

57 CAPITALISM: ITS NATURE—AND DEMISE! • Joseph A. Schumpeter

Joseph Schumpeter was one of the most famous economists to grace Harvard's faculty. An Austrian by birth, he admitted a desire to be the greatest lover, greatest economist, and greatest horseman in Austria. He claimed to regret having succeeded in only two of these demanding areas. Professor Schumpeter wrote classic books on the business cycle, the history of economic thought, and economic development. Less well known is his penetrating prophecy of the demise of capitalism, which follows below. The essay is long and you will find it quite different from the efforts of most economists. But a careful reading can be rewarding. Remember that this piece was written in the 1940s, so you are now in a position to begin to grade Schumpeter on the clarity of his crystal ball.

Can capitalism survive? No. I do not think it can. But this opinion of mine, like that of every other economist who has pronounced upon the subject, is in itself completely uninteresting. What counts in any attempt at social prognosis is not the Yes or No that sums up the facts and arguments which lead up to it but those facts and arguments themselves. They contain all that is scientific in the final result. Everything else is not science but prophecy. Analysis, whether economic or other, never yields more than a statement about the tendencies present in an observable pattern. And these never tell us what *will* happen to the pattern but only what *would* happen if they continued to act as they have been acting in the time interval covered by our observation and if no other factors intruded. "Inevitability" or "necessity" can never mean more than this.

The thesis I shall endeavor to establish is that the actual and prospective performance of the capitalist system is such as to negate the idea of its breaking down under the weight of economic failure, but that its very success undermines the social institutions which protect it, and "inevitably" creates conditions in which it will not be able to live and which strongly point to socialism as the heir apparent. My final conclu-

sion therefore does not differ, however much my argument may, from that of most socialist writers and in particular from that of all Marxists. But in order to accept it one does not need to be a socialist. Prognosis does not imply anything about the desirability of the course of events that one predicts. If a doctor predicts that his patient will die presently, this does not mean that he desires it. One may hate socialism or at least look upon it with cool criticism, and yet foresee its advent. Many conservatives did and do.

Nor need one accept this conclusion in order to qualify as a socialist. One may love socialism and ardently believe in its economic, cultural and ethical superiority but nevertheless believe at the same time that capitalist society does not harbor any tendency toward self-destruction. There are in fact socialists who believe that the capitalist order is gathering strength and is entrenching itself as time goes on, so that it is chimerical to hope for its breakdown.

THE CIVILIZATION OF CAPITALISM

Suppose that some "primitive" man uses that most elementary of all machines, already appreciated by our gorilla cousins, a stick, and that this stick breaks in his hand. If he tries to remedy the damage by reciting a magic formula—he might for instance murmur Supply and Demand or Planning and Control in the expectation that if he repeats this exactly nine times the two fragments will unite again—then he is within the precincts of prerational thought. If he gropes for the best way to join the fragments or to procure

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another stick, he is being rational in our sense. Both attitudes are possible of course. But it stands to reason that in this and most other economic actions the failure of a magic formula to work will be much more obvious than could be any failure of a formula that was to make our man victorious in combat or lucky in love or to lift a load of guilt from his conscience. This is due to the inexorable definiteness and, in most cases, the quantitative character that distinguish the economic from other spheres of human action, perhaps also to the unemotional drabness of the unending rhythm of economic wants and satisfactions. Once hammered in, the rational habit spreads under the pedagogic influence of favorable experiences to the other spheres and there also opens eyes for that amazing thing, the Fact.

This process is independent of any particular garb, hence also of the capitalistic garb, of economic activity. So is the profit motive and self-interest. Precapitalist man is in fact no less "grabbing" than capitalist man. Peasant serfs for instance or warrior lords assert their self-interest with a brutal energy all their own. But capitalism develops rationality and adds a new edge to it in two interconnected ways.

First it exalts the monetary unit—not itself a creation of capitalism—into a unit of account. That is to say, capitalist practice turns the unit of money into a tool of rational cost-profit calculations, of which the towering monument is double-entry bookkeeping.* Without going into this, we will notice that, primarily a product of the evolution of economic rationality, the cost-profit calculus in turn reacts upon that rationality; by crystalizing and defining numerically, it powerfully propels the logic of enterprise. And thus defined and quantified for the economic sector, this type of logic or attitude or method

* This element has been stressed, and *more suo* overstressed, by Sombart. Double-entry bookkeeping is the last step on a long and tortuous road. Its immediate predecessor was the practice of making up from time to time an inventory and figuring out profit or loss; see A. Saporiti in *Biblioteca Storica Toscana*, VII, 1932. Luca Pacioli's treatise on bookkeeping, 1494, supplies by its date an important milestone. For the history and sociology of the state it is a vital fact to notice that rational bookkeeping did not intrude into the management of public funds until the eighteenth century and that even then it did so imperfectly and in the primitive form of "cameralist" bookkeeping.

then starts upon its conqueror's career subjugating—rationalizing—man's tools and philosophies, his medical practice, his picture of the cosmos, his outlook on life, everything in fact including his concepts of beauty and justice and his spiritual ambitions.

In this respect it is highly significant that modern mathematico-experimental science developed, in the fifteenth, sixteenth and seventeenth centuries, not only along with the social process usually referred to as the Rise of Capitalism, but also outside of the fortress of scholastic thought and in the face of its contemptuous hostility. In the fifteenth century mathematics was mainly concerned with questions of commercial arithmetic and the problems of the architect. The utilitarian mechanical device, invented by men of the craftsman type, stood at the source of modern physics. The rugged individualism of Galileo was the individualism of the rising capitalist class. The surgeon began to rise above the midwife and the barber. The artist who at the same time was an engineer and an entrepreneur—the type immortalized by such men as Vinci, Alberti, Cellini; even Dürer busied himself with plans for fortifications—illustrates best of all what I mean. By cursing it all, scholastic professors in the Italian universities showed more sense than we give them credit for. The trouble was not with individual unorthodox propositions. Any decent schoolman could be trusted to twist his texts so as to fit the Copernican system. But those professors quite rightly sensed the spirit behind such exploits—the spirit of rationalist individualism, the spirit generated by rising capitalism.

Second, rising capitalism produced not only the mental attitude of modern science, the attitude that consists in asking certain questions and in going about answering them in a certain way, but also the men and the means. By breaking up the feudal environment and disturbing the intellectual peace of manor and village (though there always was, of course, plenty to discuss and to fall out about in a convent), but especially by creating the social space for a new class that stood upon individual achievement in the economic field, it in turn attracted to that field the strong wills and the strong intellects. Precapitalist economic life left no scope for achievement that would carry over class boundaries or, to put it differently, be adequate to create social positions comparable to those of the members of the

then ruling classes. Not that it precluded ascent in general.* But business activity was, broadly speaking, essentially subordinate, even at the peak of success within the craft guild, and it hardly ever led out of it. The main avenues to advancement and large gain were the church—nearly as accessible throughout the Middle Ages as it is now—to which we may add the chanceries of the great territorial magnates, and the hierarchy of warrior lords—quite accessible to every man who was physically and psychically fit until about the middle of the twelfth century, and not quite inaccessible thereafter. It was only when capitalist enterprise—first commercial and financial, then mining, finally industrial—unfolded its possibilities that supernormal ability and ambition began to turn to business as a third avenue. Success was quick and conspicuous, but it has been much exaggerated as regards the social weight it carried at first. If we look closely at the career of Jacob Fugger, for instance, or of Agostino Chigi, we easily satisfy ourselves that they had very little to do with steering the policies of Charles V or of Pope Leo X and that they paid heavily for such privileges as they enjoyed.† Yet entrepreneurial success was fascinating enough for everyone excepting the highest strata of feudal society to draw most of the best brains and thus to generate further success—to generate additional steam for the rationalist engine. So, in this sense, capitalism—and not merely economic activity in general—has after all been the propelling force of the rationalization of human behavior.

And now we are at long last face to face with the immediate goal‡ to which that complex yet

* We are too prone to look upon the medieval social structure as static or rigid. As a matter of fact, there was an incessant—to use Pareto's term—*circulation des aristocracies*. The elements that composed the uppermost stratum around 900 had practically disappeared by 1500.

† The Medici are not really an exception. For though their wealth helped them to acquire control of the Florentine commonwealth, it was this control and not the wealth *per se* which accounts for the role played by the family. In any case they are the only merchants that ever rose to a footing of equality with the uppermost stratum of the feudal world. Real exceptions we find only where capitalist evolution created an environment or completely broke up the feudal stratum—in Venice and in the Netherlands for instance.

‡ The immediate goal, because the analysis contained in the last pages will stand us in good stead also for other

inadequate argument was to lead. Not only the modern mechanized plant and the volume of the output that pours forth from it, not only modern technology and economic organization, but all the features and achievements of modern civilization are, directly or indirectly, the products of the capitalist process. They must be included in any balance sheet of it and in any verdict about its deeds or misdeeds.

There is the growth of rational science and the long list of its applications. Airplanes, refrigerators, television and that sort of thing are immediately recognizable as results of the profit economy. But although the modern hospital is not as a rule operated for profit, it is nonetheless the product of capitalism not only, to repeat, because the capitalist process supplies the means and the will, but much more fundamentally because capitalist rationality supplied the habits of mind that evolved the methods used in these hospitals. And the victories, not yet completely won but in the offing, over cancer, syphilis and tuberculosis will be as much capitalist achievements as motorcars or pipe lines or Bessemer steel have been. In the case of medicine, there is a capitalist profession behind the methods, capitalist both because to a large extent it works in a business spirit and because it is an emulsion of the industrial and commercial bourgeoisie. But even if that were not so, modern medicine and hygiene would still be by-products of the capitalist process just as is modern education.

There is finally all that may be grouped around the symbolic centerpiece of Gladstonian liberalism. The term Individualist Democracy would do just as well—better in fact because we want to cover some things that Gladstone would not have approved and a moral and spiritual attitude which, dwelling in the citadel of faith, he actually hated. At that I could leave this point if radical liturgy did not consist largely in picturesque denials of what I mean to convey. Radicals may insist that the masses are crying for salvation from intolerable sufferings and rattling their chains in darkness and despair, but of course there never was so much personal freedom of mind and body for all, never so much readiness to bear with and even to finance the mortal enemies of the leading class, never so much ac-

purposes. It is in fact fundamental for any serious discussion of the great theme of Capitalism and Socialism.

tive sympathy with real and faked sufferings, never so much readiness to accept burdens, as there is in modern capitalist society; and whatever democracy there was, outside of peasant communities, developed historically in the wake of both modern and ancient capitalism. Again plenty of facts can be adduced from the past to make up a counterargument that will be effective but is irrelevant in a discussion of present conditions and future alternatives.* If we do decide to embark upon historical disquisition at all, then even many of those facts which to radical critics may seem to be the most eligible ones for their purpose will often look differently if viewed in the light of a comparison with the corresponding facts of precapitalist experience. And it cannot be replied that "those were different times." For it is precisely the capitalist process that made the difference.

[C]apitalist civilization is rationalistic "and antiheroic." The two go together of course. Success in industry and commerce requires a lot of stamina, yet industrial and commercial activity is essentially unheroic in the knight's sense—no flourishing of swords about it, not much physical prowess, no chance to gallop the armored horse into the enemy, preferably a heretic or heathen—and the ideology that glorifies the idea of fighting for fighting's sake and of victory for victory's sake understandably withers in the office among all the columns of figures. Therefore, owning assets that are apt to attract the robber or the tax gatherer and not sharing or even disliking warrior ideology that conflicts with its "rational" utilitarianism, the industrial and commercial bourgeoisie is fundamentally pacifist and inclined to insist on the application of the moral precepts of private life to international relations. It is true that, unlike most but like some other features of capitalist civilization, pacifism and international morality have also been espoused in noncapitalist environments and by precapitalist agencies, in the Middle Ages by the Roman Church for instance. Modern pacifism and modern international morality are nonetheless products of capitalism.

In view of the fact that Marxian doctrine—

* Even Marx, in whose time indictments of this kind were not anything like as absurd as they are today, evidently thought it desirable to strengthen his case by dwelling on conditions that even then were either past or visibly passing.

especially Neo-Marxian doctrine and even a considerable body of nonsocialist opinion—is... strongly opposed to this proposition it is necessary to point out that the latter is not meant to deny that many a bourgeoisie has put up a splendidly bourgeois commonwealth, or that almost purely bourgeois commonwealths were often aggressive when it seemed to pay—like the Athenian or the Venetian commonwealths—or that no bourgeoisie ever disliked war profits and advantages to trade accruing from conquest or refused to be trained in warlike nationalism by its feudal masters or leaders or by the propaganda of some specially interested group. All I hold is, first, that such instances of capitalist combativeness are not, as Marxism has it, to be explained—exclusively or primarily—in terms of class interests or class situations that systematically engender capitalist wars of conquest; that there is a difference between that which you consider your normal business in life, for which you prepare yourself in season and out of season and in terms of which you define your success or failure, and doing what is not in your line, for which your normal work and your mentality do not fit you and success in which will increase the prestige of the most unbourgeois of professions; and third, that this difference steadily tells—in international as well as in domestic affairs—against the use of military force and for peaceful arrangements, even where the balance of pecuniary advantage is clearly on the side of war which, under modern circumstances, is not in general very likely. As a matter of fact, the more completely capitalist the structure and attitude of a nation, the more pacifist—and the more prone to count the costs of war—we observe it to be. Owing to the complex nature of every individual pattern, this could be fully brought out only by detailed historical analysis. But the bourgeois attitude to the military (standing armies), the spirit in which and the methods by which bourgeois societies wage war, and the readiness with which, in any serious case of prolonged warfare, they submit to nonbourgeois rule are conclusive in themselves. The Marxist theory that imperialism is the last stage of capitalist evolution therefore fails quite irrespective of purely economic objections.

But I am not going to sum up as the reader presumably expects me to. That is to say, I am not going to invite him, before he decides to put his trust in an untried alternative advocated by

untried men, to look once more at the impressive economic and the still more impressive cultural achievement of the capitalist order and at the immense promise held out by both. I am not going to argue that that achievement and that promise are in themselves sufficient to support an argument for allowing the capitalist process to work on and, as it might easily be put, to lift poverty from the shoulders of mankind.

There would be no sense in this. Even if mankind were as free to choose as a businessman is free to choose between two competing pieces of machinery, no determined value judgment necessarily follows from the facts and relations between facts that I have tried to convey. 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 or village. As regards the cultural performance, one may accept every word I have written and yet hate it—its utilitarianism and the wholesale destruction of Meanings incident to it—from the bottom of one's heart. Moreover, as I shall have to emphasize again in our discussion of the socialist alternative, one may care less for the efficiency of the capitalist process in producing economic and cultural values than for the kind of human beings that it turns out and then leaves to their own devices, free to make a mess of their lives. There is a type of radical whose adverse verdict about capitalist civilization rests on nothing except stupidity, ignorance or irresponsibility, who is unable or unwilling to grasp the most obvious facts, let alone their wider implications. But a completely adverse verdict may also be arrived at on a higher plane.

However, whether favorable or unfavorable, value judgments about capitalist performance are of little interest. For mankind is not free to choose. This is not only because the mass of people are not in a position to compare alternatives rationally and always accept what they are being told. There is a much deeper reason for it. Things economic and social move by their own momentum and the ensuing situations compel individuals and groups to behave in certain ways whatever they may wish to do—not indeed by destroying their freedom of choice but by shaping the choosing mentalities and by narrowing the list of possibilities from which to choose. If

this is the quintessence of Marxism then we all of us have got to be Marxists. In consequence, capitalist performance is not even relevant for prognosis. Most civilizations have disappeared before they had time to fill to the full the measure of their promise. Hence I am not going to argue, on the strength of that performance, that the capitalist intermezzo is likely to be prolonged. In fact, I am now going to draw the exactly opposite inference.

THE SOCIAL ATMOSPHERE OF CAPITALISM

The capitalist process, so we have seen, eventually decreases the importance of the function by which the capitalist class lives. We have also seen that it tends to wear away protective strata, to break down its own defenses, to disperse the garrisons of its entrenchments. And we have finally seen that capitalism creates a critical frame of mind which, after having destroyed the moral authority of so many other institutions, in the end turns against its own; the bourgeois finds to his amazement that the rationalist attitude does not stop at the credentials of kings and popes but goes on to attack private property and the whole scheme of bourgeois values.

The bourgeois fortress thus becomes politically defenseless. Defenseless fortresses invite aggression especially if there is rich booty in them. Aggressors will work themselves up into a state of rationalizing hostility—aggressors always do. No doubt it is possible, for a time, to buy them off. But this last resource fails as soon as they discover that they can have all. In part, this explains what we are out to explain. So far as it goes—it does not go the whole way of course—this element of our theory is verified by the high correlation that exists historically between bourgeois defenselessness and hostility to the capitalist order: there was very little hostility on principle as long as the bourgeois position was safe, although there was then much more reason for it; it spread *pari passu* with the crumbling of the protecting walls.

But, so it might well be asked—in fact, so it is being asked in naïve bewilderment by many an industrialist who honestly feels he is doing his duty by all classes of society—why should the capitalist order need any protection by extracapitalist powers or extrarational loyalties? Can it not come out of the trial with flying colors?

Does not our own previous argument sufficiently show that it has plenty of utilitarian credentials to present? Cannot a perfectly good case be made out for it? And those industrialists will assuredly not fail to point out that a sensible workman, in weighing the pro's and con's of his contract with, say, one of the big steel or automobile concerns, might well come to the conclusion that, everything considered, he is not doing so badly and that the advantages of this bargain are not all on one side. Yes—certainly, only all that is quite irrelevant.

For, first, it is an error to believe that political attack arises primarily from grievance and that it can be turned by justification. Political criticism cannot be met effectively by rational argument. From the fact that the criticism of the capitalist order proceeds from a critical attitude of mind, i.e., from an attitude which spurns allegiance to extrarational values, it does not follow that rational refutation will be accepted. Such refutation may tear the rational garb of attack but can never reach the extrarational driving power that always lurks behind it. Capitalist rationality does not do away with sub- or super-rational impulses. It merely makes them get out of hand by removing the restraint of sacred or semisacred tradition. In a civilization that lacks the means and even the will to discipline and to guide them, they will revolt. And once they revolt it matters little that, in a rationalist culture, their manifestations will in general be rationalized somehow. Just as the call for utilitarian credentials has never been addressed to kings, lords and popes in a judicial frame of mind that would accept the possibility of a satisfactory answer, so capitalism stands its trial before judges who have the sentence of death in their pockets. They are going to pass it, whatever the defense they may hear; the only success victorious defense can possibly produce is a change in the indictment. Utilitarian reason is in any case weak as a prime mover of group action. In no case is it a match for the extrarational determinants of conduct.

Second, the success of the indictment becomes quite understandable as soon as we realize what acceptance of the case for capitalism would imply. That case, were it even much stronger than it actually is, could never be made simple. People at large would have to be possessed of an insight

and a power of analysis which are altogether beyond them. Why, practically every nonsense that has ever been said about capitalism has been championed by some professed economist. But even if this is disregarded, rational recognition of the economic performance of capitalism and of the hopes it holds out for the future would require an almost impossible moral feat by the have-not. That performance stands out only if we take a long-run view; any procapitalist argument must rest on long-run considerations. In the short run, it is profits and inefficiencies that dominate the picture. In order to accept his lot, the leveler or the chartist of old would have had to comfort himself with hopes for his great-grandchildren. In order to identify himself with the capitalist system, the unemployed of today would have completely to forget his personal fate and the politician of today his personal ambition. The long-run interests of society are so entirely lodged with the upper strata of bourgeois society that it is perfectly natural for people to look upon them as the interests of that class only. For the masses, it is the short-run view that counts. Like Louis XV, they feel *après nous le déluge*, and from the standpoint of individualist utilitarianism they are of course being perfectly rational if they feel like that.

Third, there are the daily troubles and expectations of trouble everyone has to struggle with in any social system—the frictions and disappointments, the greater and smaller unpleasant events that hurt, annoy and thwart. I suppose that every one of us is more or less in the habit of attributing them wholly to that part of reality which lies without his skin, and *emotional* attachment to the social order—i.e., the very thing capitalism is constitutionally unable to produce—is necessary in order to overcome the hostile impulse by which we react to them. If there is no emotional attachment, then that impulse has its way and grows into a permanent constituent of our psychic setup.

Fourth, the ever-rising standards of life and particularly the leisure that modern capitalism provides for the fully employed workman... well, there is no need for me to finish the sentence or to elaborate one of the tritest, oldest and most stodgy of all arguments which unfortunately is but too true. Secular improvement that is taken for granted and coupled with individual

insecurity that is acutely resented is of course the best recipe for breeding social unrest.

THE SOCIOLOGY OF THE INTELLECTUAL

Nevertheless, neither the opportunity of attack nor real or fancied grievances are in themselves sufficient to produce, however strongly they may favor, the emergence of active hostility against a social order. For such an atmosphere to develop it is necessary that there be groups to whose interest it is to work up and organize resentment, to nurse it, to voice it and to lead it. [T]he mass of people never develops definite opinions on its own initiative. Still less is it able to articulate them and to turn them into consistent attitudes and actions. All it can do is to follow or refuse to follow such group leadership as may offer itself. Until we have discovered social groups that will qualify for that role our theory of the atmosphere of hostility to capitalism is incomplete.

Broadly speaking, conditions favorable to general hostility to a social system or specific attack upon it will in any case tend to call forth groups that will exploit them. But in the case of capitalist society there is a further fact to be noted: Unlike any other type of society, capitalism inevitably and by virtue of the very logic of its civilization creates, educates and subsidizes a vested interest in social unrest.* Explanation of this phenomenon . . . may be made more telling by an excursion into the Sociology of the Intellectual.

When analyzing the rationalist nature of capitalist civilization . . . I pointed out that the development of rational thought of course precedes the rise of the capitalist order by thousands of years; all that capitalism did was to give a new impulse and a particular bend to the process. Similarly—leaving aside the Graeco-Roman world—we find intellectuals in thoroughly precapitalist conditions, for instance in the Kingdom of the Franks and in the countries into which it dissolved. But they were few in number; they

* Every social system is sensitive to revolt and in every social system stirring up revolt is a business that pays in case of success and hence always attracts both brain and brawn. It did in feudal times—very much so. But warrior nobles who revolted against their superiors attacked individual persons or positions. They did not attack the feudal system as such. And feudal society as a whole displayed no tendencies to encourage—intentionally or unintentionally—attacks upon its own social system as a whole.

were clergymen, mostly monks; and their written performance was accessible to only an infinitesimal part of the population. No doubt strong individuals were occasionally able to develop unorthodox views and even to convey them to popular audiences. This however in general implied antagonizing a very strictly organized environment—from which at the same time it was difficult to get away—and risking the lot of the heretic. Even so it was hardly possible without the support or connivance of some great lord or chieftain, as the tactics of missionaries suffice to show. On the whole, therefore, intellectuals were well in hand, and kicking over the traces was no joke, even in times of exceptional disorganization and license, such as during the Black Death (in and after 1348).

But if the monastery gave birth to the intellectual of the medieval world, it was capitalism that let him loose and presented him with the printing press. The slow evolution of the lay intellectual was merely an aspect of this process; the coincidence of the emergence of humanism with the emergence of capitalism is very striking. The humanists were primarily philologists but—excellently illustrating a point made above—they quickly expanded into the fields of manners, politics, religion and philosophy. This was not alone due to the contents of the classic works which they interpreted along with their grammar—from the criticism of a text to the criticism of a society, the way is shorter than it seems. Nevertheless, the typical intellectual did not relish the idea of the stake which still awaited the heretic. As a rule, honors and comfort suited him a great deal better. And these were after all to be had only from princes, temporal or spiritual, though the humanists were the first intellectuals to have a public in the modern sense. The critical attitude grew stronger every day. But *social* criticism—beyond what was implied in certain attacks on the Catholic Church and in particular its head—did not flourish under such conditions.

In the last decades of the eighteenth century a striking episode displayed the nature of the power of a free-lance intellectual who has nothing to work with but the socio-psychological mechanism called Public Opinion. This happened in England, the country that was then farthest advanced on the road of capitalist evolution. John Wilkes' attacks on the political system of England, it is true, were launched under

uniquely favorable circumstances; moreover, it cannot be said that he actually upset the Earl of Bute's government which never had any chance and was bound to fall for a dozen other reasons; but Wilkes' *North Briton* was nevertheless the last straw that broke... Lord Bute's political back. No. 45 of the *North Briton* was the first discharge in a campaign that secured the abolition of general warrants and made a great stride toward the freedom of the press and of elections. This does not amount to making history or to creating the conditions for a change in social institutions, but it does amount to playing, say, the role of a mid-wife's assistant.* The inability of Wilkes' enemies to thwart him is the most significant fact about it all. They evidently had all the power of organized government at their command. Yet something drove them back.

How impossible it is to stem the tide within the framework of capitalist society is shown by the failure of the attempts—some of them prolonged and determined—made during that period by practically all European governments to bring the intellectuals to heel. Their histories were nothing but so many different versions of Wilkes' exploits. In capitalist society—or in a society that contains a capitalist element of decisive importance—any attack on the intellectuals must run up against the private fortresses of bourgeois business which, or some of which, will shelter the quarry. Moreover such an attack must proceed according to bourgeois principles of legislative and administrative practice which no doubt may be stretched and bent but will checkmate prosecution beyond a certain point. Lawless violence the bourgeois stratum may accept or even applaud when thoroughly roused or frightened, but only temporarily. In a purely bourgeois regime like that of Louis Philippe, troops may fire on strikers, but the police cannot round up intellectuals or must release them forthwith; otherwise the bourgeois stratum, how-

ever strongly disapproving some of their doings, will rally behind them because the freedom it disapproves cannot be crushed without also crushing the freedom it approves.

Observe that I am not crediting the bourgeoisie with an unrealistic dose of generosity or idealism. Nor am I unduly stressing what people think and feel and want—on the importance of which I almost, though not quite, agree with Marx. In defending the intellectuals as a group—not of course every individual—the bourgeoisie defends itself and its scheme of life. Only a government of nonbourgeois nature and nonbourgeois creed—under modern circumstances only a socialist or fascist one—is strong enough to discipline them. In order to do that it would have to change typically bourgeois institutions and drastically reduce the individual freedom of *all* strata of the nation. And such a government is not likely—it would not even be able—to stop short of private enterprise.

From this follows both the unwillingness and the inability of the capitalist order to control its intellectual sector effectively. The unwillingness in question is unwillingness to use methods consistently that are uncongenial to the mentality shaped by the capitalist process; the inability is the inability to do so within the frame of institutions shaped by the capitalist process and without submitting to nonbourgeois rule. Thus, on the one hand, freedom of public discussion involving freedom to nibble at the foundations of capitalist society is inevitable in the long run. On the other hand, the intellectual group cannot help nibbling, because it lives on criticism and its whole position depends on criticism that stings; and criticism of persons and of current events will, in a situation in which nothing is sacrosanct, fatally issue in criticism of classes and institutions.

Of course, the hostility of the intellectual group—amounting to moral disapproval of the capitalist order—is one thing, and the general hostile atmosphere which surrounds the capitalist engine is another thing. The latter is the really significant phenomenon; and it is not simply the product of the former but flows partly from independent sources, some of which have been mentioned before; so far as it does, it is raw material for the intellectual group to work on. There are give-and-take relations between the two which it would require more space to

* I do not fear that any historian of politics will find that I have exaggerated the importance of Wilkes' success. But I do fear objection to my calling him a free lance and to the implication that he owed everything to the collective, and nothing to any individual patron. In his beginnings he was no doubt encouraged by a *coterie*. On examination it will however be conceded, I think, that this was not of decisive importance and that all the support and all the money and honors he got afterwards were but a consequence of and tribute to previous success and to a position independently acquired with the public.

unravel than I can spare. The general contours of such an analysis are however sufficiently obvious and I think it safe to repeat that the role of the intellectual group consists primarily in stimulating, energizing, verbalizing and organizing this material and only secondarily in adding to it. Some particular aspects will illustrate the principle.

Capitalist evolution produces a labor movement which obviously is not the creation of the intellectual group. But it is not surprising that such an opportunity and the intellectual demiurge should find each other. Labor never craved intellectual leadership but intellectuals invaded labor politics. They had an important contribution to make: They verbalized the movement, supplied theories and slogans for it—class war is an excellent example—made it conscious of itself and in doing so changed its meaning. In solving this task from their own standpoint, they naturally radicalized it, eventually imparting a revolutionary bias to the most bourgeois trade-union practices, a bias most of the nonintellectual leaders at first greatly resented. But there was another reason for this. Listening to the intellectual, the workman is almost invariably conscious of an impassable gulf if not of downright distrust. In order to get hold of him and to compete with non-intellectual leaders, the intellectual is driven to courses entirely unnecessary for the latter who can afford to frown. Having no genuine authority and feeling always in danger of being unceremoniously told to mind his own business, he must flatter, promise and incite, nurse left wings and scowling minorities, sponsor doubtful or submarginal cases, appeal to fringe ends, profess himself ready to obey—in short, behave toward the masses as his predecessors behaved first toward their ecclesiastical superiors, later toward princes and other individual patrons, still later toward the collective master of bourgeois complexion. Thus, though intellectuals have not created the labor movement, they have yet worked it up into something that differs substantially from what it would be without them.

DECOMPOSITION

Faced by the increasing hostility of the environment and by the legislative, administrative and judicial practice born of that hostility, entrepreneurs and capitalists—in fact the whole stratum

that accepts the bourgeois scheme of life—will eventually cease to function. Their standard aims are rapidly becoming unattainable, their efforts futile. The most glamorous of these bourgeois aims, the foundation of an industrial dynasty, has in most countries become unattainable already, and even more modest ones are so difficult to attain that they may cease to be thought worth the struggle as the permanence of these conditions is being increasingly realized.

Considering the role of bourgeois motivation in the explanation of the economic history of the last two or three centuries, its smothering by the unfavorable reactions of society or its weakening by disuse no doubt constitutes a factor adequate to explain a flop in the capitalist process—should we ever observe it as a permanent phenomenon—and one that is much more important than any of those that are presented by the Theory of Vanishing Investment Opportunity. It is hence interesting to observe that that motivation not only is threatened by forces external to the bourgeois mind but that it also tends to die out from internal causes. There is of course close interdependence between the two. But we cannot get at the true diagnosis unless we try to disentangle them.

[N]ormally, the modern businessman, whether entrepreneur or mere managing administrator, is of the executive type. From the logic of his position he acquires something of the psychology of the salaried employee working in a bureaucratic organization. Whether a stockholder or not, his will to fight and to hold on is not and cannot be what it was with the man who knew ownership and its responsibilities in the full-blooded sense of those words. His system of values and his conception of duty undergo a profound change. Mere stockholders of course have ceased to count at all—quite independently of the clipping of their share by a regulating and taxing state. Thus the modern corporation, although the product of the capitalist process, socializes the bourgeois mind; it relentlessly narrows the scope of capitalist motivation; not only that, it will eventually kill its roots.*

* Many people will deny this. This is due to the fact that they derive their impression from past history and from the slogans generated by past history during which the institutional change brought about by the big corporation had not yet asserted itself. Also they may think of the scope which corporate business used to give for illegal

Still more important however is another "internal cause," viz., the disintegration of the bourgeois family. The facts to which I am referring are too well known to need explicit statement. To men and women in modern capitalist societies, family life and parenthood mean less than they meant before and hence are less powerful molders of behavior; the rebellious son or daughter who professes contempt for "Victorian" standards is, however incorrectly, expressing an undeniable truth. The weight of these facts is not impaired by our inability to measure them statistically. The marriage rate proves nothing because the term Marriage covers as many sociological meanings as does the term Property, and the kind of alliance that used to be formed by the marriage contract may completely die out without any change in the legal construction or in the frequency of the contract. Nor is the divorce rate more significant. It does not matter how many marriages are dissolved by judicial decree—what matters is how many lack the content essential to the old pattern. If in our statistical age readers insist on a statistical measure, the proportion of marriages that produce no children or only one child, though still inadequate to quantify the phenomenon I mean, might come as near as we can hope to come to indicating its numerical importance. The phenomenon by now extends, more or less, to all classes. But it first appeared in the bourgeois (and intellectual) stratum and its symptomatic as well as causal value for our purposes lies entirely there. It is wholly attributable to the rationalization of everything in life, which we have seen is one of the effects of capitalist evolution. In fact, it is but one of the results of the spread of that rationalization to the sphere of private life. All the other factors which are usually adduced in explanation can be readily reduced to that one.

As soon as men and women learn the utilitarian lesson and refuse to take for granted the traditional arrangements that their social environment makes for them, as soon as they acquire the habit of weighing the individual advantages and disadvantages of any prospective course of action

satisfactions of the capitalist motivation. But that would cut my way: the fact that personal gain beyond salary and bonus cannot, in corporate business, be reaped by executives except by illegal or semi-illegal practices shows precisely that the structural idea of the corporation is averse to it.

—or, as we might also put it, as soon as they introduce into their private life a sort of inarticulate system of cost accounting—they cannot fail to become aware of the heavy personal sacrifices that family ties and especially parenthood entail under modern conditions and of the fact that at the same time, excepting the cases of farmers and peasants, children cease to be economic assets. These sacrifices do not consist only of the items that come within the reach of the measuring rod of money but comprise in addition an indefinite amount of loss of comfort, of freedom from care, and opportunity to enjoy alternatives of increasing attractiveness and variety—alternatives to be compared with joys of parenthood that are being subjected to a critical analysis of increasing severity. . . . The point I wish to convey is, I think, clear without further elaboration. It may be summed up, in the question that is so clearly in many potentia' parents' minds: "Why should we stunt our ambitions and impoverish our lives in order to be insulted and looked down upon in our old age?"

While the capitalist process, by virtue of the psychic attitudes it creates, progressively dims the values of family life and removes the conscientious inhibitions that an old moral tradition would have put in the way toward a different scheme of life, it at the same time implements the new tastes. As regards childlessness, capitalist inventiveness produces contraceptive devices of ever-increasing efficiency that overcome the resistance which the strongest impulse of man would otherwise have put up. As regards the style of life, capitalist evolution decreases the desirability of, and provides alternatives to, the bourgeois family home. I have previously adverted to the Evaporation of Industrial Property; I have now to advert to the Evaporation of Consumers' Property.

Until the later decades of the nineteenth century, the town house and the country place were everywhere not only pleasant and convenient shells of private life on the higher levels of income, but they were indispensable. Not only hospitality on any scale and in any style, but even the comfort, dignity, repose and refinement of the family depended upon its having an adequate *foyer* of its own that was adequately staffed. The arrangements summarized by the term Home were accordingly accepted as a matter of course by the average man and woman of

bourgeois standing, exactly as they looked upon marriage and children—the “founding of a family”—as a matter of course.

In order to realize what all this means for the efficiency of the capitalist engine of production we need only recall that the family and the family home used to be the mainspring of the typically bourgeois kind of profit motive. Economists have not always given due weight to this fact. When we look more closely at their idea of the self-interest of entrepreneurs and capitalists we cannot fail to discover that the results it was supposed to produce are really not at all what one would expect from the rational self-interest of the detached individual or the childless couple who no longer look at the world through the windows of a family home. Consciously or unconsciously they analyzed the behavior of the man whose views and motives are shaped by such a home and who means to work and to save primarily for wife and children. As soon as these fade out from the moral vision of the businessman, we have a different kind of *homo oeconomicus* before us who cares for different things and acts in different ways. For him and from the standpoint of his individualistic utilitarianism, the behavior of that old type would in fact be completely irrational. He loses the only sort of romance and heroism that is left in the unromantic and unheroic civilization of capitalism—the heroism of *navigare necesse est, vivere non necesse est*.^{*} And he loses the capitalist ethics that enjoin working for the future irrespective of whether or not one is going to harvest the crop oneself.

The last point may be put more tellingly. The capitalist order entrusts the long-run interests of society to the upper strata of the bourgeoisie. They are really entrusted to the family motive operative in those strata. The bourgeoisie worked primarily in order to invest, and it was not so much a standard of consumption as a standard of accumulation that the bourgeoisie struggled for and tried to defend against governments that took the short-run view. With the decline of the driving power supplied by the family motive, the businessman's time-horizon shrinks, roughly, to his life expectation. And he might now be less willing than he was to fulfill that function of

^{*} “Seafaring is necessary, living is not necessary.” Inscription on an old house in Bremen.

earning, saving and investing even if he saw no reason to fear that the results would but swell his tax bills. He drifts into an anti-saving frame of mind and accepts with an increasing readiness antisaving theories that are indicative of a short-run philosophy.

But antisaving theories are not all that he accepts. With a different attitude to the concern he works for and with a different scheme of private life he tends to acquire a different view of the values and standards of the capitalist order of things. Perhaps the most striking feature of the picture is the extent to which the bourgeoisie, besides educating its own enemies, allows itself in turn to be educated by them. It absorbs the slogans of current radicalism and seems quite willing to undergo a process of conversion to a creed hostile to its very existence. Haltingly and grudgingly it concedes in part the implications of that creed. This would be most astonishing and indeed very hard to explain were it not for the fact that the typical bourgeois is rapidly losing faith in his own creed. And this again becomes fully understandable as soon as we realize that the social conditions which account for its emergence are passing.

This is verified by the very characteristic manner in which particular capitalist interests and the bourgeoisie as a whole behave when facing direct attack. They talk and plead—or hire people to do it for them; they snatch at every chance of compromise; they are ever ready to give in; they never put up a fight under the flag of their own ideals and interests—in this country there was no real resistance anywhere against the imposition of crushing financial burdens during the last decade or against labor legislation incompatible with the effective management of industry. Now, as the reader will surely know by this time, I am far from overestimating the political power of either big business or the bourgeoisie in general. Moreover, I am prepared to make large allowances for cowardice. But still, means of defense were not entirely lacking as yet and history is full of examples of the success of small groups who, believing in their cause, were resolved to stand by their guns. The only explanation for the meekness we observe is that the bourgeois order no longer makes any sense to the bourgeoisie itself and that, when all is said and nothing is done, it does not really care.

Thus the same economic process that under-

mines the position of the bourgeoisie by decreasing the importance of the functions of entrepreneurs and capitalists, by breaking up protective strata and institutions, by creating an atmosphere of hostility, also decomposes the motor forces of capitalism from within. Nothing else shows so well that the capitalist order not only rests on props made of extracapitalist material but also derives its energy from extracapitalist patterns of behavior which at the same time it is bound to destroy.

QUESTIONS

1. *"Capitalistic civilization is rationalistic and antiheroic." Discuss.*

2. *Why does Schumpeter feel it is irrelevant to tally the merits and demerits of capitalism? Why does he argue that capitalism is shortchanged by any short-run analysis of its performance?*

3. *What is the role of the intellectual in the demise of capitalism? Has your educational experience been consistent with Schumpeter's observations and prediction on this role? What is the role of the family in this demise? Are the author's observations on individualistic utilitarianism consistent with your perception of young people entering business?*

4. *Do you agree with Schumpeter's prediction on the inevitable destruction of capitalism? What other factors can you point to that support or negate the forces he saw operating?*