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CAPITALISM, SOCIALISM, AND DEMOCRACY  
A FIFTY YEAR RETROSPECTIVE

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**"Schumpeter and Democracy"**

Monday, 1 February 1993, 10:00-6:15 p.m.

Humanities Conference Room, 314 Royce Hall  
UCLA

Joseph Schumpeter devoted four short chapters of Capitalism, Socialism and Democracy, roughly fifteen percent of the book, to a discussion of democracy. It is clear, both from the structure of the work, and from the way in which the arguments contained in it developed during Schumpeter's lifetime, that the issue of democracy was something of an afterthought. Indeed, in the preface to the first edition of Capitalism, Socialism and Democracy (1942), Schumpeter confessed that while he had spent forty years thinking about "the subject of socialism...the problem of democracy forced its way into the place it now occupies in this volume because it proved impossible to state my views on the relation between the socialist order of society and the democratic method of government without a rather extensive analysis of the latter."(xiii)<sup>1</sup> Although I shall later suggest another reason for the consideration of democracy in Capitalism, Socialism and Democracy, it is fair to say, I think, that, from Schumpeter's standpoint, it is the imminent arrival of socialism as the replacement for the capitalist social order which places the topic of democracy on the agenda of political discussion. It is, in short, Schumpeter's defense of democratic socialism which explains why, in the midst of an historical-sociological comparative analysis of capitalism and socialism, there is a rather formalistic interlude devoted to 'the democratic method of government.'

In light of the influence of Schumpeter's notion of democracy has had upon political scientists who have addressed that subject during the last fifty years, his contextual linkage between

socialism and democracy---long since severed by virtually all of the political scientists who have written about 'modern democracy'---must be characterized as one of the many historical ironies---or, perhaps, from another perspective, one of the many erroneous predictions---with which the readers of Capitalism, Socialism and Democracy must come to terms. However interesting it might be to structure my discussion of democracy on the basis of this commonly-accepted premise, in this essay, I propose to follow Schumpeter down the path he marked out in order to explore certain problems internal to his argument in that book, problems which are largely ignored when the method of democracy is extracted from its context and considered as an independent or self-contained theoretical framework. Such an approach, of course, necessarily entails recounting some of the by now familiar features of Schumpeter's analysis of capitalism, but, except where these bear directly upon what I wish to say concerning the relationship between democracy and capitalism, I will make every effort to be as brief as possible in my summary of Schumpeter's position.

Much less well known than his analysis of capitalism is the fact that, for all of his intellectual life, Schumpeter was deeply preoccupied with the problems of the methodology of the social sciences. Given that the Methodenstreit arose within economics as taught in German and Austrian universities, it is hardly surprising that, as a student and professor of economics in both countries, Schumpeter's thinking should have been shaped by this controversy, not to mention the intellectual debt he owed to Max Weber in

particular, about which I shall have more to say later.<sup>2</sup> I mention the point about methodology here, however, for two reasons: First, I shall argue that much of the internal tension in Schumpeter's social, economic, and political thought is traceable to his failure to discover a synthesis between an historical-sociological approach and a 'scientific' theoretical approach to the study of social phenomena.<sup>3</sup> What Schumpeter has to say in Capitalism, Socialism and Democracy, in other words, is as much the product of forty years of thinking about the nature of 'social science' as it is the result of his ruminations concerning the fate of capitalism or socialism. My second reason for introducing methodology into the discussion is that in this essay I want to apply what Schumpeter says about theorizing in the social sciences to the interpretation of his thought. In the Presidential speech he delivered to the American Economic Association shortly before his death, entitled "Science and Ideology,"---as well as in his earlier writings--- Schumpeter maintained that 'scientific analysis' in the social sciences is always preceded and shaped by the social scientist's ideological---value-determined---view of social reality.<sup>4</sup> Thus, although Schumpeter would, and did, insist that what he offered in Capitalism, Socialism and Democracy was a scientific analysis and not a value-determined assessment of those three subjects, the fact remains that, according to his own methodological principles, Schumpeter's view---and therefore, my interpretation of his view---of democracy is, in the first instance, rooted in his ideological attitude with respect to democracy.

Since he wrote so little that bears directly upon the subject, it is easier to characterize Schumpeter's attitude towards democracy in negative terms than it is to reconstruct---independently of what he says in Capitalism, Socialism and Democracy---any theory which stresses the positive virtues of democracy. Schumpeter's biographers have emphasized his early attachment to monarchy as a superior form of government, and there is no reason to believe that such a viewpoint was merely a contingent reflection of his residence within the Austro-Hungarian Empire.<sup>5</sup> On the contrary, throughout his life, Schumpeter believed in the importance of the strong leader, a man on horseback, and preferably, an aristocrat, who could direct political affairs.<sup>6</sup>

However, notwithstanding the emphasis he placed upon will and individual initiative, leadership for Schumpeter was not reducible to the unique qualities exhibited by particular individuals. Rather, leadership, he maintained, was a sociological phenomenon, i.e., a product of specific social conditions. For Schumpeter, leaders performed a functional role within a particular society, and, of course, as one form of society developed into another form of society, the meaning of leadership, as well as the social origins and the role of leaders, changed. For reasons that will become clearer as the essay proceeds, Schumpeter never believed that, viewed as a set of social conditions and not merely as a decision-making technique, democracy was a particularly fertile ground for producing strong leaders.(285-90) At best, England provided a model of "tory democracy," where, according to

Schumpeter, the people were 'controlled' by a political leader allied with a powerful bureaucracy.<sup>7</sup> The similarity between Schumpeter's and Max Weber's views of leadership and democracy is, it seems to me, both obvious and not accidental.

Like Weber, Schumpeter sought, on methodological grounds, to isolate politics as an arena of conflict between irreconcilable value judgments from the activities pursued by social scientists.<sup>8</sup> The role of the social scientist, and especially the economist, Schumpeter argued, was to provide scientific analysis not political policy recommendations.<sup>9</sup> Seen from this standpoint, democracy simply exacerbated the irrationality of political life by extending, through the empowerment of individuals, the chaos of conflicting value judgments. Within democratic capitalist society, Schumpeter believed, such value judgments were primarily rooted in short-term material interests. "For the masses," he wrote, "it is the short-run view that counts." (145) Hence, democratic politics is structured around "short-run rationality." (261,287) Although something might be said on behalf of political leadership's long-term function to preserve society, viewed as a whole, Schumpeter's view of politics in general, and his view of democracy as a particular political order, made it extremely difficult to defend any notion of political integrity. A skilled politician was, in effect, all things to all people, shifting from policy to policy depending upon which group's short-term interests were being addressed. In a world in which an aristocratic code of honor or an inherited sense of social responsibility had been replaced by a

materialistic, individualistic utilitarian ethos, political leadership was, in effect, rootless.<sup>10</sup> In other words, the cynical account of democracy presented in Capitalism, Socialism and Democracy reflects Schumpeter's deeply anti-political conception of social science as much as it does his analysis of the specific historical conditions produced by capitalism.

Turning to the latter, Schumpeter's first statement of the argument later developed in Capitalism, Socialism and Democracy appears in an article entitled, "The Instability of Capitalism," published in 1928. Entrepreneurial activity, he maintains, plays a crucial role in accounting for the dynamics of early capitalism through the creation of new firms. But, as capitalism develops, the functional role of the entrepreneur becomes less important to the maintenance of the economic system. Large firms replace smaller ones and teams of experts and specialists replace the innovator. "Progress becomes 'automatised,' increasingly impersonal and decreasingly a matter of leadership and individual initiative." As Schumpeter later put it, capitalism produces the "increasing bureaucratization of economic life," and, more generally, "the rationalization of human behavior." (125,127)<sup>11</sup> He concluded the 1928 article with the observation that

Capitalism, whilst economically stable, and even gaining in stability, creates, by rationalizing the human mind, a mentality and a style of life incompatible with its own fundamental conditions, motives and



social institutions, and will be changed, although not by economic necessity and probably even at some sacrifice of economic welfare, into an order of things which it will be merely matter of taste and terminology to call Socialism or not.<sup>12</sup>

In a number of writings, and most famously in Capitalism, Socialism and Democracy, Schumpeter developed the nuances of this argument. Evaluated purely in terms of its economic achievements, capitalism, he observed, leaves little room for criticism.<sup>13</sup> But, Schumpeter insisted, "economic life is constantly acted upon by social and political factors. It lives in a social and political environment full of disturbances of its own."<sup>14</sup> Thus, "criticism usually proceeds either from moral or cultural disapproval of certain features of the capitalist system."<sup>15</sup> It is the cultural hostility to capitalism as an economic system which requires an explanation and which, Schumpeter believed, threatened the existence of that system. (143-4, 151) How was this gap between the material achievements and the perceived inadequacies of capitalism to be explained?

"We always take it for granted," Schumpeter observed, that "class structure determines the salient feature of a nation's civilization and therefore also its policies." But, he added, the beliefs, attitudes, and values which comprise that 'civilization' may not be 'consistent' with or 'correspond' to the class structure. In periods of rapid economic or social change, there

may be, in effect, a cultural lag, with traditional beliefs and values maintaining their hold upon members of society notwithstanding the changes in its class structure.<sup>16</sup> Schumpeter's analysis of capitalism is grounded upon this general presupposition of economic sociology.

"The bourgeois class," Schumpeter wrote, exhibits a "mentality that is characteristic of capitalist society," namely, a rationalizing utilitarianism that pervades all aspects of cultural life. The result, according to Schumpeter, is that "metaphysical belief, mystic and romantic ideas of all sort," as well as such things as an "inherited sense of duty" and all the "heroic" features of social life are unable "to withstand rationalist criticism." (121-28) Traditional values and institutions such as the family, Schumpeter argued, are undermined by this process of rationalization. And, with the disintegration of the family, he believed the primary motive for capital accumulation was seriously weakened. (157,161) Moreover, capitalism "tends to spread rational habits of mind and to destroy those loyalties and those habits of super- and subordination that are nevertheless essential for the efficient working of the institutionalized leadership of the producing plant." In short, Schumpeter concluded, "no social system can work which is based exclusively upon a network of free contracts between (legally) equal contracting parties and in which everyone is supposed to be guided by nothing except his own (short-run) utilitarian ends." (417)<sup>17</sup>

Historically, Schumpeter wrote, "modern democracy rose along

with capitalism, and in causal connection with it." Thus, "modern democracy is a product of the capitalist process."(296-7;126) This means that "early capitalism" and democracy are both rooted in the same rationalist utilitarian set of values.(248) Yet, according to Schumpeter, there is a deep-seated hostility between democracy and capitalism which increases over time. "The capitalist process," he declared, "produces a distribution of political power and a socio-psychological attitude...that are hostile to it and may be expected to gather force so that they will eventually prevent the capitalist engine from functioning." (112,301) Why is this the case?

Schumpeter offers two historical observations. First, emerging capitalist society was directed politically by members of the feudal aristocratic class who "still behaved according to precapitalist patterns."(136)<sup>18</sup> But "the rise of the bourgeoisie ousted from political leadership the old aristocracies who knew so much better how to rule than does the businessman."<sup>19</sup> "Without protection by some non-bourgeois group," Schumpeter believed, "the bourgeoisie is politically helpless and unable not only to lead its nation but even to take care of its particular class interest."(138) Schumpeter's reasoning in defense of this assertion is not easy to follow, and analysis tends to give way to analogy. In contrast to the feudal aristocracy which was willing to use military force in defense of its values, Schumpeter portrays the bourgeoisie as lacking both a sense of class values worthy of defense and the political will to defend them.(161) In Schumpeter's words, "the stock exchange is a poor substitute for the Holy

Grail."(137)

Secondly, as capitalism develops, it moves away from any approximation of a competitive equilibrium towards the monopolization of economic power. Unlike most of his contemporaries, Schumpeter did not bemoan this fact. On the contrary, he argued that, in general, monopoly capitalism was more economically efficient than competitive capitalism.(101,106) However, Schumpeter observed, there are negative political consequences that follow from this development.

The political structure of a nation is profoundly affected by the elimination of a host of small and medium-sized firms the owner-managers of which, together with their dependents, henchmen and connections, count quantitatively at the polls and have a hold on what we may term the foreman class that no management of a large unit can ever have; the very foundation of private property and free contracting wears away...[and tends to]

disappear from the moral horizon of the people.(140-1)

Thus, "the emergence of large-scale business...especially under the conditions of democratic politics...weakens the political position of the industrial bourgeoisie."<sup>20</sup> Schumpeter argues that "capitalism 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" by creating the political conditions

of democracy which foster an attack upon private property "and the whole scheme of bourgeois values."(143)<sup>21</sup>

Apparently, Schumpeter believes that the egalitarian assumptions underlying democracy supply the basis for a standing critique of monopoly capitalism and the unequal distribution of income it produces. In other words, even in a highly rationalized society, there are "extra-rational values" to which individuals are attached which support a political criticism of capitalist society.

Capitalist rationality does not do away with sub- or super-rational impulses. It merely makes them get out of hand by removing the restraint of sacred or semi-sacred tradition. In a civilization that lacks the means and even the will to discipline and to guide them, they will revolt. And once they revolt it matters little that, in a rationalist culture, their manifestations will in general be rationalized somehow.

Because 'politics' is rooted in 'extra-rational' value commitments, Schumpeter writes, "political criticism cannot be met effectively by rational argument."(144) While there is no difficulty in perceiving that Schumpeter seeks to excise such values in his critique of 'classical democracy,' it is much less noticed that even the modern utilitarian theory of democracy is, in Schumpeter's view, defective in so far as it incorporates such values as

equality, the sovereignty of the people, or the greatest good for the greatest number. Such terms are as vague, and more important for the specific argument at hand, as hostile to the inequalities produced by capitalism as any classical argument framed in terms of rights or the common good.<sup>22</sup>

Conceptually speaking, therefore, 'democracy' must be divested of all values before one can consider its relationship to socialism. Yet, notwithstanding his own endeavor to accomplish this by defining democracy as a 'method,' Schumpeter recognizes, in his sociological analysis of capitalism, that there are forces and constraints at work in society which no social scientist's definition can set aside. It is worth pursuing this point in some detail both because it illustrates the darker, if implicit, side of Schumpeter's political conservatism, and because it gives a rather ironic meaning to his view of democratic socialism.

It might be supposed that the source of hostility to capitalism arises from the 'have-not' section of the population which, depending upon one's perspective, could extend as far as the majority of society but which, in any case, will entail masses of individuals. Strictly speaking, Schumpeter denies that this is the case. It is true, he observes, that "any pro-capitalist argument must rest on long-run considerations. In the short run, it is profits and inefficiencies that dominate the picture." Since, as we have seen, the masses are guided by short-run concerns, "people at large would have to be possessed of an insight and a power of analysis which are altogether beyond them" in order to

appreciate the positive virtues of capitalism. Nevertheless, Schumpeter insists, these conditions are not "in themselves sufficient to produce, however strongly they may favor, the emergence of active hostility against a social order. For such an atmosphere to develop it is necessary that there be groups to whose interest it is to work up and organize resentment, to nurse it, to voice it and to lead it," because, Schumpeter argues, "the mass of people never develops definite opinions on its own initiative."(144-5)<sup>23</sup>

Capitalism, according to Schumpeter, creates "an intellectual class" that is hostile "to the interests of large-scale business." Not only that, but "unlike any other type of society, capitalism inevitably...creates, educates and subsidizes a vested interest in social unrest."(146,418) After a brief historical account of the secularization of the intelligentsia and the technological development of a cheap free press, Schumpeter outlines the political problem faced by a capitalist society. It cannot engage in "any attack on the intellectuals," he argues, without 'running up against' "the private fortresses of bourgeois business which, or some of which, will shelter the quarry...[and] will checkmate prosecution beyond a certain point." However strongly "the bourgeois stratum" may disapprove of statements or actions by the intellectuals, Schumpeter maintains that it will rally behind the intellectuals "because the freedom it disapproves cannot be crushed without also crushing the freedom it approves." Given the circumstances of modern society, Schumpeter writes, "only a

government of non-bourgeois nature...only a socialist or fascist one is strong enough to discipline them." And, in order to accomplish that, the government would have to be willing to "drastically reduce the individual freedom of all strata of the nation." Any government willing to take such steps, Schumpeter observes, "is not likely--it would not even be able--to stop short of private enterprise." (150) Given that "freedom of public discussion" involves the "freedom to nibble at the foundations of capitalist society," and that "the intellectual group cannot help nibbling, because it lives on criticism,"(151) the death of capitalism and the 'disciplining' of intellectuals carries with it a great many more implications with respect to the meaning of democracy as a social phenomenon than are, at first sight, obvious.

In a notorious statement that reveals the tension between Schumpeter's sociological and his conceptual view of democracy, he suggested that we "transport ourselves into a hypothetical country that, in a democratic way, practices the persecution of Christians, the burning of witches, and the slaughtering of Jews. We should certainly not approve of these practices on the ground that they have been decided according to the rules of democratic procedure. But the crucial question is: would we approve of the democratic constitution itself that produced such results in preference to a non-democratic one that would avoid them?" This question arises within two contexts: first, there is a juxtaposition between 'democracy' as a procedure and those "ultimate ideals and interests which the most ardent democrat will put above democracy...such as



freedom of conscience and speech"; and, secondly, if we are willing to set aside "the rules of democratic procedure" on behalf of such 'ultimate ideals,' Schumpeter argues, "we are behaving exactly as fervent socialists behave to whom capitalism is worse than witch hunting and who are therefore prepared to accept non-democratic methods for the purpose of supressing it," a position which, it hardly seems necessary to add, Schumpeter soundly rejects.(242) The positivist ambition of Schumpeter to separate the 'method' from the 'ideals' of democracy, I am suggesting, entails a much higher cost than most of his followers--though not his critics--have been willing to recognize. In the preface to the third English edition of Capitalism, Socialism and Democracy, Schumpeter grudgingly conceded that even the method of democracy "does, to some extent, guarantee freedom of speech and freedom of the press, but that, for the rest, democracy has nothing to do with 'freedoms.'"(411)

I said at the outset of the essay that Schumpeter's stated reason for considering democracy was that it was a necessary prelude to his discussion of socialism but I indicated that, in my opinion, there was another, less clearly stated reason for describing democracy in the terms that Schumpeter does. It is to show the 'inevitable' connection and compatability between democracy and bureaucratization, that is, the procedural rationalization of political life. In Schumpeter's words, "bureaucracy is not an obstacle to democracy but an inevitable complement to it."(206) 'Democracy' in capitalist society has already learned to live with the concentration of social and

economic power, and, for Schumpeter, "big business is in fact but a midway house on the road toward socialism."<sup>24</sup> To put the point rather sharply, it is the bureaucratization of democratic life under capitalism---the 'creative destruction' of all 'ultimate ideals' or freedoms---which makes it possible for Schumpeter to give serious consideration to 'democratic socialism.'

He repeatedly said that he could not imagine "a socialist organization in any form other than that of a huge and all-embracing bureaucratic apparatus." (206) This bureaucratic apparatus "may or may not be controlled by organs of political democracy," that is, leaders chosen by "a competitive struggle for votes." (415; 301) In any event, Schumpeter insisted, "a socialist economy requires the existence of a huge bureaucracy." (185) In the 1990s, this observation hardly qualifies as news, and it may be thought that, given the spectre of Stalinism, it was not even news in 1942. But Schumpeter steadfastly disassociated his analysis of socialism from the historical presence of Stalinism, whose specifically evil qualities he recognized. (187, 361-3) It might be more accurate to say that he restated the criticism Rosa Luxemburg and Karl Kautsky directed against Lenin, while, paradoxically, acknowledging that Lenin was, after all, right.

Although he maintained that there was a "cultural indeterminateness" to socialism, meaning that a socialist society might "be led by an absolute ruler or be organized in the most democratic of all possible ways," in fact, Schumpeter consistently rejected 'economic democracy' as a form of social

organization.(170,210-18,300) For Schumpeter, the working class was simply part of the inchoate and incompetent masses, "the subnormals," as he often referred to them.<sup>25</sup> They were no more capable of sustaining democracy in the workplace than they were capable of making political democracy work in its 'classical' form. In Schumpeter's view, the masses did not even want equality or freedom; what they wanted was to be led.<sup>26</sup> Thus, for him, socialism did not and could not mean the greater realization of the values of freedom or equality, except in what he regarded as the superficial sense of a redistribution of material goods. Rather, one of the advantages of socialism, Schumpeter believed, was that it would enforce stricter discipline amongst workers. "The socialist management," he wrote, "will have at its disposal many more tools of authoritarian discipline than any capitalist management can ever have...[and] the socialist management will find it much easier to use whatever tools of authoritarian discipline it may have."(215)

"Effective management of the socialist economy," Schumpeter argues, "means dictatorship not of but over the proletariat in the factory." As a consequence, Schumpeter concluded, "socialist democracy may eventually turn out to be more of a sham than capitalist democracy ever was. In any case, that democracy will not mean increased personal freedom. And...it will mean no closer approximation to the ideals enshrined in the classical doctrine [of democracy]."(302) "Extending the democratic method, that is to say the sphere of 'politics,' to all economic affairs" creates a

serious problem, Schumpeter argues, because a "socialist society lacks the automatic restrictions imposed upon the political sphere by the bourgeois scheme of things." (299) In short, democratic socialism is **less** likely than capitalist democracy to provide for freedom of the press or other 'freedoms,' and it will not provide for 'the common good,' the socialists' insistence to the contrary notwithstanding.

Just how ironic this conception of 'democratic socialism' is can be seen when it is viewed in relation to Schumpeter's interpretation of Marx. Prior to 1916, Schumpeter observes, no one would have doubted that there was a close relationship between democracy and socialism. Not only was this obvious, but, he notes, "socialists argued [that] they were the only true democrats." (235,284) Far from challenging this claim, Schumpeter not only acknowledges its validity but he also identifies its source, namely Marx. It was "Marx's political a priori," according to Schumpeter, that socialist democracy was the only true democracy. (313) Schumpeter explains his meaning in the following passage:

The ideology of classical socialism 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 the classical doctrine of democracy. (298)

When, therefore, Schumpeter observes that Marx was deeply committed to democracy, it is precisely because the 'classical theory of

democracy' in all of its dimensions must be rejected that Schumpeter can refer to Marx as a 'Utopian' Socialist (thus standing Engels on his head). Schumpeter concedes Engels' point (in Socialism Utopian and Scientific) that Marx, unlike the Utopian Socialists, did link the doctrine of socialism to sociological and historical tendencies, thereby contributing to the advancement of 'science.'<sup>27</sup> What is utopian about Marx's thought, Schumpeter insists, is Marx's commitment to democracy and to the democratic organization of the working class. It is here, Schumpeter argues, that St. Simon and other Socialists were closer to the truth in relying upon the state bureaucracy as the instrumental means for bringing socialism into being.(309-10,313) Marx's failure to recognize the connection between socialism and bureaucratization--here the indebtedness to Weber again seems obvious---becomes, for Schumpeter, one more nail in the coffin of democracy. In a sense, Schumpeter's real concern in Capitalism, Socialism and Democracy is not with any of those three topics, but is, rather, directed to the question of how bureaucratic hierarchical power---'leadership'---can be preserved.

As Carole Pateman and others have pointed out, Schumpeter never conceived of democracy as a serious social movement or even as a set of beliefs capable of mobilizing masses of people to engage in political action.<sup>28</sup> Democracy as an emancipatory project does not exist for Schumpeter. He never undertook to explain democracy, as he did capitalism and socialism, in terms of sociological or historical tendencies. For Schumpeter, democracy

was either a method or a disparate set of ultimate values. Which is to say that Schumpeter viewed democracy through the prism of a positivist conception of social science, notwithstanding his general insistence upon the importance of sociology and history to the process of theorizing in social science.

In keeping with the tone he adopts in Capitalism, Socialism and Democracy, Schumpeter would have appreciated the irony of the fact that a model of democracy he developed as part of a project to to undermine the claims of democratic socialism has become the idol of social scientists in a capitalist society who are no longer concerned with the emancipatory features of democracy.

## ENDNOTES

1. Joseph Schumpeter, Capitalism, Socialism and Democracy, 3rd ed., (New York: Harpers, 1950). All page numbers in the text are from this edition. Schumpeter referred to CSD as "that socialism book" or his "little volume on socialism." Robert Loring Allen, Opening Doors: The Life and Work of Joseph Schumpeter, 2 vols. (New Brunswick, N.J.: Transaction Publishers, 1991), vol.2, p. 100; Richard Swedberg, Schumpeter (Princeton: Princeton University Press, 1991), p. 151. The title of the fourth section of CSD is "Socialism and Democracy."

2. On Schumpeter and Weber, see Swedborg, Schumpeter, pp. 2,35,92, and his introduction to Joseph A. Schumpeter, The Economics and Sociology of Capitalism, ed. Richard Swedborg, (Princeton: Princeton University Press, 1991), pp. 81,90, and the essay by Schumpeter on Weber in that volume, pp. 220-29.

3. On the one hand, Schumpeter adopted a logical positivist view of science which he identified with the social sciences, and economics in particular. Thus, "from a methodological and epistemological viewpoint, pure economics is a 'natural science' and its theorems are 'laws of nature.'" Swedborg, Schumpeter, p. 28; Allen, Doors, vol. 1, pp. 42,144-5; Schumpeter, Economics and Sociology, pp. 285,316,320; Joseph Schumpeter, History of Economic Analysis, (New York: Oxford University Press, 1954), pp. 8-9. On the other hand, Schumpeter insisted upon the importance of history and sociology and the contextual character of 'economic' data. "It is always of the utmost importance for us to be thoroughly masters of the economic history of the time, the country or the industry, sometimes even of the individual firm in question....We cannot stress this point sufficiently. General history (social, political, and cultural), economic history, and particularly industrial history are not only indispensable but really the most important contributors to the understanding of our problem. All other materials and methods, statistical and theoretical, are only subservient to them and worse than useless without them." Schumpeter, Economics and Sociology, p. 56; cf. pp. 55,57,408. As Richard Swedborg remarks, although Schumpeter "was in principle against

confounding 'economic theory' with 'economic sociology' and 'history,' in practice...he often let his economic theory slip into historical and sociological ways of reasoning." Ibid, p. 41.

4. Joseph Schumpeter, "Science and Ideology," reprinted in Essays of J.A. Schumpeter, ed. Richard V. Clemence (Cambridge, Mass: Addison-Wesley Press, 1951. See also the essay, "The Communist Manifesto in Sociology and Economics," in the same volume.
5. Allen, Doors, vol. 1, pp. 24,150,154,164,285; vol. 2, p. 192.
6. Swedborg, Schumpeter, pp. 51-2. Schumpeter admired "the aristocratic element in Japanese culture." Ibid, p. 78.
7. Ibid, p. 52.
8. Weber, Schumpeter declared, "was especially qualified for the task of showing how one could still pursue a metaphysically neutral positive science." Schumpeter, Economics and Sociology p. 223.
9. Schumpeter, Essays, pp. 268,271; Allen, Doors, vol. 1, p. 164.
10. It is perhaps worth noting that in his brief political career as Austrian Finance Minister, Schumpeter was characterized by the press and other politicians in just these terms, i.e., as a 'political opportunist.' Swedborg, Schumpeter, pp. 60,63. "Democracy," Schumpeter wrote, "is government by lying." Ibid, p. 193.
11. Schumpeter, Essays, pp. 203,224.
12. This article is reprinted in Schumpeter, Essays. The citations in the text are from pp. 70-72.
13. Schumpeter, Essays, p. 193; Economics and Sociology, p. 307.



14. Schumpeter, Essays, p. 113. After noting the productivity of capitalism in Capitalism, Socialism and Democracy, Schumpeter argues that "appraisal of an economic order would be incomplete...if it stopped at the output...[of goods] and left out of account...the political volition, and all those cultural achievements that are induced by the mentality it generates."(68-9) This point should be kept in mind with respect to Schumpeter's 'appraisal' of socialist society, since he was willing to concede that the latter might turn out to be more economically efficient than capitalism.(188)
15. Schumpeter, Essays, p. 193.
16. Schumpeter, Economics and Sociology, p. 429.
17. The last citations in this paragraph are from Schumpeter's last completed work, "The March Into Socialism," which is printed as an appendix to the third edition of Capitalism, Socialism and Democracy, pp. 415-25.
18. Schumpeter, Economics and Sociology, pp. 306,343-4,360,443.
19. Schumpeter, Essays, pp. 176,186.
20. Ibid, pp. 175-6.
21. Schumpeter, Economics and Sociology, pp. 305,359,374.
22. "Equality of man," Schumpeter wrote, "is the most stupid of all credos." Swedborg, Schumpeter, p. 206.
23. "The mass of people are not in a position to compare alternatives rationally and always accept what they are being told." Capitalism, Socialism and Democracy, p. 129.
24. Schumpeter, Essays, p. 176; Capitalism, Socialism and Democracy, pp. 195-6.

25. "Equality is the ideal of the subnormal." Or, again, Schumpeter wrote that "the true problem is the problem of the subnormal, but instead of solving it, we take them into consideration." Swedborg, Schumpeter, pp. 192,206.

26. "Humanity," Schumpeter observed, "does not really care for freedom....Masses do not want freedom, still less responsibility...they crave and need to be led and ruled." Allen, Doors, vol. 2, p. 146.

27. Schumpeter, Essays, pp. 202,280ff.

28. Carole Pateman, Participation and Democratic Theory, (Cambridge: Cambridge University Press, 1970).