who is familiar with the historical development of the doctrine. . . . In order to be a socialist, it is of course not necessary to be a Marxist; but neither is it sufficient to be a Marxist in order to be a socialist. Socialist or revolutionary conclusions can be impressed on any scientific theory; no scientific theory necessarily implies them. And none will keep us in what Bernard Shaw somewhere describes as sociological rage, unless its author goes out of his way in order to work us up.

An appraisal of *Capitalism, Socialism, and Democracy* must therefore start with Schumpeter’s interpretation of Marx. Immediately the complexity of passing judgment on Schumpeter begins to assert itself. For Schumpeter was without rival among conventional economists in his understanding of Marx. The opening chapters of his book, on Marx as Prophet, Sociologist, Economist, and Teacher, reveal an ap-

<sup>3</sup> See Joseph A. Schumpeter, “The March into Socialism,” in American Economic Association, *Papers and Proceedings*, 1950, p. 456.



preciation for and knowledge of Marx's work that none of his colleagues could have begun to match; indeed, that is still remarkable today. Nonetheless, Schumpeter's view of Marx is wrong, and in its errors it sets the stage for substantiation of the negative summary judgment with which I have opened this essay.

The critique can commence in an unimpeachable fashion by pointing out that Schumpeter did not know the full range of Marx's work. When *Capitalism, Socialism, and Democracy* was written, the *Grundrisse* was yet unknown outside of a Russian edition, and the present renaissance of Marxist scholarship had not begun. Schumpeter could not have written, for example, that Marx had a "distinctly weak performance in the field of money" (22) had he read the chapter on Money in the *Grundrisse*, or had he followed—as he would have—the recent rediscovery and reconsideration of Marx's treatment of money in *Capital*.<sup>4</sup> So, too, Schumpeter's statements about the labor theory of value, in particular the extraordinary assertion that there was "nothing specifically socialist" about it, reflects a view of the labor theory of value that is also *passé*—a view that overlooks Marx's pointed critique of the theory as only a basis for explaining relative prices rather than as a mode of penetration into social relationships.<sup>5</sup> Not less important, Schumpeter's conception of historical materialism as a simple "base-superstructure" relationship, although representative of the understanding of Marx prevalent in his time, would today also be regarded as inadequate to portray Marx's analysis of history.<sup>6</sup>

The point here is not to vindicate Marx but to locate Schumpeter. His rebuttal of Marx is based on a reading that

<sup>4</sup> See, among other works, Suzanne De Brunhoff, *Marx on Money* (New York: Urizen Books, 1976).

<sup>5</sup> Karl Marx, *Capital*, vol. 1, ch. 1.

<sup>6</sup> See, among others, Gerald A. Cohen, *Karl Marx's Theory of History: A Defence* (Princeton: Princeton University Press, 1979); Perry Anderson, *Passages from Antiquity to Feudalism* (London: NLB, 1974) and *Lineages of the Absolutist State* (London: NLB, 1974); E. P. Thompson, *The Poverty of Theory* (London: Merlin Press, 1978).

would not be given serious consideration among Marxian scholars today. It is not Schumpeter's fault, of course, that he was not in advance of the contemporary comprehension of Marx. But his attack is not only misdirected as regards its immediate targets but also with respect to its larger conceptual framework.

The crux of the latter difficulty is contained in the footnote cited above. The essential element of Marx's analysis that Schumpeter could not swallow—and that, being rejected, denatured or distorted much of the Marxian analysis that Schumpeter did ingest—was the revolutionary purpose and character of Marx's work. The statement that it is not sufficient to be a Marxist to be a socialist is clinching in this regard. Marx's famous XIth Thesis on Feuerbach about changing rather than interpreting the world was profoundly antipathetic to Schumpeter's temperament. Therefore in a fundamental way Schumpeter missed the point of Marx, and of the "scientific socialism" that Marx espoused. The unity of theory and praxis that rightly or wrongly lies at the very center of Marx's approach was never acknowledged by, and would surely have been unacceptable to, Schumpeter. Thus the Marx that he vanquishes is not the real Marx. The difficulty with his criticisms is not merely that they are ill-informed in textual matters but that they are uncomprehending in spirit. The limitations of the Marxian scholarship of Schumpeter's time excuse the first fault, but the second exposes the limitations of Schumpeter's imagination.

#### *Alternative Readings of the Future*

Let us now move to a consideration of Schumpeter's prognosis. As with the relationship to Marx, one must begin by underscoring the remarkable achievement that it represents. A quarter of a century has dramatically confirmed the acuity of Schumpeter's foresight. The longest period of sustained

growth in capitalism has testified to the plausibility of his “plausible” capitalism. Monopoly and vanishing investment outlets, the specters against which Schumpeter directed his main blasts, have proved to be, just as he claimed, mere wraiths. Meanwhile, the sociological side of capitalist development has also confirmed Schumpeter’s perceptiveness. Bureaucracy has proceeded apace, within and outside the corporation. The “generation gap,” unforeseen by Schumpeter, has strikingly evidenced the decline in economic patriotism that he foresaw. Thus an appraisal must begin by recognizing Schumpeter’s prescience. As I said at the outset, there has been no performance to equal his in modern times.

Why, then, do I judge his effort to be flawed, incomplete, and finally inadequate? I can best make my point by indulging in a conjectural reconstruction of Schumpeter’s argument. Let us begin as he did with the assumption of the necessity of a continuous process of accumulation, made possible by a constant revolutionizing of the products and processes of the economy through the institution of the large corporations. But now let us take the analysis in a different direction. There is an increasing rigidity of prices and wages in the monopolistic sector. This leads to growing political pressure to insure the liquidity needed to finance a big-business wage bill that has become a semifixed cost. Let us further suppose that this politicoeconomic necessity alters the direction of the arrow of causation from  $MV \rightarrow PT$  to  $PT \rightarrow MV$ . Further, imagine that this altered financial setting affects the behavior of the major trade unions, encouraging them to exert a strong push for higher wage levels. Imagine, in a word, that monopolization leads to structural changes that lead toward chronic inflation. Is this not also “plausible” capitalism?

Let us try another conjecture. Suppose that Jewkes, Sawers, and Stillerman<sup>7</sup> are right, and that technological advance still depends primarily on the work of private researchers and

<sup>7</sup> John Jewkes, David Sawers, and Richard Stillerman, *The Sources of Invention* (London: Macmillan, 1958).

inventors, not on large corporate laboratories. Monopolization, with its increasingly technocratic, risk-averse bureaucracies, would then create an ever-less-favorable climate for the independent inventor to work in or sell to. The pace of revolutionizing of the bill of final output would slacken. The gale of perennial destruction would blow more softly. Productivity would decline while the bureaucratic superstructure rises. Inflation would receive another, independent boost. Is not this also a “plausible” capitalism?

One last alternative scenario. This time I conjecture that the innovating, accumulating enterprise discovers that indeed economic frontiers are vast and know no geographic boundaries. The firm bursts its national integument. The process of accumulation proceeds on a worldwide basis, with the great corporation serving as a conduit for the transmission of technology and capital funds. Side by side with stick-plowed fields rise modern factories, and a stone’s throw from a mud village is a Hilton hotel. The introduction of the technology and industrial mode of production of capitalism upsets traditional hierarchies and patterns. The backward “host” country moves uncertainly into the modern world, equipped with fighter planes and illiterate soldiers, slavish imitations of Western styles and bitter resentments of Western hegemony. The position of the capitalist center, the source of the dynamism that is directing the gale of creative destruction into the hinterlands, is powerful, dynamic, and civilizational, and at the same time vulnerable, fragile, and disruptive. Is not this also a vision of a “plausible” capitalism?

I raise these alternative readings of the future as seen from 1942 for only one reason. They are all entirely consistent with and, with a little argumentative skill, deducible from the same organizational premises as those from which Schumpeter began. To put the matter differently, *there was more than one plausible course for capitalism to have run*. Moreover, the successful pursuit of its trajectory of economic growth was in no way inimical to—indeed, was necessary for—the pursuit of

these alternative paths. Thus what is wrong about Schumpeter's scenario is essentially that it is too narrow. What Schumpeter has designated as the "purely economic" future of capitalism is only a partial delineation of its economic propensities and tendencies, contradictions and inner conflicts. Schumpeter was entirely right in recognizing the enormous, still-unflagging power of the expansive drive of capitalism, but he failed to consider all the *economic* effects—not to mention the social and political ones—that could follow from the successful expression of that drive.

Moreover, plausible capitalism posits a dichotomy between the economic and the sociological spheres that blurs the capacity for analysis. The artificial nature of the dichotomy becomes quickly evident when we reflect on the meaning of the "growth" that is presumably the province of changes taking place in the base. Only a small portion of this growth can be described by a simple coefficient of expansion, such as more outputs of an unchanged kind, like wheat. Most growth consists of the alteration of both inputs and outputs, with associated changes in the lives, experiences, motivations, perceptions, and behaviors of the actors in the system. Some of these altered real-life properties of the system bring results we designate as "economic," such as inflation or the internationalization of capital. Other changes bring political or social or cultural changes—an altered work ethic, or bouts of radicalism or conservatism, or a deterioration of the moral foundations on which even the purest market systems depend.<sup>8</sup>

It was this larger unity of capitalist dynamism that Schumpeter failed to see, despite—or perhaps because of—his intuition of "sociological decline" accompanying "economic rise," and despite his own emphasis on the qualitative aspect of growth. Had he widened his view he might still have predicted

<sup>8</sup> See Fred Hirsch, *Social Limits to Growth* (Cambridge: Harvard University Press, 1976), chs. 10–13.

another forty years of growth, but he would have stressed that “plausible capitalism” would not for that reason be rid of its structural changes, its historic repetition of crises, its ever-continuing struggle to coordinate the pace of production and the flow of distribution. Truly plausible capitalism is a system undergoing a continuous transformation of its economic substructure, quite as much as continuous transformations in its psychosociological superstructure. For all its protestations of dynamics, the problem with “plausible capitalism” is that it is a static conception.

### *The Historical Process*

As with the economics, the sociology is not wrong but incomplete. As I have done above, I could therefore construct alternative scenarios that would begin from Schumpeter’s starting points of an erosion of bourgeois self-confidence and a bureaucratic displacement of the entrepreneurial function. For example, I might argue that bourgeois rationalism is itself a form of ideology, perfectly capable of embracing an uncritical view of “libertarianism” and quite immune, at its core, to an unmasking of the pretensions of capitalist fetishisms. Or I might claim that the drift into bureaucracy, far from sealing the death warrant for capitalism, is in fact the only possible reprieve to its natural death at the hands of the egalitarian politics and unmanageable technology of the twentieth century.

I shall not, however, pursue this course. For my central dissatisfaction with the sociological argument of *Capitalism, Socialism, and Democracy* lies elsewhere. Here I must begin by capturing again the vision of socialism as it emerges in its pages. Socialism will, of course, be planned, and it will be bureaucratic (185). It will differ from capitalism in that its morale may be higher (211), its self-understanding deeper (211), its efficiency greater (188), but it will retain from

capitalism most of the terminology—and beneath the terminology, the existential realities—of a capitalist system of market relations (181). The world of work, particularly as regards “the laborer and the clerk,” will be essentially unaltered (203). The sphere of democracy, especially as regards production, will be suitably restricted (299–300). Good use will doubtless be made of the “supernormal quality” of the displaced bourgeoisie (204, 204 n. 3).

Of course, things may go awry. Socialism has no “obvious solution” to the problem of providing stable traditions (302). Its task of maintaining democracy may be “extremely delicate”; indeed, “[s]ocialist democracy may turn out to be more of a sham than capitalist democracy ever was” (302). Nevertheless, the Schumpeterian expectation is plain. In place of plausible capitalism, we can have plausible socialism.

Can such a socialism “work”? “Of course it can.” But what is meant by “working”? The criterion is that of efficient central planning whose feasibility Schumpeter strongly affirms (188, 196). I suspect that this affirmation reflects the extraordinary contemporary influence of the work of Taylor and Lange (173, n. 2). Had Schumpeter lived to witness the tribulations of the centrally planned systems today, I doubt that he would have assented so easily in their superiority.

But the nub of my criticism does not lie here. *It rests, rather, in Schumpeter’s failure to recognize that a statist economic order—provided that it tolerated democratic institutions—would suffer the same contradictions as those of capitalism, although perhaps under a slightly different guise.* The central contradiction of capitalism, as Schumpeter describes it, is the incompatibility of the rational mind-set generated by capitalist processes with the necessary observance of the irrational rights of property. What he fails to see is that Schumpeterian socialism would generate very similar tensions. In the place of the inviolable claims of property exerted by the bourgeoisie, there are the inviolable claims of efficiency exerted by the bureaucracy. Are not their rationales alike in maximizing social output? In place of the

bourgeois ethos, undermined by the rationality of capitalism, there is the bureaucratic ethos, undermined by the "clarity" of socialism. Thus the overriding contradictions are unchanged. Plausible socialism is not a new and different social order. It is simply capitalism at a new level of development.

Schumpeter himself clearly felt that socialism was bourgeois. "The ideology of classical socialism," he writes, "is the offspring of bourgeois ideology. In particular, it fully shares the latter's rationalist and utilitarian background and many of the ideas and ideals that entered into the classical doctrine of democracy" (298–299).

As a description of the intellectual genealogy of socialism this is indisputable. But as a description of the historical thrust of socialism it is seriously lacking. To assume that the values of efficiency and material pursuit, of hierarchy and restricted democracy, of rationalism and utilitarianism will continue unchallenged is to assume that the advent of socialism means no more than the passage of the reins of authority from one ruling group to another, within an essentially unchanged mode of production and thought.

Such a conception of social change was indeed a prevision of capitalist trends within our own age. But is it adequate to describe the historical transformation that Schumpeter sought to understand? I do not think so, unless one dismisses a struggle of deeper consequence than that between ruling groups—a struggle between elites and masses, privileged and unprivileged, rulers and ruled, in short the class struggle. Schumpeter, as we know, paid no heed to this struggle. But I believe that it can be discerned as the inchoate force, now evidenced in the economic sphere, now in the social, now in the political, that moves restlessly and unappeasably, deep within capitalist civilization.

In ignoring this buried process, Schumpeter was able to ignore the changes that it portended for plausible socialism. Almost surely these changes would have dismayed a cultivated bourgeois sensibility such as he possessed. Indeed, in their



breadth and depth, the changes implicit in a more convulsive view of the advent of socialism might rob any contemporary critic of the capacity to make cogent judgments, as a critic living in ancient Rome would have been unable to evaluate the changes brought by feudalism, had he foreseen them, or a critic living in medieval times would have been incapable of understanding the changes linked to the rise of capitalism, even had he imagined them.

Approving or disapproving, mute or articulate, it is this inability to imagine the historical process as revolutionary, despite his fondness for the word, that finally delineates Schumpeter's *Capitalism, Socialism, and Democracy*. Among the economists of his day, Joseph Alois Schumpeter saw farther and more clearly than perhaps any other, but his vision remains bounded, consciously or unconsciously, by the bourgeois preconceptions he cherished. Perhaps that is why he was able to acquiesce with such grace in the coming of socialism, the child of good bourgeois stock. As to what might lie beyond that, I suspect he cared little. Socialism as millennium would probably have been as distasteful to him as socialism as barbarism. He remains par excellence the wordly philosopher of mature capitalism, but he does not see that the most distant reach of his thought is not a terminus but a horizon.

\* This essay was commissioned as part of a volume on *Schumpeter after Forty Years*, edited by Arnold Heertje (New York: Praeger, 1981).