SCHUMPETER AND MARX: IMPERIALISM AND SOCIAL CLASSES IN THE SCHUMPETERIAN SYSTEM

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I. INTRODUCTION

An event has occurred. The late Professor Schumpeter's two, long famous, and hitherto much neglected essays, which had been available in German only, have at last been made available in English — together forming one small, attractive book.* The gratitude of all is due to the "entrepreneur" and editor, Dr. P. M. Sweezy and the translator, Dr. Heinz Norden. The excellence of the translation is reliably vouched for by Dr. Sweezy, and the result is certainly an English style which can be read with pleasure and a secure feeling that the author's thought is coming through with entire clarity. A word of praise must be said for Dr. Sweezy's brief, felicitous, and delightful Introduction. As the latter says, it is regrettable that these two monographs — always regarded by Schumpeter as among his best and most important works — have been so generally neglected in the world of Anglo-American scholarship. And it is to be hoped and expected that in this easily accessible form they will now be widely read and discussed; will stimulate and aid much new research in their important fields; and will be studied, by all economists interested in Schumpeter's work in general, in connection with all the other parts of the great, many-sided structure of his thought.

The present article attempts a "broad," though inadequate, discussion of them in that latter connection, and thus also of Schumpeter and his structure of thought as a whole. The interpretation herein developed bears some relation — or is my reaction — to that suggested by Dr. Sweezy in his introduction, in a passage with which I partly agree and partly disagree. Hence by way of "preface" to my own discussion, and for the reader's benefit, I begin by quoting the essential parts of this passage. Dr. Sweezy writes:

“Economists who conceive of their science in traditional and rather narrowly restrictive terms — and that means most of the economics profession in this country today — will naturally be inclined to treat Schumpeter’s essays on imperialism and social classes as forays into other fields — essentially unrelated to his main work on business cycles and the theory of economic development. Thus, for example, R. V. Clemence and F. S. Doody have written a (very useful) book entitled The Schumpeterian System (1950) without ever mentioning either of these essays; and both Haberler and Smithies set them apart as representing Schumpeter’s ‘sociological’ views.1 No doubt there is much to be said for this position, and I am sure that it would be possible to find support for it in Schumpeter’s own writings and still more in his oral teachings; no one made a sharper distinction than Schumpeter between economic and non-economic phenomena, when it suited his purpose to do so. But at the same time I think it would be possible to construct a broader ‘Schumpeterian system’ — comparable in its scope to Marxian social science though not to Marxism as a whole — into which these essays fit as integral parts. I . . . think it may be useful in ‘placing’ these works to indicate . . . the main lines which such an attempt might take.

“Schumpeter’s central concern throughout his entire scientific career is best described by the subtitle to Business Cycles . . . ‘A Theoretical, Historical, and Statistical Analysis of the Capitalist Process.’ The core of the analysis . . . is set forth in his Theory of Economic Development. But there are many aspects of capitalist reality which are not explained by this theory. Some of these, of course, are of . . . minor significance. But at least one such aspect, comprising the phenomena of imperialism and war, is obviously of crucial importance. Any theory of capitalism which leaves it out of account is unquestionably incomplete. More, it is prima facie inadequate and even wrong. Now Schumpeter’s theory of economic development not only does not explain imperialism and war; it leads to the expectation that the advance of capitalism will push them further and further into the background and eventually relegate them to the scrap-heap of history. It is perfectly clear, then, that unless this contradiction between theory and reality is resolved, Schumpeter’s whole system would be, to say the least, suspect. The essential point of the essay on imperialism is precisely to resolve this contradiction, and in this sense it forms a crucial part of his entire structure . . .

“The theory of social classes occupies a different position. . . . To Schumpeter — and in this respect as in others, he was undoubtedly deeply influenced by Marx — capitalism is, like all social systems, a transitory phenomenon. It had a birth, it is now living its life, and sooner or later it will die. A complete theory of capitalism . . . would have . . . three parts: the theory of origins, the theory of functioning and growth, and the theory of decline. Most of Schumpeter’s work concerns . . . functioning and growth, but he was perfectly conscious that this is not the whole story. . . . At the risk of being somewhat overschematic,

1. Note by O. H. T. Dr. Sweezy’s reference here is to the two memorial articles on Schumpeter, in the August 1950 issue of this Journal (Haberler) and the September 1950 number of the American Economic Review (Smithies). It is true that both authors classify these essays as sociological — and I agree; but I am sure that neither Haberler nor Smithies meant thereby to set them aside, as Dr. Sweezy implies, as if of only minor interest to economists. In fact the Smithies article goes even farther than I would go in the opposite direction, in commending Schumpeter’s sociological work to economists more highly than his technical work in economics.
I would say that the essay on social classes is Schumpeter's central work on the theory of origins, while *Capitalism, Socialism, and Democracy* occupies the same position with respect to the theory of decline.

"This estimate of the essay on social classes will certainly not impose itself on the reader as self-evident... The essay... has the form of a general theory... and its conclusions are relevant to all of recorded history. But the substance... is based upon an analysis of two classes, the (western European) feudal nobility, and the modern bourgeoisie. Now... the origins of capitalism can be treated in terms of the decline of the nobility and the rise of the bourgeoisie. These problems are in fact aspects of the transition from feudalism to capitalism. ... Schumpeter does not deal with the transition systematically... but the broad contours of his thought can, I think, be clearly discerned... here... No more need be claimed... to substantiate the view that the essay on social classes occupies an important place in the over-all structure... and is not a mere excursion into the 'foreign' realm of sociology... ."

Now as will be evident in what follows, I go a considerable distance in agreement with Dr. Sweezy's general view as expressed in these paragraphs. Thus I agree first of all that economists, equally with sociologists and others, should find these essays — as well as *Capitalism, Socialism, and Democracy* — of great interest, even though all these writings may (and I think must in the main) be classified as work in sociology, not in economics narrowly defined.

I further agree that these sociological works are by no means unrelated to their author's theory of economic development and of business cycles, but do stand in fairly definite relations thereto and round out a "broader Schumpeterian system," which it is indeed worthwhile to construct and consider as a whole. Thus in a sense my effort here will be to carry out in a measure in my own way — which doubtless may differ even more than I know or guess from what would be his way — Dr. Sweezy's suggestion. But on a number of very crucial points, my reading of Schumpeter's thought diverges rather widely from Dr. Sweezy's, largely I think in consequence of the facts that the latter is a Marxist; that Schumpeter as everyone knows had a complex, discriminating attitude to Marx and rejected many elements of Marxism while accepting others; and that my own standpoint is even more largely un- and anti-Marxian than Schumpeter's was. Thus it seems to me that Dr. Sweezy, by implication, exaggerates the degree of resemblance, or unduly minimizes the marked dissimilarities at essential points, between the "broad systems" of Marx and of Schumpeter. That applies I think first of all on the preliminary "scope and method" question, and the *modes* of relatedness of the economic and sociological parts of the two "systems." And it applies again in even more important ways on the substantive questions concerning: the natures and relations of economic capital-
ism and the bourgeois civilization; the transitions and overlappings connecting capitalism with "feudalism" and with socialism; the connection or non-connection of "imperialism and war" with capitalism; and what should be stressed about Schumpeter's theory of social classes, in comparing him with Marx.

II. Economics and Sociology: Marx and Schumpeter

Like Dr. Sweezy I reject and deplore — both in general and as applied to Schumpeter's works — the too common, narrow and absolute idea of the restricted field of economics and its isolation within the broad, general area of social science. But it will not do I think, in approaching the question of a "broader Schumpeterian system," merely to mention in passing and then to ignore the fact that Schumpeter himself always insisted strongly on at least a relative, clear separation of economics from the rest of social science; and proceed to construct his broad system as though we could suppose it to embody or agree with the Marxian idea of a single, unified, and all-inclusive economic-social science. Not only is it "possible," as Sweezy admits, "to find support" in Schumpeter's teachings for a view which insists on dividing social science into a number of dissimilar sciences, economics and others, and consequently on dividing the whole work of a Schumpeter — or, as in his practice, of a Marx — at least into work in economics, and other work in sociology. The record, it seems to me, of Schumpeter's constant, consistent, emphatic insistence on such a view decisively forbids us — in the absence of overwhelming evidence that his practice violated all his precepts — to assume that the contents of all his diverse writings together form one fully integrated, homogeneous, monolithic system.

Schumpeter always taught that economics and sociology are different sciences, dealing with different elements of social reality and using different sets of concepts, data, and procedures; and that it is injurious to both to fuse together a theory of economics and a theory of sociology into one rigid "synthesis," claiming an absolute unity. And in the first part — on Marx — of Capitalism, Socialism, and Democracy, he criticizes the Marxian system as a whole for being or attempting just such a rigid "synthesis."² Hence we must beware of the idea of a "Schumpeterian system," closely similar in this respect to that of Marx — a complete and unified theory of the entire life-

2. See chap. iv, pp. 1-5, esp., of this essay on Marx, which appears both as Part I of Capitalism, Socialism, and Democracy, and as the first essay in Schumpeter's Ten Great Economists, Oxford University Press, 1951.
history of the capitalist economy-and-civilization. At the same time I think there is a broad "Schumpeterian system," in its own way covering much of that ground, but having unmistakably a two-part structure consistent with his teachings about the two sciences—which never implied that they are entirely unrelated to each other. It is, however, unfortunate for our purpose here that—as far as I know—he never told us fully just how the two subject matters and types of problems were related to each other in his mind. Thus what immediately follows expresses views of my own about economics and sociology, which I think are in substantial agreement with his teachings and may be of use in analyzing his "broad system"; but I do not claim his authority for them.

The central, main, and peculiar part of the subject matter of economic science may be described as the patterns of relations inter se, of functional dependence or co-variation, in which the economic quantities occur and change, in the functioning and development of economic societies. By "economic quantities" I mean the changing input-flows of work and resources into the production processes and their output-flows of products; prices of all kinds; and the money-flows—of old and new money and credit into circulation, sales-receipts of enterprises, incomes, liquid balances, and outlays, of all types. Such are the items, variables, or phenomena which can be studied by economic theory and the collection and analysis of economic statistics, which together make up almost the entire mass of strictly "scientific" work in economics. At the same time, however, it is of the utmost importance that economists should always bear in mind, with all its implications, the obvious fact that "behind" and interacting with what is metaphorically called the "behavior" of the economic quantities, lies all the real human behavior going on in the economy-and-society concerned.

Now of course there cannot be an absolute restriction of economics to a study of just the pattern of related, changing economic quantities and nothing else. To have any means of explaining that set of phenomena, the science must include also a volume and selection, sufficient for its purpose, of ideas and facts about human motives and the economic behavior of all actors in the social economy, and the changing institutional framework and socio-cultural milieu affecting that behavior. But about these matters, precisely the best "working notions" for use in economic theory as such do not try or pretend to go much below the surface of these human social phenomena; or do much to explain them, in contradistinction to merely using appropriate data or assumptions about them, to explain its
own peculiar subject matter — the relationships in which the changes
of the economic quantities occur. For a study of economic develop-
ments within a given society and epoch, the main facts about the
institutions of that society and behavior-tendencies of its members
during that epoch are of course parts of the essential data. But the
task of explaining how those behavior-tendencies and institutions
and their changes in historic time are engendered via the emotional
and mental processes in the human beings and the evolution of their
social order and culture — this task by its nature belongs not to
economic science but to the group of psycho-social sciences, which
need development by specialists with skills and equipment quite
unlike those of the economist as such.

Moreover, that remains true no matter what may be true in the
last analysis about the interactions upon each other of economic condi-
tions and developments, on the one hand, and socio-cultural, institu-
tional, and ideological developments, on the other. And so for
example, whatever measure of truth and even if complete truth be
assigned to that great sociological hypothesis, "the economic inter-
pretation of history," the point made above remains unaffected. For
even if the economic conditions and developments within a society
are the basic, initial causes of all the later-appearing features of (and
changes in) its entire social order, way of life, and civilization, the
long and complex, intermediate, psychological and social processes
— through which economic changes at length engender the new institu-
tions and behavior-tendencies of which, when they mature, economic
theory itself must again take account — are processes, the study of
which by its nature belongs to psychological-and-social science, not
to economics. It is one thing, however, to insist on this point and
quite another to infer that between these diverse sciences there is no
border zone of potentially, mutually beneficial, or instructive contact
and even necessary overlapping; or that economists lack valid reasons
to be interested in, to study, and even to contribute to this other kind
or part of social science. From the fact that economic science has a
limited scope it does not follow that economists should be economists
only or absolute specialists. Breadth of horizons of interest, reading,
reflection, research, and creative work is in general a valid, admirable,
though not compulsory ideal for scholars whatever their main special-
ties. The only restriction is that one should know when he is "cross-
ing over" into a new field, with distinctive problems, and take the
trouble to acquire the distinctive equipment, skills, and viewpoint
required for effective work on them. And it is generally a mistake
to aim at a full synthesis — unification under one conceptual scheme
— of results arrived at in the domains of different sciences. The powers of "adjoining" and "related" studies to throw light on each other's problems can be real and important, but it is rarely if ever possible to solve problems in one field entirely or mainly through application of ideas or knowledge "brought in" from another science.3

Thus to describe one part of Schumpeter's—or of Marx's—work as belonging not to economics but to "psycho-social" science is not at all to describe it as consisting of mere "forays" into a field entirely "foreign" to the interests of the author as an economist, and unrelated to his work in economics; nor as necessarily, in contrast with the latter, of less interest to other economists. But a bit more needs to be said now about this field of psycho-social science, and the common species but differing varieties of work done in it by Marx and by Schumpeter. And in this connection, first, a contrast of that species with another, younger one that is now perhaps more vividly familiar in our environment may be suggestive. Today the conspicuous, rising kind of work in this general area is being done by collaborating groups of specialists in psychiatry or clinical psychology, social psychology, cultural anthropology, and a modern sociology having affiliations with all those specialties. And in all this work the great aim is to develop truly "scientific" studies—really similar in principle, in the matter of attaining close empirical verification of theories, to the experimental "natural" sciences—of the conscious and unconscious, emotional and mental processes of human individuals and groups, and their resulting reactions to all kinds of stimuli, situations, problems, etc. Avoiding the irrelevant digression and the presumption that would be involved in any general appraisal here of this kind of work, let me say only two things about it. On the one hand, whatever its deficiencies thus far, I think it is a great mistake for scholars in other fields—including economists, whose own science could well use much more and better knowledge about human beings than economic thought in general has ever yet reflected—to despise this very modern, fledgling type of social science. And on the other hand, whatever its special value and promise, this species of social science does not seem at all likely in any visible future to entirely supersede or make obsolete another, quite different, more old-fashioned kind of scholarly and reflective work, which may be called speculative historical sociology. While not in the same sense

3. Some evidence that Schumpeter's views were at least consistent with all I have said here about economics and sociology, may be found in, among others, the following places in his writings: Theory of Economic Development, chap. I; his essay on Marx, op. cit.; and his essay on Pareto in Ten Great Economists, op. cit.
scientific, the latter can be something hardly more insecure and far
more apt to deal impressively with really large, important themes;
by combining at once broad and thorough historical research with
good intuitive-and-logical theoretical work, developing theories
consistent with all the historical evidence adduced to "explain" the
origins and careers in history of social systems and civilizations or
important social and cultural phenomena. It is in this category
that we must place Marx's, and Schumpeter's, contributions to
sociology; though unlike Schumpeter, Marx thoroughly combined
and fused together his sociology and his economics. In an effort now
further to illuminate that difference and bring to light some other
differences between the two "broad systems," I turn, in comparing
them, from the formal structures to some matters of substance.

III. SCHUMPETER'S VERSUS MARX'S
"ECONOMIC INTERPRETATION OF HISTORY"

In Schumpeter's "broad system" as in that of Marx, the soci-
ology has as both its own basic element or core, and its link with the
economics, an "economic interpretation of history." That phrase,
however, may designate either a bare general hypothesis only, or a
complete, particular way of carrying out in specific studies, the
program or task which needs much beyond that hypothesis to define
it fully. Now in the first sense the Schumpeterian and the Marxian
economic interpretation are the same; both authors used the same
general hypothesis, conceived and understood in the same way. To
state it at once, their hypothesis is: that in history as an on-going
process, "economic development" is, in a substantial measure,
"autonomous," and is the chief "prime mover" of other social and
cultural change; though of course in its turn it is not unaffected by
the repercussions upon it of the changing institutional and cultural
milieu. But although Schumpeter accepted that hypothesis from
Marx, he discarded and replaced with his own original and quite
different alternatives some essential elements — additional, sub-
sidiary hypotheses — in Marx's way of implementing and applying
it; and thus developed his own largely different "economic inter-
pretation" in the full specific sense of the term. On the complex
question, how the changes of phenomena in the other spheres of social
life are brought about by "autonomous" change in the economic
sphere, the Schumpeterian theory as a whole is not more than half
Marxian, and in several important respects is decidedly un-Marxian.
To spell this out is the purpose of this section.

First of all, a few words must be said on their common initial
assumption of autonomy of the primary causative process, economic
development; with reasonable fairness to both authors I think, this
assumption may be explained as follows. One thing which generally
goes on through time in human societies, however slowly under some
conditions, is economic progress in the sense of technological advance
and rising efficiency in the physical production of material goods —
together with all necessarily consequent adjustments of all economic
quantities. Eventually the earlier, inefficient tools and methods get
improved or superseded by other, more effective ones; changes in this
sphere occur, with some rise of output per unit of input as one general
purpose and result. Ideas of motives and causes behind this ten-
dency and historic trend need not detain us at this point beyond quick
mention of some that are obvious. Population pressures and other
pressures of unsatisfied wants; ambitions of some individuals for
wealth and power, and proceedings to gain them which (often) include
steps to improve production; initiatives of governing groups or leaders
with military or other ends in view; ingenuity and enterprise in
whatever quarters; and the slow, accumulative growth of experience
and knowledge, skills, technical know-how, and eventually, scientific
knowledge — all doubtless play their parts. Full recognition of the
extensive powers of differing régimes, institutional set-ups, social
structures, and culture-elements (ideas and attitudes) of many kinds,
to accelerate or retard the process, is entirely consistent with the
assumption of autonomy, and explicit in both Marx and Schumpeter.
Thus for example both emphasize the great, new, immense invigora-
tion and liberation of the process of improving production that came
in with the rise of modern industrial capitalism along with the
bourgeois culture and social order. The hypothesis that economic
development has some autonomy means not that its pace and mode
of occurrence are independent of the influence of non-economic
factors; but only that to some extent, never or rarely negligible, it
goes on anyhow, one way or another, under almost all conditions.
Though the speed and the manner do, the mere occurrence of this
process does not, require explanation by reference to any particular
types of external non-economic causes.

Now to outline Marx’s theory — which up to the point of diver-
gence to be noted when I come to it, is Schumpeter’s also — of the
external, or broader social and cultural, consequences. First, eco-
nomic-technical change carries with it, as a more or less precisely
determined necessary concomitant, change of social-economic organi-
zation and the general pattern of human “social relations” within
and around the process of production. Use of a set of techniques of
production, in a given stage of their development, largely determines the organization of production and distribution, and thus the main social relations among the producers and all in the society. And that organization or pattern of relations together with the techniques makes up the "mode of production," which as a whole is the foundation of the entire related social system and civilization. All the rest of the latter — the political and legal system, all non-economic institutions, and the entire intellectual, aesthetic, and moral culture — is "superstructure," built or growing up (originally at least) upon that "foundation" and subject, throughout, to profound influence by it in two ways. In the first place there must occur a good deal of practically necessary or highly expedient adaptation of much in the society's whole organization or many of its institutions, folkways, etc. to the requirements imposed by its techniques and entire mode of economic production. And in the second place, the psychologies of all elements of the population are profoundly affected by their places and roles in, or relations to, the society's and period's mode of production and their economic circumstances, environments, and tasks. Men's economic-life-situations in that sense largely generate or determine the basic attitudes and outlooks or mentalities which they carry into all spheres of life and all their contributions to the character of everything in their society and its culture.\footnote{Cf. Schumpeter's explanation of the "economic interpretation" in the essay on Marx, \textit{op. cit.}}

All those propositions, however, about the social relations included in the mode of production, and the ways in which the latter affects the superstructure, have been stated thus far, carefully, in terms so general as to express only what is common to Marx and Schumpeter. And in the two authors' respective theories they all receive quite different types of additional, more specific contents or meanings, because the economic interpretation hypothesis is implemented, in Marx's theory entirely and in Schumpeter's not at all, by the former's great, second or further hypothesis — his "class struggle theory" of all history. Let me now "go back" and insert this at the proper point in Marx's theory, and complete my account of the latter with the understanding that the next few paragraphs do \textit{not} refer to Schumpeter's theory, which I will take up presently.

According to Marx, at every point of time in all history either past or to come, \textit{up to} the arrival of his dreamed-of, future, socialist utopia, it would be true to say as of that time: in every existing society the set of social relations — social structure — inherent in its mode of production, includes as the central feature some class-structure con-
sisting chiefly of a dominant, owning and directing and a toiling, oppressed class; and in every case the antagonistic relations between those classes form the central focus of the entire pattern of all social relations in that society. And further, in every case the entire "superstructure," mainly influenced by and serving the dominant class, operates to sanction, enforce, and crystallize the existing pattern of all social relations. But precisely by doing so it, in time, becomes and makes the latter a set of "fetters" impeding further technological-and-economic progress, in so far as that requires as its complement appropriate, continual change of the economic-social organization, relations among owners and workers in production, institutions to enforce those relations, and ideas or beliefs sanctioning those institutions. Institutional and cultural change, though induced and eventually compelled by economic-technical change, lags behind and increasingly obstructs the latter; and in history at long intervals it has to be and is speeded up, temporarily, by revolutions. The lag is always due to resistance by the dominant class to changes in the "superstructure" which are needed to re-adapt it to its changing economic "foundation," but which are feared by the class as threats to its familiar power-position and advantages. And the effect of the lag is always not mere retardation and arrest of progress, or stagnation, but an accumulation of tensions, conflicts, and growing, eventually fatal, and explosive "inner contradictions" in the entire productive-and-social system.

Eventually a revolting class initially below the "top" — e.g. the bourgeoisie in the early-modern period — destroys the old ossified and now intolerably restrictive social system and creates a new one, which makes its creators the new dominant class and frees them to improve production and in general perform the socially useful tasks that were not allowed to be performed as well or at all under the old senile system. Those tasks meanwhile have become urgent and well understood; hence the new system at its birth is well designed for its initial functions, and there follows a period of economic and all-around social progress. But in time the evolving society again develops new internal tensions, conflicts, and dilemmas due to the defects, relative to new conditions, of the institutional framework—its bias in favor of one class — and increasing rigidity as that class grows more conservative or concerned with consolidating and protecting its power. And the dominant class resists the increasingly needed institutional reforms, not only in the effort to preserve its own economic advantages, but also because the minds of its members have been so conditioned by their situations and one-sided experience of
life in the society that they sincerely identify the entire institutional and cultural status quo with all civilization as opposed to barbarism. Just because they have that sincere, unchangeable, emotional conviction, rational persuasion of the dominant class to voluntary acceptance of the increasingly necessary social changes is impossible. Adequate change by any method is impossible until the deterioration of all conditions of life in the society, due to the self-hampering system’s growing, unresolved dilemmas and malfunctionings, becomes intolerable to the suffering, oppressed class — meanwhile converted by its sufferings to a new ideology or social vision of its own — and brings on revolution. All history according to Marx has been a series of repetitions, with endless variations of details, of this cycle: revolution, period of progress, rise of need for and resistance to institutional change as a part of further progress, period of degeneration or growing evils, and again, revolution. Only the final revolution, victory of the “proletariat,” and inauguration of the “classless” society, will destroy the internal barrier which has caused every civilization in history to develop, deadlock itself, decline, and perish in that manner.⁴

That in bare outline, as I understand it, is Marx’s general theory of the process and pattern of all history. No anti-Marxist need deny that it contains some important, largely valid insights. But its too simple and too rigid formula exalts one set of tendencies, which actually are modified by many others — diversely in diverse societies and epochs — into the universal, sole, and invariant determinants of all social evolution. This oversimplification has three related aspects. The basic one is the already emphasized assumption that “class struggles” are the sole vehicles through which economic changes produce all social and cultural changes. But further, in the second place, the resulting picture cuts up history much too sharply into a series of discrete, self-contained, internally uniform, and entirely dissimilar economic-social-and-spiritual period-systems, neatly separated by the intervening, all-transforming revolutions. For example, virtually as soon as the economic system of the feudal period is superseded, in any country, by industrial capitalism, the entire civilization of that country in all aspects supposedly becomes a pure, typical bourgeois social order and culture. There is no adequate recognition of the frequent, continuing, active powers of very long-lived traditions. And finally, in the third place, Marx’s theory of history assigns the same, fixed, general form to the life cycles of all

⁴. I believe that my summary of the familiar Marxian theory of history is non-controversial, and that little beyond the Communist Manifesto need be read to confirm it.
period-systems — again because it makes class struggles the sole converters of economic into social change, and assumes that in all the successive systems alike, their "dominant" classes are bound to display the same intransigent conservatism.

Now just these three features of the Marxian are entirely absent from the Schumpeterian development of the economic interpretation. For in the first place, Schumpeter entirely discarded Marx’s theory of social classes and class relations. His own radically different views on that subject will be described below, in my discussion of his essay on social classes. Here it is enough to say that in answering the question, how economic evolution brings about social change, Schumpeter made no use whatever of Marx’s class struggle theory. Instead he implemented his own economic interpretation far more broadly, flexibly, and subtly, in a variety of ways for different problems, societies, and periods. One example, to be more fully considered shortly, may be mentioned now: for Schumpeter the chief link between the evolution of the modern capitalist economic system and that of its complement, the bourgeois culture and social order, was the full formation — first within business life as such and under its discipline — of the utilitarian-rational mentality, and the “spread” of that into all life and culture. And we shall meet another, different example below in considering his essay on imperialism; which shows how, in many ancient, mediaeval, and early-modern societies and some down to the present time, both social structures and mental attitudes, originally formed by non- and pre-capitalist economic systems and conditions, in turn produced the phenomena of imperialism and militarism.

Nor is replacement of “the class struggle theory” with other ways of implementing “the economic interpretation,” the only difference from Marx. In the second place, in contrast with Marx’s sharp division of history into discrete period-systems with nothing much from the earlier living on in the later ones, there is Schumpeter’s recognition of great continuities throughout all history, due precisely to indefinite prolongations of the lives and influence of parts of ancient civilizations, retained within their modern successors despite full change of the economic “foundations.” Here again, the most striking illustration will be found in the essay on imperialism; but apart from that, there are also in Schumpeter’s other writings many expressions of his general belief that otherwise fully developed modern capitalist countries have retained to the present time, in their civilizations,

6. See his highly critical discussion of that theory in the essay on Marx, op. cit., parts 2 and 4.
important remainders of old "feudal superstructures." Obviously this means that in dealing with many a problem of explaining this or that group of modern social-cultural phenomena, one may find that their basic, original, economic causes existed and perished centuries ago, leaving behind these products which are still active in their own rights, in a new modern economic world to which, however, they may owe nothing of their being or their powers. It begins to be evident how the un-Marxian character of Schumpeter's economic interpretation — involving no simple, uniform, rigid, always fully and promptly effective economic determinism — agrees with and further explains the relative separateness of his economics and his sociology and their semi-independence of each other.

Finally in the third place, I believe it follows that Schumpeter also rejected the third feature of Marx's theory of history which I criticized above: the idea that as history moves on, every economy-and-civilization in its turn must as a matter of course pass through a complete life cycle of the same general form — birth, progressive evolution, decline, death. Now Dr. Sweezy in the commentary which I quoted above, interprets the main part of all Schumpeter's work, his theory of the evolution and decline of modern capitalism and the bourgeois civilization, as an application of that general idea. But the latter as an idea about all historic systems including capitalism, requires the full Marxian basis discarded by Schumpeter: the historic series of discrete and definite period-systems, and within each, the process of change determined through the class struggle. Dr. Sweezy, however, without referring to that basis or the question of its agreement with Schumpeter's views, tries to represent this general idea as a simple, self-evident truth. This he does through what seems to me, in effect, a fallacious syllogism: every (specific) social system that endures for a certain time in history is transitory; capitalism is a (specific) social system; therefore, capitalism is transitory. (And here the life cycle form is slipped in without argument as though covered by the adjective "transitory.") The fallacy, I submit, is that capitalism is not a specific but a wide, generic concept, admitting of an indefinitely great variety of forms and degrees which might together fill most of all past and future history, without violating the rule that everything definite is transitory, or history is perpetual change. Actually, there was more capitalism in many places in remote antiquity, and there has been more of it scattered widely through most of history, than Marxists can readily admit. And on the other hand that special industrial capitalism, which was rampant in England in the early nineteenth century and identified by Marx
with capitalism in general, is today already dead and buried some
time since, in most of the world. In particular the American capi-
talism of today is considerably different, and departs a good deal in
many ways from Marx's predictions. And while this too will of course
go on changing, that fact in itself proves nothing against a specula-
tion that perhaps some form of largely private capitalism may still
be flourishing widely on this earth in remote future centuries. The
Marxian reading of all history and the resulting prognosis of the fate
of capitalism does not follow from the mere observation that all is
transitory. Its validity depends on that of the entire Marxian
theoretic structure including the parts rejected by Schumpeter.

It remains possible of course that some penetrating, economic
and sociological analysis of just the historic processes of change within
the capitalist world of the last few centuries, may have established
a strong case, independent of views about history as a whole, for
believing that this economy-and-civilization is nearing the end of a
full life cycle and a "death" which will be that of all capitalism and a
transition to socialism. Marx's analysis, to this effect, of modern
capitalism was a vast elaboration for this special case of his general
time or all the period-systems he "saw" within it. Schumpeter's was a very different, clearly divided, two-part analysis
without that background, of a progressive evolution of the modern
capitalist economic system "seen" as inducing, and in time being
ruined by a concurrent, degenerative evolution of its complement, the
bourgeois culture and social order. And while this analysis leads to a
general result similar to that of Marx's analysis, it does so in a way
and on grounds of its own, diverging widely from and owing little
to the ideas of Marx. I must now complete this section with a direct
comparison of these two analyses of modern capitalism.

Marx's general theory which I outlined above was all in the
domain of sociology — dealing not with the inner mechanics of the
process of economic development itself but with its institutional and
cultural consequences. Only for the special case of modern capitalism
did Marx develop a detailed theory of the basic, economic side of the
complete social process. And even here, in his theory of the struc-
ture, working, evolution, and prospective self-destruction of the
capitalist system, the part that really is economic theory and that
which is sociology are interwoven and dependent on each other at
every point. Marx's capitalists are not like those of most other
economists — simply individuals, like all others, reacting rationally
to their economic opportunities and to nothing else. In everything
that they are and do, they are the members of the dominant class,
which has created and intends to preserve a legal property system through which it “exploits labor”; and a political system controlled by itself, to develop in detail, enforce, and preserve that legal system; and a special, complete, intellectual and moral culture existing mainly to idealize and sanction that existing order. The individual capitalists in their business activities are driven and directed by a profit-and-accumulation motive which again differs, in its foundations, nature, and results, from what the profit motive is supposed to be by bourgeois economists and by the common sense of the bourgeois culture. As conceived by Marx that motive in the capitalists does not arise from their wants as consumers, is not a matter of mere rationality or prudence, and does not operate merely in the mode nor within the limits of passive response to existing opportunities. Its objective, material foundation is the alleged, objective fact about “the system,” that its central process — exchanging money investments for products of labor and those products again for money — has point only if the capitalists regularly get back more money than they invested, and reinvest the enlarged sums with only fractional deductions for their own consumption. In its subjective character the resulting motive is supposed to be a passion to grasp and accumulate as new capital every possible cent of profits in order to increase, within the capitalist class, individual and family shares of power, prestige, social weight or influence, and self-esteem. The bourgeois culture makes those final ends emotionally all-important while it, together with the economic system on which it is based, makes financial success and accumulation the sovereign road to them. In Marx’s vision the resulting, frenzied passion for profits and accumulation is what makes the economic system extremely dynamic and the capitalists world-changing Titans.

For as they go on amassing ever more capital in the aggregate, Marx’s capitalists are driven also, by their passion and the resulting exigencies, into all needful acts of aggressive enterprise to enlarge or create investment outlets and combat the tendency of the falling rate of profit. This they do, during the history of their system, by a series first of technological revolutions, then of great monopolizations, and finally — in the modern-Marxist theory of imperialism — of foreign ventures into backward areas, backed up at need by the political and military power of their own domestic puppet governments.\(^7\) Meanwhile the great dynamism of the economic system

\(^7\) The last mentioned proposition — theory of imperialism — was of course developed by successors of Marx, not by Marx himself. See discussion below, part IV.
itself is in growing conflict with the more static superstructure or power-system. In spelling this out, Marxian economic theory with the indispensable help of the sociological ideas united with it, about the power-system and power-lust of the capitalists, produces the following well-known chain of doctrines. However productive the economy may become, it continues to withhold from its labor force all the excess of the value of output over bare subsistence wages. Relentless accumulation of the bulk of that surplus as new capital continues no matter what happens. There is chronic deficiency of total consumer demand in relation to the ever-growing potential output. Prosperities are brief and separated, occurring only when swarms of new innovations and preparatory plant expansions temporarily expand employment and consumer income more than current finished output.\(^8\) The intervening, successive depressions are increasingly severe and the last one will mark the breakdown of the system. Meanwhile, preparation for socialism goes on in the shape of progressive concentration of assets and production in the hands of ever fewer and bigger firms and combines; not only because there is no limit to the increase of efficiency with size of the business unit, but also because competition in the always inadequate total market is ferocious and means ruin of the weak by the strong. And finally along with all this goes also preparation for the revolution, in the shape of growth of the proletariat and progressive awakening by labor to the meaning of its growing miseries.

/ Now in contrast, Schumpeter's theory of modern capitalism's economic evolution is a theory constructed not in close union with, but rather in full abstraction from, his sociological theory of the civilization and its changes through time—which in any case is very different as we shall see from Marx's sociology of the capitalist power-system. Hence the Schumpeterian economic theory too is in the main unlike the Marxian, and the few similar elements have dissimilar grounds. The innovative and expansive dynamism is there, but is not due to power-lust and the exigencies created by relentless snowballing of the mass of capital. It is due simply to the creative spirit of the great entrepreneurs; and capital-growth is a response—largely by the credit-creating banking system—to the growth of demand or investment outlets first created by the entrepreneurs, not the other way around. Also as the system's productivity and output rise, so do real wages, and the whole effect of the growth of production is benign, going mainly into raising the living-standards of the great

8. Of course Marx contributed to business cycle theory much besides the one idea here alluded to.
majority. There is no general tendency to over-saving and under-consumption, and, since enterprise leads and capital-growth follows, no great nor growing difficulty in continuing to achieve a sufficient growth of investment-opportunity. The business cycle is due to "swarms" of entrepreneurial innovations, but is merely the system's not at all unhealthy way of achieving progress; and the depressions have their beneficial aspects and function, do not grow worse over time, and with the rising level of wealth can eventually be robbed of their sting of hardships, without eliminating progress. Concentration into fewer and bigger business units does go on, but makes the system work better, not worse, for the general welfare, and does not entail for big business itself any dilemmas of a kind to drive it into imperialism. In short, nothing in this theory of economic progress under capitalism suggests any reason why either the process or the system should ever end, decline, or lead to socialism.

Schumpeter's theory of the decline and transition is identical with his separate sociology of the bourgeois culture; the latter grows rotten, destroys the vigor of and stifles the economy, and in the end makes the transition to socialism acceptable to everyone and the only way left which offers hope for a workable economy and a new, perhaps healthy, civilization. Now it is true as we have seen that in Marx's theory too, in a way, it is the sociology which really "explains" the system's decline or self-destruction and the change to socialism. But the quality which, according to Schumpeter, develops in the spiritual or cultural and institutional "superstructure" and makes it fatal to the economy and to itself, is the exact opposite of the quality which does the damage according to Marx. In the Marxian theory the source of the damage is the inflexible will of the dominant class to remain dominant by maintaining and refusing to change its oppressive power-system, or allow even necessary adaptations of the institutional framework to the changing requirements of its own economic system. There is of course also the point that in Marxian theory the power-system is and makes the economy inimical to the welfare of labor and the mass of the people, giving them real, serious, and growing grievances which eventually goad them to rebellion. But they could not triumph were it not for the system's self-inflicted injuries, due to the growing incompatibility of the static superstructure with the dynamic economy and its changing requirements. Schumpeter's theory comes to just the opposite

9. See Capitalism, Socialism, and Democracy, chapter 8.
1. See 4th part of essay on Marx, op. cit., as well as Imperialism essay, discussed below
conclusions on both questions, thus also on the welfare of the masses including labor; the benignly progressive economy continually improves their lot, and they grow discontented only because, by doing so, the capitalist system raises their expectations and demands even beyond its own possible performance. But again this would not be fatal were it not for the growth, meanwhile, within the culture and attitudes of the business and whole "upper" class itself, of "suicidal" tendencies opposite in kind to that excessive will-to-power and fanatical intransigence assumed by Marx. Instead of excessive resistance to all reforms, what develops according to Schumpeter is a flabbiness which weakly yields to and even joins in supporting all kinds of "crazy," injurious "reforms" and nostrums, which enfeeble and stifle the economy. Schumpeter's decadent bourgeoisie loses all faith in itself and its own traditional values, institutions, and economy, and indeed all faith in anything; all will and ability to defend or preserve anything; and becomes, along with the populace, a crowd of victims of the variable, noxious winds of doctrine propagated by "the intellectuals" or dreamers and agitators, who acquire a vested interest in promoting and "leading" subversive movements.

Where then in all that is Schumpeter's economic interpretation — explaining how the progressive economic evolution brings about the degenerative cultural and institutional evolutional which over-takes and conquers it? This too is there, and takes the form which I mentioned at an earlier point. The discipline of business life fosters, and diffuses into all life and culture, the mentality or mode of thought which tries to solve all problems and reach all decisions solely by applying analytic reason to the study of empirical facts, cause-effect connections, and means to ends; and foreseeing and comparing costs and benefits, evaluated only in the terms of individual, subjective preferences. Schumpeter of course in one way entirely approved this in itself, and many of its consequences. It belongs I think to the logic of his whole position to say that the rise and development of the modern business economy and civilization has carried with it, as products of the economy and parts of the civilization, the whole development of all modern science and all free, critical, rational, non-religious, and unmetaphysical inquiry; emancipation of thought and life from the ancient stranglehold of theological and metaphysical dogmas; and growth of free, pragmatic pursuit by all individuals of worldly goods and pleasures, and satisfactions of their own desires of all kinds. But all that, I think Schumpeter felt, has had a negative side also: loss of the vigorous, emotional and imaginative faith, conviction, and ardor required in a ruling class to enable it to rule, and
maintain itself and all it needs to stand for; loss of the "glamor and passion" out of life, and the heroic virtues, and the will and capacity to govern, manage, and lead society, to ends and by standards fully, firmly believed in.\(^2\) Schumpeter was a European conservative with divided loyalties, partly to the premodern, aristocratic civilization of the pre-industrial age, and partly, only, to the modern bourgeois civilization; and he saw in the latter, along with great merits, enfeebling qualities which he thought would become its nemesis.

I do not at all mean to imply that his analysis and prediction was a mere result of romantic nostalgia for the "glamor and passion," heroic virtues, etc., of old aristocracies, and a resulting "low opinion" of everything by which the modern bourgeoisie and its culture betray their lack of those qualities. I do think it hardly to be questioned, however, that — despite his too absolute, impossible ideal of completely independent "science" — his value judgments had some "influence" in helping to lead him to his particular insights (and not others) into factual qualities and their connections, origins, development, and consequences. But I do not, in any sweeping way or large measure, impugn those insights and their claim to much independent, objective validity. The influence of value judgments which seems to me always unavoidable in studies of this kind, is influence simply in directing one's keen attention as observer and analyst to questions, facts, and implications which strike him as important. The "bias" involved need be nothing worse than some limitation of the range of awareness, or failure to improve one's actual discoveries by also discovering, and taking account of all other relevant, additional, modifying and supplemental truths, including those more likely to be discovered by some other student whose interests and attention are directed, in part, by a different set of value judgments. Absolute objectivity is impossible, that is to say, omniscience is impossible. But the element of objective knowledge, supported by independent evidence and analysis of that evidence, may be there and have major importance, whatever has been the role of a particular set of value-feelings in leading to perception of all that, and non-perception of some other, evidence. I am sure that much of what Schumpeter saw as going on in our civilization is going on, and to some large extent has causes of the kind, and tends in the direction, indicated by his sharp analysis of the great array of evidence he found. The central argument of Capitalism, Socialism, and Democracy can by no means

\(^2\) See, in A. Smithies memorial article on Schumpeter in September 1950 American Economic Review, evidence of the latter's views on bourgeois culture's lack of "glamor and passion," etc.
be dismissed lightly in my judgment. At the same time I am not fully convinced by it as a whole and do not regard the prediction it leads up to as proved. But another, different facet of Schumpeter's high, relative objectivity as observer, historian, and sociologist of civilizations, must be noticed now in transition to a new topic. Although he saw great, growing, and destructive weaknesses in modern bourgeois civilization and admired much in various premodern and ancient societies and their civilizations and ruling classes, he could also see and analyze objectively, in those more glamorous antique worlds, traits and tendencies to which — though insistent on excluding his value judgments from a scientific study — he no more gave full approval than do most of us. Thus he did not always prefer above their purely modern bourgeois alternatives, all the elements of modern culture-patterns that he saw as survivals from those same antique worlds which on the whole he tended to admire. All this I think should be borne in mind as I turn, at last, to his essays and take up, first, the essay on imperialism.

IV. Schumpeter versus Marxism
on Imperialism and on Social Classes

Superlatively brilliant, packed full of an amazing range and wealth of knowledge of ancient, mediaeval, and modern history, and displaying deep insights on every page — Schumpeter's essay *The Sociology of Imperialisms* is magnificent reading. The subject is not the relations of "advanced" with "undeveloped" and dependent countries; but the problem of the nature, varieties, and causes of imperialism in the most general sense — the inclination, bent, or drive in imperialistic tribes, nations, states, or governing groups, toward aggressive war, conquest, and extension of their own dominion over other peoples and territories beyond their own original frontiers. After thus defining its problem at the outset, the essay starts with a "look" at England under the leadership of Disraeli, as an example of "imperialism as a catch phrase" only — perfectly harmless, no reality in action — because (Schumpeter argues) the full development of England's capitalist civilization had made that impossible. Then the central, main part of the essay builds up its argument — diagnosis of the real thing in its many historic varieties — by delineating and analyzing in succession, each in a few pages but incredibly fully, a numerous, full series of concrete examples, extending all the way from ancient Egypt, Assyria, and Persia down through Alexander, Rome, the Saracen empire, the Merovingians, Carolingians, etc., to the France of Louis XIV and Russia of Catherine II. And finally its
concluding section, "Imperialism and Capitalism," directly examines, and sums up the answer to, what has been in the background throughout as the opposition thesis, viz., the modern-Marxist theory of imperialism as a product and trait of "the last stage of capitalism." Only the earliest and best form of the latter argument, the Bauer-Hilferding theory, was as yet extant when Schumpeter wrote his essay, so that theory is of course what is examined in it. A few valid details are found within it—e.g., a part of its analysis of "export monopolism," aggressive forcing of exports by cartels in alliance with governments—and fitted into a quite minor place is Schumpeter's own theory of modern imperialism as, in the main and essentially, a long antiquated, lingering aftermath of the far past, in the time and world of full blown capitalism, but owing nothing to and opposed by all the main, inherent forces in the latter. There is no doubt at all that the purpose and achievement of this essay was to counter the essence—the sweeping, fundamental thesis—of the modern-Marxist (Bauer-Hilferding) theory of capitalist imperialism, with a radically different as well as far more complex and adequate theory of imperialism, overwhelmingly supported by analysis of all the most relevant, historical evidence. But the mood and manner, and some accompaniments of the execution of that undertaking, reflect the environment and state of mind in which the essay was written—in Austria in 1919.

Today we are all familiar to the point of great weariness with the now current, Soviet-propaganda version of the modern Marxist theory of "capitalist imperialism." It may be assumed that all readers of this Journal know also, with varying degrees of thoroughness, the history and substance of the underlying piece of analysis which gives the doctrine its "scientific" pretensions. Were anything more to be said here about the present day, orthodox Stalinist version of the latter I think it would be correct, and I think Schumpeter would agree, to speak of a "descent" in every sense—degeneration as well as derivation—via Lenin's as well as later contributions, from that earlier Bauer-Hilferding theory—the original and relatively sanest form of that piece of analysis, added after his death to Marx's scientific structure by those disciples, leading Central European Social Democratic figures in the period just before the absurdly misnamed First World War. Now as that war came on, that theory, then still relatively new—and to Social Democrats a brilliant completion of Marx's structure and its power to explain contemporary history—was in wide vogue and under widespread discussion in that part of the world. And for many of those Marxian socialists and traditional
pacifists it must have played a welcome, small role in helping them
to "reconcile" their anti-war principles with their stronger patriotic
and anti-British feelings. Was not England, the first, most developed,
classic land of capitalism, also (in consequence) the chief embodiment
of that monstrous evil, imperialism, and as such the great enemy to
be hated and fought in the name of justice to all humanity as well as
in defense of Germany? Such emotional "reasoning," claiming a
logical foundation in Marxian "science," must have appealed to a
good many fully Marxist and other Marxward inclined students and
professors; but it did not appeal to Schumpeter. Well known to
them all as an eminent, admiring student and authority on the science
of Marx, he was yet not at all a socialist or political Marxist, nor a
pacifist, though as a humane man and a lover of the high cultural life
which flourishes at its best only in peace, he hated war. At the same
time, though by no means devoid of patriotic feelings he was no
jingo-patriot, and he always deeply loved and admired England.
Living throughout the war in the Germanic world, he did not much
conceal the fact, which accordingly was known, that his feelings were
in sympathy with the British and Allied cause and discordant with
the war spirit of the Central Powers.

Moreover and above all, apart from as well as in its relation to
that war question, the theory that modern imperialism is essentially
a product and phase of maturing and degenerating capitalism was to
his mind nonsense. It is not accidental nor unconnected with the
main point (but it is not the main point) of his essay that it freely
reveals his Anglophilia. The main point is the appeal from what he
regarded as the errors of Marx and even worse errors of those neo-
Marxists, Hilferding and Bauer — whom he had known as fellow
students and friends — to what he regarded as the valid method,
created by Marx and capable of leading to the true explanation of
imperialism as well as to the true explanations of most social phe-
nomena. To Schumpeter that method or great tool was economic
interpretation of history, minus the class struggle theory and every-
thing connected with it, and all the mistaken, additional and restric-
tive notions including much of the analysis of capitalism under which
Marx had buried his real great discovery. Hilferding and Bauer had
built their theory of imperialism on superficial and erroneous elements
of Marx's structure, plus new errors of their own, and not by a proper,
sound, thorough, independent use of that fundamental method.
Though he almost "leans over backward" to be fair to them, or give
full credit for and salvage and use all the grains of sense he can find
in their writings, he everywhere explicitly, completely, and emphati-
cally rejects their essential theory of intrinsic connection of imperialism with capitalism. And along with that he explicitly rejects and labels as such all the errors of Marx which it relied on or utilized: the theories of pressure of incessant, automatic, immense capital expansion on investment outlets, non-improvement of mass living standards, underconsumption, forced acquisition of new, distant markets and investment outlets, unlimited growth of monopoly and decline of competition within national economies, full and continuing control of all politics and state policies by capitalist interests, and the total, ridiculous misconception of the bourgeois character in its full development as aggressive, ruthless, and domineering. Discarding all that, the essay is a sociological analysis, by the method of economic interpretation of history in the broadest sense, of virtually the full history of all imperialism in the western (and ancient near eastern) world, from remote antiquity down to the twentieth century. The method is to pick out unmistakable "strong" cases in which either entire societies (peoples) or the groups in control and counting for the purpose were imperialistic, that is, continually pursued as their main aim in life and for its own sake expansion of dominion by war and conquest; and to show in all these cases how the social structures and group attitudes immediately responsible for that behavior were formed, by economic environments and modes of production including the social relations involved therein and, in the modern cases, by all of the relevant social inheritance of old ideas and attitudes formed by earlier, but still operating in the newer, economic environments along with the new influences arising from the latter.

Unfortunately there is no space here in which to describe any of the case studies, the precise applications of the method and the results arrived at in them, or any of the general conclusions of the essay except the chief one: that all the "modes of production" or "economic systems" which ever generated real imperialism were pre-capitalist in the Marxian sense. The whole effect, according to Schumpeter, of everything inherent in modern capitalism and its development and of the social structures and the culture created by it is to undermine, diminish, and eventually banish all support for imperialism and aggressive war in any quarter. The continuing possibility, in the modern age, of existence or appearance on the scene of imperialistic states, régimes, and foreign policies is due entirely to the fact that much of the world, including much of what is commonly but mistakenly supposed to be the fully, maturely, and purely modern capitalist part of it, is actually still largely or partly pre-capitalist or enough influenced by internal tendencies, carried
on from the far past and not yet extinguished by the influence of capitalism, to be susceptible still to the appeal of imperialism as a policy and even able to pervert local forms of capitalism into its service. All that is made unmistakably clear as the main thesis of the essay. There is thus no basis whatever, it seems to me, for Dr. Sweezy's idea that this essay is a corrective supplement to Schumpeter's *Theory of Economic Development*, repairing the latter's omission of any explanation of "imperialism and war" as one large aspect of "capitalist reality." To think in terms of pure period-systems and therefore designate as capitalist reality, i.e., due to and part of capitalism all that exists or occurs in the period "of modern capitalism," is to follow Marx but not Schumpeter and entirely miss or rule out the whole point of this essay. It is not the *Theory of Economic Development* which "leads to the expectation that" capitalist development "will eventually relegate" imperialism and war "to the scrap heap of history"; for the *Theory* has no implications in the field of this topic. It is entirely and precisely the essay on imperialism which not only leads to, but explicitly affirms and supports, that expectation — with stress on eventually, and the proviso, if there proves to be enough time and opportunity for all the tendencies inherent in capitalism as such to produce and make dominant their full, potential, socio-cultural consequences. The essay does supplement the *Theory* but not in the way alleged. Within its field the *Theory* finds the economic development of capitalism to be a process having in general only beneficent results for mankind. And the essay adds a sociological analysis in one area, extending back into all pre-capitalist history but including the "period of capitalism" too, and showing that in the matter of the whole basis of imperialism and war also, the long-run effects of capitalist development as such are entirely beneficent. The only catch is that the essay does this in considerable part by emphasizing the same socio-cultural results of capitalist development, which the theory of decline of the "system" in *Capitalism, Socialism, and Democracy* regards as likely to bring about, before very long, the "death" of all capitalism and the arrival of a worldwide, "culturally indeterminate" socialism.

It may seem to some readers that the thesis of the imperialism essay — advance of capitalism means decline of imperialism and war — must reflect merely, or in a degree fatal to its merit, the optimistic

3. See the second paragraph of the quotation from Dr. Sweezy's introduction to these essays, p. 523 above.
4. Regarding "cultural indeterminacy" of socialism, see *Capitalism, Socialism and Democracy*, Part IV.
illusions which still were possible in 1919 and have been discredited by subsequent history. But I think on the contrary that it would be possible and very illuminating to extend and apply to the world events of the decades since it was written the line of thought and method of research and analysis of Schumpeter’s imperialism essay and, by so doing, to explain all the fascisms and the Second World War, and also Bolshevik Russia and the present situation. Not only long persistence but possible revivals or bursts of renewed vigor of the forces having ancient, pre-capitalist origins and conducive to imperialism, were explicitly provided for in his essay and its theory and heavily conditioned forecast. He found real imperialism already dead beyond any possible revival in England, due to her relatively high capitalist maturity, and still more completely absent in America as the most purely capitalist country in the world. He did not go so far in an essay written in Austria in 1919 as to say explicitly that the heritage from pre-capitalist times, full of elements apt to breed imperialism and war, was very much more alive in Germany than in England, but I think such a judgment is clearly implicit in the essay. It is not without significance that all the fascist movements triumphed only in countries still partly pre-capitalist by Schumpeter’s criteria — in their civilizations if not their economic systems — nor that Russia is even closer to its pre-capitalist past, and certainly profoundly influenced by that heritage as well as by its new socialism — the cultural, moral, and political consequences of which according to Schumpeter can be anything, depending on other influences not inherent in socialism. It is true that the tenor of these suggestions is in some conflict with some of the known, orally expressed attitudes of the Schumpeter of the 1940’s, but I doubt that they were intellectually well matured judgments, deserving to weigh in the balance in this connection.

At all events, The Sociology of Imperialisms is certainly an important, integral part of Schumpeter’s largely un-Marxian, though in one respect Marxian, “broad system,” consistent and coherent with all the rest, and forming one section of its sociological part, concerned with explaining non-economic, social phenomena by the method of economic interpretation of history, minus the features as developed by Marx which involve his class struggle theory.

And now I come at last to the other essay which reveals not only why he rejected Marx’s theory of social classes but what his own positive views on that subject were. This essay — Social Classes in an Ethnically Homogeneous Environment — is a stiff piece of purely sociological research and analysis, instantly recognizable as such by,
and sure to evoke admiration from, any first rate professional sociologist. Again its method is economic interpretation of history, but in Schumpeter’s, not Marx’s, form. And as to its significance and place in Schumpeter’s “broad system,” there is truth in Dr. Sweezy’s view as far as it goes, but I think he has made only a minor, not the major point to be made in this connection. It is true as he says that this — as well as the Imperialisms — essay deals with both the precapitalist feudal and the modern capitalist era, and with some aspects of the transition — by no means so clear-cut for Schumpeter as for Marx — from one into the other. But it seems to me that from almost any standpoint and above all from that of an effort to grasp the essay’s main contributions to its author’s “broad system” and to compare the latter as thus completed, with Marx’s system, the nature of the essay’s theory of its subject is what needs the main emphasis. Though hardly as important in the Schumpeterian “broad system” as Marx’s “class struggle” theory is in his system, the theory of social classes worked out in this essay is I think quite important in and to the former. And it is a radically un-Marxian theory of what classes are; what causal factors account for their existence, behavior, and changes through time; the elements and grounds of cooperation and conflict among them; and their roles in all the processes of society and history or social change. It is impossible here, however, to cover that ground, outline the theory, or touch on more than a few of its major themes.

As the prefatory note to the essay explains, the phrase in its full title, “in an ethnically homogeneous environment,” means only that a complicating factor — “race” differences — is abstracted from to reduce the subject to manageable proportions. But it is significant that while explaining that point Schumpeter immediately goes on to emphasize his view that “racial” or “blood” stocks and their differing, innate capacities and qualities are important and by no means entirely extraneous to the subject (social classes), and would have to be dealt with too in a fully adequate treatment of it. He had, he says further, in the earliest, youthful stage of his interest in that subject leaned to the “racial” theories, which tried to trace all class distinctions everywhere back to origins in “race” differences. And though he had found that approach to be erroneous and abandoned it, he remained convinced that such differences in all mixed populations generally play important roles in helping to account for many of the concrete phenomena of class divisions or groupings and much in the behavior and fortunes of the different groups, although they are not the “heart” of the explanation of what classes are and
why they exist. Now as I read his essay, it seems clear to me that while, by assuming "an ethnically homogeneous environment," he ruled out of consideration in his theory the part of the range of biologically determined, human inequalities classifiable as "ethnic," his belief in the importance of all such inequalities, in general, in a way underlies the whole essay. And I think there is no doubt that the basic attitudes which disposed him to this belief affected both through that and in other ways, also, the choice of his lines of inquiry. It is even suggestive in this connection that the essay deals exclusively with upper classes — feudal nobility, and nineteenth century capitalist entrepreneurs. It is true of course that historical data of the kind — in considerable part, family genealogies — relied on in the study, are mostly non-existent except for such upper classes. But it also is true that Schumpeter's interest was primarily in upper classes; and that is not unconnected with the importance he attached to blood-stocks and hereditary differences.

Like many other men with strongly conservative predilections on all social questions, he held firmly that all high abilities and human excellences are relatively rare in any large population and tend to be confined to a minority of good family stocks in which they are hereditary. Also he believed that the "families" (enduring through many centuries), having generally superior traits, eventually rise from wherever they start to high class positions, and inferior families (if once temporarily highly placed) fall in time into low class positions — this in almost every kind of society that ever existed anywhere, however great the apparent obstacles. "Vertical mobility" in the social scale always has been far greater — in the long run, over a series of generations — than modern sentimental radicals believe; and the effort to prove this for the societies, periods of history, and class-groups examined in the essay, is its most central undertaking. Families, not individuals, the essay insists, are the units of which social classes are composed; families endure through centuries though individuals die; and families over any few generations rise or fall, both within and across class boundaries, in accordance with the excellence or not of their abilities and "drives," and their consequent successes or failures in performing the tasks and coping with the conditions confronting them in their successive generations. The objective validity and scientific interest of the study are high and independent of this fact, but it is a fact I am sure and of interest, that Schumpeter liked the clear implication of that line of argument: that roughly, to a great extent, any upper class and its members in a given, "normal" society and time are "upper," most fundamentally, because by
innate endowment they really are the superior people; and the "masses" consist chiefly of their real — by nature, not mere convention nor lack of opportunity — inferiors. Changing economic systems and conditions determine the natures of particular class structures, class functions, and objective requirements to be met; but the abilities and traits of character inherent in family stocks go far to determine — "given" — those objective factors — the successes or failures of families and groups of them in meeting the conditions, fulfilling the old and at need adapting to new functions, and achieving and maintaining high positions in the social scale.

There was also another well-known judgment of Schumpeter's which I must mention here although it is mainly expressed not in this essay but in other writings of his — another side of his view about all "lower" classes. He believed that in general peasants, workingmen, and other members of "the masses" not only have inferior, i.e. quite limited, native capacities of every important kind, but also tend normally to have only corresponding, appropriate, limited aspirations — unless indoctrinated from the outside with absurd dreams of grandeur by meddling, radical "intellectuals." What the workman himself genuinely, spontaneously wants is never more than to become a small bourgeois. Ambitions as well as abilities are "by nature" small in the large majority of mankind everywhere, and great in the great people who compose the upper classes. Hence "the class struggle" idea of Marx was nonsense to him, not only as regards the overtones of indignant feeling about injustice, domination, and oppression, but also as an idea of a real, important, strongly motivated, dynamic process that is bound to develop and operate as the mainspring of history, so long as there are classes of the mighty and the humble. To Schumpeter a stable, social equilibrium would necessarily include a well marked hierarchy or social pyramid, with superiors — in both capacities and largeness of desires and aims — placed "above," and the larger numbers of inferiors in both respects, hence satisfied in their positions — "below." Moreover, his ideas about "power" on the part of upper classes over the lower and over whole societies — the nature, foundations, instruments, uses and abuses, and limits of such power, and the place of the will-to-power among upper class motives — were in most respects profoundly un-Marxian. But I cannot go into this, except to touch on one line of considerations related to it and affording opportunity to bring out a particularly important comparison with Marx.

One of the rather few value feelings which Schumpeter and Marx did have in common beyond doubt I think, was a strong admiration
of "power" in the sense of the forceful, potent, driving ambition and will and energy as well as ability, seen as lying behind and essential for all great achievements. That admiration in Schumpeter's case clearly underlay his admiring interest in the classes studied in his Social Classes essay — both the feudal nobility and the great entrepreneurs who, he held, have built and sparked modern capitalism. That Marx had the same admiration for the latter, at times overcoming his hatred, is well known, e.g. from the "hymn of praise" in the Communist Manifesto. But one of Marx's fundamental mistakes — to Schumpeter's mind and surely in fact — was to take that "power" and "will to power" of the captains and generals of industry of the early and middle nineteenth century to be outstanding in the character of the entire, much larger class, the bourgeoisie as a whole, and sure to continue to characterize it in undiminished degree as long as the class should exist. For Schumpeter on the contrary, the forceful or potent character was always confined to the group of leading entrepreneurs, a small minority within their class, and further as we know he believed it to be in recent times declining and vanishing in most members of the class, including those modern successors of the great entrepreneurs of old, big corporation executives. And again as we already know his theory of that decline involved the idea that forcefulness of character and "spirit" owed its essence in great part to much in the total, cultural, or spiritual inheritance of our civilization from pre-capitalist ages, which the culture produced by modern capitalism has been "doing away with." His faith in heredity in the biological sense did not go so far as to discount "environment" where the driving will, etc., are concerned. Beliefs or lack of them, absorbed from the cultural environment or "climate," matter here. But neither did he, as to this, desert the "economic interpretation"; back of beliefs and attitudes, ultimately, though it can be rather far back in history, lie the objective life situations and requirements which originally formed them. Now the stern requirements which confronted the feudal lords in early times, when they were a warrior class and as long as they had great functions or until they declined into mere courtiers in the age of absolute monarchy, bred in them the outlook and vigor of will, etc., which, along with their abilities, made for great achievements and the maintenance of a great class position. Likewise later, in the early phases of industrial capitalism, the requirements of their tasks, as well as the partial persistence still of some heroic feeling and thought in western culture, made heroes or giants of the great entrepreneurs. The essay on social classes is very largely about the decline of the feudal nobility; and there is a partial parallel
with the author's theory of the decline of capitalism. Stern conditions and big tasks inspire great deeds; these produce a great or splendid social system and civilization; but the very achievements alter the conditions unfavorably for continuance of the same level of achievement or the will toward it; and the great class with the great world it has made decline. If there is a theory of life cycles of civilizations in Schumpeter's system, it is of this order. Classes, and in one sense dominant classes, but not oppressor classes, play a role in it — but through what they do in time to themselves, not through what they do to the lower classes and the resulting "struggles."

I have done no justice to the essay on social classes and would like to say much more about it, but this article already is too long and must be ended. In summary, I think I have shown that there is indeed a large, coherent Schumpeterian system involving both economic and sociological theory; that these two essays are important parts of it, related to the better known major works and illuminating and illuminated by them; and also, that the whole structure in all its parts is much more unlike than like that of Marx, despite the importance of what it does owe to the latter. The most decisive differences are due above all to Schumpeter's rejection of the theory of class domination, oppression, and struggle as the mainspring of history, and all that goes with that — and the different ideas used to fill that role. The main thing he shared with Marx was the economic interpretation of history; but without the Marxian supplement (class struggle) and with the others used instead, the economic interpretation became in Schumpeter's hands a quite different tool, and fruitful of quite other results.

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