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SCHUMPETER ON CAPITALISM, SOCIALISM, AND DEMOCRACY¹

CHARLES O. HARDY

THE five parts of Professor Schumpeter's volume really constitute three books, only slightly connected with one another. Part I, "The Marxian Doctrine," which is an appraisal, not a systematic exposition, of Marx's work, is scarcely referred to in the succeeding pages, and its content is not essential to the main story. Likewise, Part V, "A Historical Sketch of Socialist Parties," is really a separate story. The heart of the book is in Parts II-IV, which deal with the prospects for the survival of capitalism, the comparative merits of capitalism and socialism, and the relation between socialism and democracy.

These are the most fundamental questions which confront the postwar world, and in many countries they press for immediate decision. Schumpeter's treatment of them is commensurate with their importance. It cuts through to fundamental issues and deals with them boldly. It is both erudite and analytical without being tedious, and it contains many passages that are positively brilliant, both in the originality of the thought and in the flexibility of the presentation.

On the other hand, the frequent omission of essential steps in the argument weakens the force of the author's conclusions. There is a striking lack of balance. Some points are supported by a wealth both of historical allusion and of analysis, while equally important points are disposed of by dictum or enigmatic allusion. This makes the book the more interesting; the reader feels throughout that Schumpeter is talking about things

¹ Joseph A. Schumpeter, *Capitalism, Socialism, and Democracy* (New York: Harper & Bros., 1942). Pp. x+381. \$3.50. So belated a review may be justified in view of the number of countries that are now reconsidering their political and economic structures and the direct bearing of the contents of the book on the choices that are being made.

in which he has a real interest and about which he has something to say. In a few cases this imbalance goes to the point of drawing conclusions that counter the facts and the arguments upon which they purport to be based. An elaborate and convincing analysis is brushed aside as irrelevant (without any explanation of its irrelevance) or countered by a cryptic statement that these considerations are outweighed by others, which are never specified.

A case in point is the appraisal of Marx's work in Part I. The gist of these chapters is that Marx was wrong on almost every point where it was possible for him to be wrong, particularly on the points which constitute the core of Marxism, yet he was a great economist, a great sociologist, and a great prophet. In "Marx the Sociologist" Schumpeter demolishes one of the central Marxian doctrines of social theory—the class struggle—and devitalizes the other—the economic interpretation of history. In "Marx the Economist" he dismisses the doctrine of surplus value as untenable on Marx's own assumptions and inapplicable to the facts of economic life. In "Marx the Teacher" he shows that the Marxian theory of imperialism is a falsification of history and the doctrine of the increasing misery of the working class completely unrealistic even as to Marx's own times, to say nothing of later decades as to which its falsity has become apparent even to most Marxians. Marx failed to establish the doctrine that the capitalist economy will inevitably break down for purely economic reasons; and, even if he had been right on this point, he failed to show that socialism was the form of organization that would succeed capitalism.

In spite of all these indictments, Schumpeter extols Marx's contribution to social

thinking. In part this is because of his own taste for prophecy, for though Marx's most important prophecies (except the coming of "big business") remain unfulfilled, they coincide roughly with Schumpeter's own present anticipations. On more specific points, Schumpeter's grounds for the glorification of Marx do not stand close reading. He pulls out of Marx's writings only two real contributions to an understanding of social processes. One is the conclusion, based on scattered sentences, that Marx perceived the existence of a business cycle—Schumpeter does not claim that his explanation of it makes any sense. The other contribution is "the one truly great achievement" that through all that is faulty and unscientific in Marx's analysis there runs a fundamental idea that is neither—the idea of a theory, not merely of an indefinite number of disjointed individual patterns, but of the actual sequence of those patterns as constituting an economic process which produces at every instant a state which of itself determines the next one. "Thus the author of so many misconceptions was also the first to visualize what even at the present time is still the economic theory of the future." "Marx does not succeed in integrating history, economics and sociology, but in failing he establishes both a goal and a method." This, of course, is rank exaggeration. Marx was not the first or the second to undertake a constructive philosophy of history or to conceive of the social structures of one era as the outgrowth of the preceding era. It is not necessary to argue how far Marx was indebted to Hegel, for Polybius struggled with the same problem, and so did St. Augustine and Guizot.

Beyond these two points, Schumpeter's appraisal of Marx as a great economist and a great sociologist boils down to two claims: first, that, though Marx was often hopelessly wrong, his critics were far from being always right (by this criterion halos are a dime a dozen) and, second, that he made contributions both critical and positive to a great many individual problems which "in

a sketch like this it is not possible to enumerate."²

It is understandable that the rank and file of socialists can admire the force and grandeur of the Marxian synthesis and overlook the fatal shortcomings of its component parts. Marxism is a religion, and religious leadership has never been dependent on the historical or scientific attainments of the prophet. Faith thrives on lack of understanding. But this will hardly do for a critic as acute as Schumpeter.

An even more striking illustration of Schumpeter's tendency to dissociate his conclusions from the underlying argument is found in Part II, "Can Capitalism Survive?" The gist of this essay is that Marx's modern disciples are wrong on all the points that they are accustomed to make against capitalism and for socialism, yet they are right not only as prophets but as advocates. Through sixty pages, capitalism is extolled for both its economic and its cultural achievements, and then these achievements are dismissed as immaterial, not only for forecasting capitalism's life-expectancy but also for deciding whether we should mourn or rejoice when it dies.

It is argued, first, that, as a system of organizing economic activity, capitalism has been even more satisfactory in the past than most of its ardent defenders claim but that social and economic conditions which have appeared as the result of the successes—not the defects—of capitalism have made it an anachronism. The eulogy of historic capitalism starts with a survey of the material progress made during the capitalist era, which is shown to be one of the most impressive performances in human history (chap. v). Next follows an analysis of the roles played by competition and by monop-

² The only ones mentioned are his treatment of the business cycle, admittedly unsound, and the fact that his work "improved our theory of the structure of physical capital." The latter refers to his replacement of Ricardo's distinction between "fixed" and "circulating" capital by the distinction between "constant" and "variable" (wage) capital, and "many other contributions to the theory of capital," not specified (p. 26).

oly, with particular reference to the current doctrine that the intrusion of monopoly elements into economic life accounts for the shortcomings of capitalism (chaps. vi-viii). In Schumpeter's view, monopoly and oligopoly are not the villains of the play; in fact, they are responsible for much of the glory of capitalism. This is partly because large-scale organization economizes brains³ but, more important, because monopoly power is a stabilizing element protecting the economy from the "perennial gale" of technological progress.

Much of this argument hinges on the author's well-known views as to the primary significance of innovation, the process of "creative destruction." The competition that counts, for Schumpeter, is not the competition of individual units striving to supplant one another in a static economy but the competition from the new commodity, the new technology, the new source of supply, and the new type of organization, which strikes not at the margins of profits of existing firms but at their very foundations (p. 84). Monopoly, which is always unstable, furnishes insurance against the risks of long-range investing under these rapidly changing conditions. Society gains more from this stimulus to investment than it loses by the failure of quasi-monopolists to produce at any given time the maximum that could be produced with the existing capital equipment.⁴ Rigid prices—the black sheep of the neoclassical economist—are dismissed as irrelevant, because there are no major instances of long-run rigidity of prices (p. 93) and because cyclical rigidity does more good by softening the impact of depression on the investor than it does harm

³ "American agriculture, English coal mining, and the English textile industry cost consumers much more than they would if controlled, each of them, by a dozen good brains" (p. 106).

⁴ Schumpeter's interest in investment has nothing to do with the present-day emphasis of economic theory on investment as an outlet for savings. It involves the classical concept of investment as the expenditure of income to increase productive capacity and improve productive methods.

by preventing such expansion of output as might be attained through price-cutting.

Schumpeter has no use for the doctrine that the conservation of capital, as the chief aim of big business management, checks cost-reducing improvements. Conservation of capital means nothing but maximizing profits, and profits are maximized by introducing technological devices as rapidly as they would be introduced in a properly managed socialist state. For both the capitalist and the socialist manager, bygones are bygones so far as the sunk costs are concerned, but aggregate future costs under the new method must be compared with the future costs of keeping old machines in use until they are worn out. Looking to the future, the prospect of new inventions is a factor entering into a decision as to whether to make investments embodying the present technique; but this factor would have the same consequences in a rational socialistic management as in a rational capitalistic management. Monopoly price is higher, and monopoly output smaller, than competitive price and competitive output with the same techniques and the same investment; but the methods available to the monopolist are superior to those available to a crowd of competitors, and the stock of capital at any time is higher than it would be if there had been no monopoly in the past.

This discussion is Schumpeter at his best. The points he makes are generally overlooked in current discussion and are basically sound. They do not necessarily support his conclusion, for the evaluation of monopoly requires a quantitative estimate of its favorable and unfavorable effects balanced against one another. Schumpeter contributes nothing but his own mature opinion as to which set of factors is quantitatively more important. I do not know that anyone could do more, for the facts are not of statistical record. If Schumpeter is right, however, that the gains through a stimulus to investment far outweigh the losses resulting from restriction of use of current investment, there is still to be chalked up against monopoly a heavy political debit. Uncontrolled

monopolies may destroy democratic freedom, while successful control of monopolies threatens an overgrowth of governmental power. As Schumpeter points out elsewhere, monopolies are the indispensable forerunner of a peaceful socialist revolution. But he does not consider this a debit item.

Schumpeter rejects the idea that the observed performance of capitalism may be accounted for by exceptional external circumstances which would have asserted themselves in any institutional pattern. Political conditions were very favorable to private investment from 1870 to 1914, but these conditions were themselves in large part the result of capitalistic forces. Wars were not a major factor, and the favorable gold situation was of minor importance. The increase in population was really unfavorable to man-year productivity, because, other things being equal, a given number of gainfully employed people will produce less per laborer than would a smaller number, whatever the social organization; hence the increase in output per capita actually understates capitalist performance. New land was favorable to productivity; but, since the opening-up of new areas was possible only because of progress in transportation, power generation, and agricultural machinery, it was part and parcel of capitalist achievement, not an outside factor facilitating it. Likewise, technological progress and the expansion of industrial output were practically the same thing.

This argument leads into a destructive analysis of the current doctrine of the vanishing of investment opportunity (chap. x). All the factors which lead up to current pessimism about outlets for savings are brushed aside—declining increase of population, exhaustion of the frontier, saturation of the market for capital goods, and the tendency of technological methods to become increasingly capital-saving. Each of these is shown (in the reviewer's judgment, effectively) to be either irrelevant or simply not so.

In chapter xi, "The Civilization of Capitalism," Schumpeter's attention shifts from

the economic to the sociological consequences of capitalism. Here also the story is altogether complimentary to the capitalist system. The outstanding intellectual characteristic of capitalism is the principle of spreading rationality, which, "quite illogically," while weakening the fear of God, has strengthened interest in the betterment of mankind. Personal freedom, an uncensored press, toleration of mortal enemies of the leading classes, sympathy with real and fancied sufferings, pacifism, and international morality are all direct products of capitalism.

Thus the whole picture both on the economic and on the cultural side is overwhelmingly favorable to capitalism. But then follows a characteristic *non sequitur*. He says:

As regards the economic performance, it does not follow that men are "happier" or even "better off" in the industrial society of today than they were in a medieval manor. And as regards the cultural performance one may accept all that has been said and yet hate its utilitarianism and wholesale destruction of Meanings. Although there is a type of radical whose adverse verdict rests on nothing but stupidity, ignorance or irresponsibility, a completely adverse verdict may be arrived at on a higher plane.

Such a startling rejection of the obvious conclusions from the argument of the preceding pages arouses expectation of an equally profuse and penetrating presentation of the joys of medievalism, inefficiency, intolerance, inhumanity, militarism, and international immorality. But nothing of the sort is given us. The destruction of Meanings remains meaningless. The whole passage is either a bald denial of rationality in the conduct of human affairs or a purely aesthetic judgment with the aesthetic criteria unrevealed.

The next three chapters analyze the intellectual, economic, and political factors which are undermining the hold of the capitalist economic system and the bourgeois standards of judgment upon the public mind. To a considerable extent the argument hinges on the obsolescence of the pri-

mary functions of the entrepreneur and on the effect of universal education in creating an economic oversupply of intellectuals. Other factors include the political incapacity of the bourgeois class,⁵ the weakening of the respect for private property which has followed the decay of theism, and the creation of big business units with absentee ownership. Importance is also attached to the decay of the bourgeois family and of standards of living that require huge wealth to support them. In spite of much seeming exaggeration, these chapters are profoundly educative and, to those who value human freedom, highly disturbing.

Part III, "Can Socialism Work?" is written around a definition of socialist society as "an institutional pattern in which control over means of production and over production itself is vested in a central authority." This, it will be noted, is a very specialized definition, relating only to the mechanics of production. It contains no reference to the choice between democratic and autocratic implementation of the "control over means of production," or to equalitarianism, or freedom, or, indeed, to any of

⁵ Schumpeter argues that bourgeois democracy has succeeded as a system of government only because it has had the political services of a social class of nonbourgeois origin, which has "ruled the roost," both in civil government and in military affairs (p. 136). He does not, however, answer the question as to whether a socialist state can expect to be better or worse supplied with such political leadership. The point is developed at great length, mostly by assertion rather than by illustration. In the reviewer's judgment, this proposition involves a degree of exaggeration verging on the preposterous. It has no application to the North and the West in the United States, to Canada, Australia, Italy, or Switzerland. It has very little application to France or the Low Countries. In fact, the only political classes which can be cited seriously in support of Schumpeter's sweeping statements are the British landed aristocracy, the Prussian Junkers, and the slaveholding aristocracy of our own old South. Even of these groups only the last-mentioned, which was not of feudal origin, had a monopoly of political power. And in England such leaders as Gladstone, Disraeli, and Peel are notable exceptions to his generalization. In the newer countries, at least, there simply are no such social classes as the "bourgeoisie" and the "feudal aristocracy."

the aims toward which control of production is to be directed. It excludes guild socialism, syndicalism, and industrial democracy but covers any totalitarian scheme of organizing economic life. Italian fascism fits the definition almost as well as does the Soviet system.

Second, the discussion relates entirely to a "blueprint" and rarely discusses the probability that this or that feature of the blueprint would, in fact, be incorporated into a working socialistic order. The final balance that is struck between capitalism and socialism is, therefore, a comparison of incomparables. The "capitalism" reviewed is a going system with the faults and the merits which it has acquired in a century and a half of progress. The socialism that is compared with it is the product of reason and imagination, not of history. Such a comparison can have only one outcome, for almost any favorable feature of capitalism can be included in the socialist plan and any unfavorable feature excluded from it, by drawing the blueprint in that way.

The conclusion is that the socialist central authority could determine the course of production, the allocation of labor and materials, and the method of distribution, so as to give pretty much the same result as would be given by an "unfettered" capitalism, but with some definite gains. The principal gain would arise from the elimination of one important class of uncertainties that surround every decision of a successful business leader, namely, the uncertainty as to how his actual and potential competitors are going to behave. Although Schumpeter must know how imperfectly the Army, in peacetime, co-operates with the Navy, State Department with Treasury, Interior with Agriculture, and how much dust they can throw in one another's eyes for good competitive reasons, he alleges that "the managements of socialist industries would be in a position to know exactly what the other fellows propose to do." In Schumpeter's judgment this dubious point alone proves that the problem of management will be easier than that which now confronts

private business enterprise. The criteria of allocation of resources could be much the same as they are at the present time. Prices of consumer goods could be used to determine what goods are wanted by the community. Prices of capital goods and other cost elements could be used to test the performance of plant managers, sales realization being balanced against costs in capitalist fashion. Premium payments for different kinds and amounts of labor are offered as one alternative for allocating labor to its proper tasks, the other alternative being direct assignment after the fashion of an army.

The elimination of depressions is implied in what was said above as to the reduction of uncertainty. There would be no involuntary unemployment. There could be a higher degree of specialization, since no one would have to be at the same time an engineer, a salesman, and an organizer, though Schumpeter concedes that "obvious considerations will not allow us to entertain high hopes on that score." A minor advantage claimed is that improvements "would meet with less resistance in spreading from firm to firm." I find it hard to reconcile this conclusion with Schumpeter's emphasis elsewhere on the pressure of innovation in a capitalist economy. Would the "perennial gale" gain added momentum with competition eliminated?

Another gain is anticipated from elimination of the friction between industry and government. Much of the time of government officials now goes into control of business and much of the energy of business organizations into planning compliance or evasion and into the exercise of influence over the agencies of control. The saving of the work of private lawyers "is not satisfactorily measured by the fees of the lawyers who are thus engaged. This is inconsiderable, but not inconsiderable is the social loss from such unproductive employment of many of the best brains."⁶

⁶We are not told, however, why the fees of lawyers are not a proper measure of the opportunity cost of their services. Under the general logic of the

Finally, socialism would avoid the loss which results, in the present divided state of opinion, from the constant nibbling-away by government of the incentives of industry to be productive and efficient. "Modern capitalism relies on the profit principle for its daily bread yet refuses to allow it to prevail. No such conflict would exist in socialist society" (p. 198).

Two striking omissions in the appraisal of socialism seem to the reviewer more serious than any difference of opinion as to what is actually said. The first of these relates to the size and character of the national socialist units and the relations between them. The state is taken for granted as the top authority in matters economic, but nothing is said as to whether the size, ethnic composition, and economic structure of states would be any more rational than at present. The letter of the author's definition of socialism calls for a single world state, but scattered references indicate that this is not his meaning. Apparently socialism is expected to inherit the existing international structure. This means wide variation from state to state in the degree of dependence on international trade and the hazards of aggression by neighbors. Generalizations as to what a socialist state could do should be qualified by consideration of the degree of economic self-sufficiency of the individual state. Of course, in a socialist world order, as in the world of today, the managements of states with complementary economies might form mergers after the pattern of corporate practice, but the socialist states would be no more likely to form such mergers than are capitalistic states.

Nothing is said as to tariff barriers, international commercial policies, or international monetary arrangements. A series of socialistic states, however, would clearly have the same real or fancied incentives to

pricing system (which Schumpeter accepts) this would seem to be the best measure of the social loss. Having rejected the Marxian doctrine of exploitation of labor, Schumpeter here revives it as to corporation lawyers!

pursue policies of economic nationalism as do capitalistic states in the present order. The blueprint might indeed be drawn to provide for a regime of complete international division of labor and international co-operation in the exchange of technological information and the supply of capital to backward regions. But the introduction of the socialist order of itself would do nothing to eradicate the popular delusions that have governed international economic relations throughout the capitalistic era.

It follows that the present incentives to military aggrandizement would persist in the new order. Indeed, in line with the argument in chapter xi, the decay of the bourgeois mentality would remove the chief force which has operated historically in the direction of international peace (pp. 128-29). Moreover, sources of international friction would be increased, because many incidents which now affect only the relations of individuals or firms in different countries would become matters of national honor. And the more absolute the power of the Chief Comrade, the greater the damage to pride and prestige that could result from an "international incident."

This brings up the second omission, the method of selection of the responsible authorities who will direct the socialist economy. Schumpeter argues convincingly that the business process operates to eliminate the unfit more certainly and quickly than does the political process, but he does not appraise the loss of efficiency that would result from the substitution of political for economic selection. Instead, he suggests a separation of the political arm of government from the economic administration. A political hierarchy would be responsible for a few major decisions, such as the scale of investment, the size of the military establishment, the income scheme, and the policy concerning useful services which the comrades do not want to pay for. This political hierarchy might be selected on a democratic electoral plan, though Schumpeter doubts whether it would be. But much more important is the selection of the top economic bu-

reaucocracy, who will not be subject to removal or to much control by the political authority. How will they be selected, and, more important, how will they be got rid of? Will the socialist state appraise their performance by better standards than we now apply to the work of those who frame our tariff policies, river and harbor developments, public land policies, or the peacetime administration of armies and navies? Dead wood in administrative office is a problem for the stockholders of big-scale business, in spite of the pressure of inter-industry competition and the perennial gale; it would seem to be much more difficult in the socialist state.

The political difficulties become more serious as soon as we envisage the probability that the socialist state may be militaristic. Decisions as to military ventures, imperialistic or defensive, must perforce belong to the political rather than the economic sphere. The more powerful the central government, the greater is the lure of conquest. And the military is as indifferent to considerations of long-run maximum productivity as it is to considerations of private profit.

It is, in fact, the political rather than the economic implications of capitalism and socialism that are most significant for a rational choice between them. When possible economic gains are balanced against possible economic losses, the net result cannot be forecast with confidence. (Schumpeter appraises the result in terms only of the gains.) But the economic gain or loss pales into insignificance beside the possible consequences of a wrong choice as reflected in militarism or pacifism, tolerance or intolerance, and the future of the traditional freedoms of the press, of speech, of religion, and of choice of occupation and place of residence.

To this issue, foreshadowed in the "cultural implications of socialism," Schumpeter returns at the close of Part IV (pp. 296-302). He is evasive here, more so than at any other point; but his conclusions cannot be mistaken. Historically, he points out, mod-

ern democracy rose along with capitalism and in causal dependence upon it, and the passing of capitalism will bring it into jeopardy. At best, democracy will lose some of the features for which we value it most. Capitalist society is well qualified for democratic control because it reduces the sphere of political decision to manageable proportions; socialism will magnify that sphere. Bourgeois democracy has stressed equality, personal liberty, and toleration as no other system of government has ever done, because under a capitalist organization the issues on which parties divide are not so vital as to force the victors to stamp out the vanquished by strong measures.

All Schumpeter has to say directly about the role of democracy in a socialist state is compressed into two pages (301-2) and amounts to saying that democracy cannot be expected to function in any state, socialist or democratic, unless the vast majority of the people are substantially agreed on the fundamentals of their institutional structure. At present, he says, the latter condition is not fulfilled (a characteristic exaggeration as far as the United States is concerned). If socialism comes in over a strong antisocialist opposition, democracy will fall by the wayside. If it comes in on a wave of revolutionary enthusiasm sufficient to remove this rift, the remaining antagonisms will be of the kind with which the democratic method is well able to cope. They will be decreased by the elimination of clashing capital interests.⁷ Political life would be purified. "There would be no silver men" (p. 302).

Schumpeter concedes, however, that there is no good reason to believe that democracy would long outlive capitalism, even if everyone turned socialist. After all, he

⁷ Considering that agriculture is to be left in private hands and that provision is made for differentiation in labor returns substantially equivalent to the present wage differentials, considering also the extent to which clashes and jealousies develop between different departments of a government no more complex than our own, Schumpeter seems overoptimistic on this point.

concedes, effective management of the socialist economy means dictatorship, not *of* but *over* the proletariat in the factory. "The task of keeping the democratic course may prove to be extremely delicate." Governments which have the future of the nation at heart "may avail themselves of the discipline of the factory to restrict the sovereignty of the electorate." In any case, "that democracy will not mean increased personal freedom."

The prospective loss of freedom and the suppression of dissent seem to impress Schumpeter as matters of little importance. To the reviewer they seem vastly more important than the gains of productivity which might result from elimination of competitive wastes and the absorption of unemployment, when these are offset against the impairment of the capitalistic incentives to progress. A state without democracy, whether socialist or not, means a state in which the individual has no rights against his government, in which censorship of press and radio and government monopoly of propaganda can cover up all manner of abuse, and in which a group once in power can make itself almost impregnable. Socialism without democracy carries with it none of the beneficent implications that customarily surround the "social" concept. "Totalitarianism" is a better word for what Schumpeter is talking about.

Schumpeter's position with regard to the cultural implications of socialism is highly ambiguous. At one point he intimates that the socialist organization could allocate resources to consumptive ends better than the market does, not because the market fails to give people what they want but because a socialist organization could give them what they ought to want. Conceding that there is no more democratic institution than a market, he says: "But this maximum is only a short-run one and, moreover, is relative to the actual desires of the comrades as they are felt at the moment. Only outright beef-steak socialism can be content with a goal such as this." But the difference between "desires" and "actual desires felt at the

moment" is never clarified. The "higher goal" is never stated, nor is there any calculus of probability that the higher goal would be the actual goal. All that is clear is that the new calculus will reject the democracy of the market. "They may still let the comrades choose as they like between peas and beans. They may well hesitate as to milk and whisky and as to drugs and improvement of housing. And they will not allow comrades to choose between loafing and temples—if the latter be allowed to stand for what Germans inelegantly but tellingly call objective [manifestations of] culture" (p. 184). But what the "temples" are to look like and, more important, who are "they" who are to guide the comrades, willy-nilly, into higher forms of consumption we are not told.

At an earlier point (p. 170) the indeterminateness of the goal is definitely asserted:

A society may be fully and truly socialist and yet be led by an absolute ruler or be organized in the most democratic of all possible ways; it may be aristocratic or proletarian; it may be a theocracy and hierarchic or atheist or indifferent as to religion; it may be much more strictly disciplined than men are in a modern army or completely lacking in discipline; it may be ascetic or eudemonist in spirit; energetic or slack; thinking only of the future or only of the day; warlike and nationalist or peaceful and internationalist; equalitarian or the opposite; it may have the ethics of lords or the ethics of slaves; its art may be subjective or objective; its forms of life individualistic or standardized; and—what for some of us would by itself suffice to command our allegiance or to arouse our contempt—it may breed from its supernormal

or from its subnormal stock and produce supermen or submen accordingly.

All this is perfectly true so far as the mechanics of socialism are concerned, and the mechanics are all that the author's definition of socialism covers. In fact, however, it is not conceivable that a socialistic organization of any size could work in some of the ways implied in the statement just quoted. It could not be completely lacking in discipline, its forms of life could hardly be other than standardized, and it could not be organized in the most democratic of all possible ways.

Schumpeter's indeterminateness is itself highly indeterminate, for this sweeping statement of indeterminateness follows directly on its exact opposite: "We will keep in mind that socialism aims at higher goals than full bellies . . . it means a new cultural world . . . one might conceivably be a fervent socialist even though believing that the socialist arrangement is likely to be inferior as to economic performance. Hence no merely economic argument for or against can ever be decisive. . . ." This is Schumpeter at his worst. On the one hand, the economic argument is to be rejected because the cultural implications outweigh it; on the other hand, the cultural implications are entirely unknown, and, if they were known, we have no standard for appraising their worth-whileness. Appraisal that runs in such terms as these is wholly futile and reduces the central message of the book to mere forecasting.

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