

Determinateness and Indeterminateness in Schumpeter's Economic Sociology: The Origin of Social Evolution

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This article traces Schumpeter's texts that fit his definition of "economic sociology" given in the introductory chapter of *History of Economic Analysis* (1954). The findings are as follows: (1) Since his early years, Schumpeter had a vision of "socio-cultural development" that was characterized by a general interdependence and a distinction between statics and dynamics. (2) Schumpeter adopted the term "evolution" to describe the historical change in his economic sociology. Moreover, he would support it with theoretical concepts that are categorically different from those of biological evolution. (3) In the understanding of the real historical process, Schumpeter endeavored to refine his view of interdependence but stressed the indeterminateness due to the creative activities of "exceptional men." Grounded on these findings, this article concludes that Schumpeter's view of history, including "economic sociology" is characterized by a dual structure of determinateness and indeterminateness that is isomorphic with his theory of economic development.

Keywords: economic sociology, evolutionary economics, innovation, socio-cultural development, static view and dynamic view

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1. The fourth field of economic analysis

In his *History of Economic Analysis*, Schumpeter first divided the usual research fields of economic analysis into economic history, statistics, and theory. However, as he felt that the above three fields do not complement each other sufficiently, he added a fourth one, "economic sociology"¹⁾. With this field, he

¹⁾ In his monumental work on Schumpeter (Shionoya 1997), Shionoya did not overlook Schumpeter's "economic sociology" and acknowledged it in a fitting manner. According to him, it deals with social evolution.

argued that the economic analysis moves forward with the interaction of economic and non-economic factors and with the analysis of social evolution.

Economic analysis deals with the question how people behave at any time and what the economic effects are they produce by so behaving; economic sociology deals with the question how they came to behave as they do. If we define human behavior widely enough so that it includes not only actions and motives and propensities but also the social institutions that are relevant to economic behavior such as government, property inheritance, contract, and so on, that phrase tells us all we need. (Schumpeter 1953, p. 21)

The three fields of “history,” “statistics,” and “theory” constituted the subtitle of Schumpeter’s 1939 book, *Business Cycles: A Theoretical, Historical and Statistical Analysis of the Capitalist Process*. However, the term “economic sociology” is missing here. His articles on imperialism (Schumpeter 1919) and social classes (Schumpeter 1927), which were posthumously translated and published into the English language (Schumpeter 1951), could be classified under this field. Of Schumpeter’s works available in book form, the only publication in this field is *Capitalism, Socialism and Democracy* (1942). This 1942 book, which contains a brilliant sociological reflection on the trends in the late capitalist society, forms in itself a valuable appendix to the 1939 book that examined the historical process of modern capitalism from the confined view of an economic analysis. Schumpeter’s view in the 1942 book — that capitalism brings forth socialism not by its failure but by its success — remains at present a frequently discussed topic among social scientists. However, we have to concede that this is not a completely developed work on economic sociology²⁾.

2. “Socio-Cultural Development” in the first edition of *Entwicklung*

The path-breaking 1912 book *Theorie der wirtschaftlichen Entwicklung* (*The Theory of Economic Development*)³⁾ contained a comprehensive sociological analysis of the process and effects of economic development in its final chapter⁴⁾

²⁾ Schumpeter’s interest in sociology can be traced back to his youth. After his leave from Vienna University in 1905 he stayed in London to study sociology and anthropology under A. C. Haddon and E. A. Westermarck. Upon his success in the *habilitation* at the Vienna University, he was entitled to teach as a private lecturer; it was then that he proposed a two-hour minor course titled “Emergence of Scientific Sociology and its Achievements” along with another titled “Introduction to Political Economy for Beginners” (Personalakten Schumpeters in Universtätsarchiv Wien). See Yagi (1993).

³⁾ In the preface to the English edition of *Theory of Economic Development*, Schumpeter wrote that the German first edition was published “in the fall of 1911” (Schumpeter 1934, p. ix). However, this book was listed in the 1912 printings by its publisher and was followed by most of the other publications on Schumpeter.

⁴⁾ Andersen’s (2006) finding of a “general theory of social evolution” in this chapter stands close to mine. However, the problem of determinateness/ indeterminateness is missing in his paper.

that is titled "The Total View of National Economy" (*Das Gesamtbild der Volkswirtschaft*)⁵⁾. In the later versions as well as the English translation, this chapter was deleted owing to the reason that it had misguided the interest of readers from the problems of "dry economic theory" to the "fragments of cultural sociology" (Schumpeter 1926, p. viii). Despite this risk, the original chapter forms a worthy read by itself, even if it is separated from the other chapters. It contains a detailed critical examination of theories that explain the development from environmental elements or the growth of some basic elements such as population, capital, knowledge, and wants. The emphasis on leadership and its influence on the cultural sphere as well as on the social constellation is also important.

In the concluding part of this chapter, Schumpeter discussed the "totality" of all the social areas and their development using the terms "die soziale Kultur" (the social culture) and "die soziale Kulturentwicklung" (the socio-cultural development)⁶⁾ by extending the same view that he applied in the economic field. It should be recalled here that Schumpeter's theory of economic development is constructed based on two theoretical assumptions: The first is the assumption of general interdependence. Under static conditions, this brings forth the state of circular flows in which every transaction of agents is dependent from other transactions. The second is the distinction between the static state and the dynamic state based on the criterion of the existence of a dynamic figure, the *entrepreneur*. The emergence of the innovative activities of entrepreneurs and their clustering has an influence on the economic conditions of others, thus leading to the process of economic development.

In Schumpeter's view, different areas of society as a whole — the interdependently interrelated spheres of politics, art, science, ethics, etc. — still show relatively autonomous features of development. The relative independence originates in the different nature of agents and their activities, such as the difference between artistic performance and business transactions. To the agents in a peculiar area such as art, the situations of other areas are given conditions for their activities. Consciously or unconsciously, the interdependency of various areas of a society brings forth some conformity in their characteristics and levels. Schumpeter called it "the static state of the social culture."

[I]n a static state the processes and relations in any areas of social life are codetermined by the processes and relations in any other area. On the one hand, there are data which are common to all areas — geographic

⁵⁾ In Japan, from the initiative of Yoshiro Tamanoi, this chapter was translated into Japanese and published in the Schumpeter collection he edited (Tamanoi ed. 1972). After three decades, Jürgen Backhaus followed Tamanoi in Backhaus ed. (2003) by including the original German text and an English translation by Ursula Backhaus. Hereafter, I cite from this edition. However, my preferred translation of the term "die soziale Kulturentwicklung" is "socio-cultural development" as opposed to Backhaus' translation of "the social development of culture." (Backhaus ed. 2003, pp. 55 and 111)

⁶⁾ Backhaus ed. (2003), pp. 55 and 111.

environment, etc. — and on the other hand, there is the state of any area as the result of the state of all others, due to the general mutual effects that exists among them. The solution to the problem of the static level of culture could consist in this concept. (Backhaus ed. 2003, pp. 55 and 111f.)

Thus, the conception of the interdependence of the whole areas contributes to the “total conception of all areas of what socially happens” (*Ibid.*, pp. 51 and 107). However, it is only “the static state” that we can understand as a causally determined state. The development in each area occurs with the innovative activity of leading individuals that introduces an unpredictable novelty in the area concerned. Since the quality of leaders and their relationship with the followers differs considerably across areas, we cannot expect any conformity beforehand. The interaction of developments in various areas results in a change of social values as well as the knowledge and institutions of the society.

[F]inally, performance in any field of social activity has the effect of influencing all other areas of social life and changing the presumptions and conditions of human behavior in all areas. The art of a time has its political influence, as politics has its artistic influence. If these relatively autonomous developments are acting together, something emerges which if looked upon from a sufficient distance could appear as a uniform development of culture. With this we free the matters from their rigid causal chains and give them back their true life. And in this total conception of the development of culture the economy also has its particular place. (*Ibid.*, pp. 56 and 112)

In conclusion, Schumpeter declares, “[D]oubtlessly we have to be satisfied with an indeterminate concept. However, we can at least say in where determinism is present and where indeterminism is to be found, and then, in which kind and in which way this or that process of development will occur” (*Ibid.*, pp. 56 and 112).

Table 1 “Socio-cultural development” in the first edition of *Entwicklung*

	economy	other areas and interactions
static view	Response to data → Circular flow (general equilibrium)	Relative independence of each area → Other areas as data → Static state of social culture (general interdependence)
dynamic view	Entrepreneurs’ innovation → Followers’ response → Economic development	Leaders’ activity in each area → Relatively autonomous development → Interactions of areas → Socio-cultural development

We can concisely illustrate Schumpeter's scheme in Table 1.

3. Schumpeter and the concept of "Evolution"

Schumpeter is generally conceived as one of the greatest founders of evolutionary economics. This is shown by the fact that a representing journal in this direction, *Journal of Evolutionary Economics*, is published by an academic society that was named after him, the International Joseph A. Schumpeter Society.

However, G. Hodgson pointed that Schumpeter was reluctant to use a biological analogy that is combined with this term (Hodgson 1993, chap. 10). Surely, in the first edition of *Entwicklung*, we can read a clear rejection of the analogy of biological evolution.

It should explicitly be emphasized that no similarity with any other meaning of the modern term "development" is being intended. Some evolutionary analogies or theorems have neither been looked for, nor surfaced themselves. In this sense, development, as far as I can see, has neither formal nor material connections with the biological development of any organic body. We were very careful not to speak of a general "progress" but rather of "development." We describe facts, but we do not evaluate them. (*Ibid.*, pp. 7 and 63)

From the above text we know that Schumpeter would protect himself against two unscientific associations that may accompany the term "Entwicklung." The one was the analogy with biological evolution (A), and the other was the mixing of the value judgment of progress (B). However, the text does not shed light on whether Schumpeter at this point regarded the evolutionary theory as being inevitably combined with the idea of progress.

He maintained a cautious attitude against the analogy of biological evolution until his death. However, as for the use of the term "evolution," he seems to have changed his mind in the 1930s. In the English edition of *Entwicklung*, he avoided the term "evolution" and chose to use the term "development" in the title. The second chapter of this publication contains a passage in which he criticized the "dilettantism" and "unscientific mysticism" that surrounded the word "evolution" (Schumpeter 1934, p. 57f.).

In an unpublished manuscript titled "Entwicklung" written in 1932, which was recently discovered in the archival materials of Emil Lederer⁷⁾, Schumpeter dealt with the connotation of the term "Entwicklung"⁸⁾ in greater detail.

⁷⁾ E. Lederer (1882–1939) was a friend of Schumpeter's since their student years in Vienna. Schumpeter presented an article titled "Entwicklung" to celebrate his friend's 50th birthday on July 22, 1932. It is unknown why this work was not published. This manuscript was discovered by Hans Ulrich Eßlinger in 1933, and its English translation is titled Schumpeter (2005). The original German text is available at <http://www.Schumpeter.info>.

Terms such as “development” or unfolding suggest that some identity needs to be maintained on part of the entity that develops. The staying power of this idea is almost as strong as the staying power of ideas in primitive thought. Yet, this very idea seems to be the origin of many wrong preconceptions and misguided ideas. There are two more associations with the term “development” that we need to get out of our way: faith in progress and evolutionism. (Schumpeter 2005, p. 119)

In this manuscript, Schumpeter criticized “evolutionism” independently from “faith in progress.” He admitted that Darwin provided the “theory of descent” in terms of “adaptation,” and Mendel in terms of “mixtures of constant elements,” and thus, he did not regard evolutionary theory in biology as being unscientific. Nevertheless, he was unsatisfied for the reason that both of them fail to grasp the “inaccessibility and indeterminacy of novelty and of the leap” (*Ibid.*, p. 118). Thus, to Schumpeter, “evolutionism” applied in the social science is inevitably in alliance with “materialism” that denies the emergence of novelty and a forward-looking perspective.

However, in a correspondence in 1934, he referred to his book as “Theory of Economic Evolution” (Schumpeter 2000, p. 267). His attitude toward the word “evolution” seems to have changed. Finally, at the end of the 1930s in *Business Cycles*, “evolution” acquired a dominant position, even going on to appear in the title of its conceptual chapters⁹⁾. Here, Schumpeter presents the following definition of “economic evolution”:

The changes in the economic process brought about by innovation, together with all their effects, and the response to them by the economic system, we shall designate by the term Economic Evolution. Although this term is objectionable on several counts, it comes nearer to expressing our meaning than does any other, and it has the advantage of avoiding the associations suggested by the cognate term Progress, particularly the complacency the latter seems to imply. (Schumpeter 1939, vol. 1, p. 86)

In this citation, Schumpeter grounded his choice from his judgment that this term is exempted from the “faith in progress.” In later English writing after *Business Cycles*, Schumpeter used the term “evolution” frequently without any apology. Still, the question remains as whether or not his first concern regarding the association with biological evolution was dissolved. This is the question that we would discuss later.

⁸⁾ In this manuscript, Schumpeter defined “development” as a “transition from one norm of the economic system to another norm in such a way that the transition cannot be decomposed into infinitesimal steps” (Schumpeter 2005, p. 115).

⁹⁾ Chapter III “How the economic system generates evolution” and Chapter IV “The Contours of Economic Evolution”.

What is of importance to us is the fact that in *Business Cycles*, Schumpeter presupposed a general theory of social evolution, although he did not use such a term. This is clear when from the following quote in the book: “[T]he writer believes, although he cannot stay to show, that the theory here expounded is but a special case, adapted to the economic sphere, of a *much larger theory* which applies to change in all spheres of social life” (*Ibid.*, vol. 1, p. 97). The concept of “economic evolution” in *Business Cycles* suggests a broader concept of social evolution in which context his theory superseded the economic sphere and extended to the social and intellectual spheres.

4. Schumpeter's encounter with A. P. Usher

On a visit to the Harvard University Archive in March 1998, I came across in the Schumpeter Papers¹⁰⁾ two typescript versions of the plan “Social Evolution and Historical Process,” dated March 11, 1933, and April 9, 1933, respectively. In my presentation at an international conference in Pushino near Moscow in August 2003 (Yagi 2003), I attributed their authorship to Schumpeter since as a researcher familiar with Schumpeter's work, I was acquainted with some of the key concepts and literature mentioned here. However, in a private correspondence, Prof. Esben Sloth Andersen of Alborg University, refuted my guess and stated that Abbot Payson Usher (1883–1965), an economic historian of Harvard University, to be the author¹¹⁾. Upon examining Usher's writings, I recanted my original guess. Around the date of the origin of the plan, i. e., in the spring of 1933, it was reported that Schumpeter, who was then a lonely newcomer at Harvard, had a close relationship with Usher (Allen 1991, vol. 2, p. 6f.). Prof. Andersen further suggested that Usher might have shown Schumpeter the March version to ask his advice, and their discussions might have reflected in the April version. This is a very plausible guess as to what might have occurred.

Usher was the author of *A History of Mechanical Inventions*, 1929, in which he had used the term “innovation” independently from Schumpeter. The second edition of this book, which was published in 1954 after Schumpeter's death, contains revisions that clearly reflect the plan found in the Schumpeter Papers. It is not clear as to why Schumpeter kept Usher's plan in his personal file up to his death and whether he took into consideration the suggestions in that plan in his later research and publication. However, it is certain that Schumpeter found in Usher a scholar who possessed both a vision and empirical methodology comparable to himself for the research of the process of “social evolution.”

The 1933 plan has similarities as well as peculiarities as compared with Schumpeter's publications, particularly in the case of *Business Cycles*. In my previous conference paper, I explained the similarities in three items ((1) the

¹⁰⁾ A brief description of the Papers is provided as Appendix D of the Allen (1991), vol. 2, pp. 277–279.

¹¹⁾ Private e-mail on November 1, 2003.

analysis of growth and fluctuations, (2) innovation as the key factor of the evolutionary process, and (3) stress on groups and leadership) and peculiarities in four items ((1) the multilinear process of dynamic adaptation, (2) institutional development, (3) “genius” and innovation as a socially conditioned factor, and (4) conscious constructive adaptation). We can now assume that the former are common grounds based on which both scholars investigated the historical change, and the latter are distinctive perspectives of Usher, which might have given some positive or negative impulse to Schumpeter. We will not address this matter since we intended to discuss it in another paper that deals with American scholars with whom Schumpeter got acquainted¹²⁾.

The relation between Schumpeter and Usher did not continue to be as close as it was in the first year Schumpeter arrived at Harvard. In a footnote to *Business Cycles*, Schumpeter mentioned Usher’s *History of Mechanic Inventions* and wrote that he “derived much help” from it (Schumpeter 1939, vol. 1, p. 85). However, the text to which the footnote was attached emphasized the conceptual distinction between innovation and invention, which Usher was opposed to.

In the 1950 Schumpeter memorial publication by his Harvard colleagues, Usher contributed an article titled “Historical Implication of the Theory of Economic Development.” It contains several arguments that are in some way or the other related to the topics in the 1933 Plan.

In Usher’s view, Schumpeter’s theory of economic development provided “a basis for the comprehensive analysis of events in terms of history, statistics, and theory” by providing a “defensible and workable concept of process” in “the process of cumulative innovation” (Usher 1951, p. 125). However, Schumpeter was still constrained by an “idealistic philosophy” that explains social change as “the result of unconditional acts of great men, to whom underlying truths are directly revealed” (*Ibid.*, p. 126). Although Schumpeter paved the way to break an idealistic view of the historical process, he could not liberate himself completely from it.

The theory of economic development advances beyond the limits of idealistic position in terms of both the number of innovators and the explicit interest in the process of change as such. It moves into positions that subject the idealistic categories to severe strain and demand a complete abandonment of the idealist position. Even in the first edition of *The Theory of Economic Development*, innovation is conceived as a massive social process closely related to the process of learning on the part of an individual of techniques already significantly established in the traditions of the group. However, the application of a concept of innovation to cyclical fluctuation involved a truly final break with the earlier interpretations of social change. The romantic idealists and the various historical sociologies identified

¹²⁾ See Yagi (2009: forthcoming). The Schumpeter-Usher comparison in Ruttan (1959) is also useful.

change with the transitions from one stage to another. The discontinuities of history were, thus, restricted to long-term movements dated in terms of centuries. In *The Theory of Economic Development*, change became a completely pervasive feature of social life. It was presented as a fundamental internal phenomenon in addition to the purely external factors which would in some measure account for many of the cyclical phenomena. (*Ibid.*, p. 126f.)

This is a surprisingly penetrating interpretation of Schumpeterian contribution. A “massive social process” of innovations based on a socially embedded learning process and its cyclical fluctuation constitutes the very vision of social change that evolutionary economists are presently exploring. Usher considered this a criticism of an idealistic theory of stages. Presumably, he assumed theoreticians that idealistically characterize the features of each stages and attributes transitions to extraordinary powers (ideals, religions, wars, and revolutions) or long-term intervals. This is a sort of idealism that typically appears in the historical science¹³⁾.

Usher's criticism against idealism is not confined to the massive process. It is apparent also in the understanding of every individual innovation as a “social process.”

Once innovation is conceived as a social process, differences and changes that seem to involve qualitative differences are actually resolved into quantitative differences. The theory of innovation is therefore inconsistent with a qualitative differentiation between routine and novel action. Even when action has been stylized and stabilized by habits and policies, much novelty still emerges. Some forms of novel action are ignored by Schumpeter, and the pervasiveness of novelty is certainly underestimated. (Usher 1951, p. 127f.)

Making use of the Gestalt psychology instead of an idealistic philosophy, Usher wished to explain the emergence of novelty in every layer from the unconscious formation of skill to a deliberative action with a clearly defined purpose. The cumulative process from which innovation emerges is described in more detail in the second revised edition of his *History* (1954).

In *Business Cycles*, Schumpeter classified the increase in population, technological knowledge, and capital in the category of quantitative growth — and thus out of the area of innovation. If we follow Usher and conceive that microscopic novelties emerge at any place at any time and form a massive process, we cannot maintain the distinction between “quantitative growth” and “qualitative

¹³⁾ As a historian of the economic science, I am tempted to apply such criticism to the static equilibrium theory that Schumpeter preserved as the core theory of economics and his view of the dynamic development process that intervenes between two independent static equilibriums.

development.”

Usher’s criticism on Schumpeter is plausible to those who know the recent progress of evolutionary economics.

5. Schumpeter’s last position

When Schumpeter dealt with the relationship between invention and innovation in a footnote to chapter 3 of *Business Cycles*, he acknowledged his indebtedness to Usher’s work but kept his original categorical distinction of the two untouched. This might have disappointed Usher.

Fortunately, Schumpeter found another Harvard economic historian who accepted the Schumpeterian concept of entrepreneurship. Arthur H. Cole considered the activities of entrepreneurs as a promising research area and moved to establish a research center for entrepreneurial history. Schumpeter supported Cole by writing “Comments on a Plan for the Study of Entrepreneurship” (1946).

In Comments, Schumpeter interpreted an entrepreneurial activity as a “creative response” to the change in “conditions,” while he referred to the reaction that simply expands or contracts existing practices as “adaptive response.” In contrast to the latter, the former is not predictable and brings forth a discontinuity in economic life.

Creative response changes social and economic situation for good, or, to put it differently, it creates situations from which no bridge to those situations that might have emerged in its absence. This is why creative response is an essential element in the historical process: no deterministic credo avails against this. (Schumpeter 1946, p. 412)

This presents a small scope of Schumpeter’s concept. However, under a broad perspective which covers the growth in knowledge and change in institutions, “creative response” is interpreted more objectively.

[I]t is patently true that in capitalist society objective opportunities or conditions act through entrepreneurial activity, analysis of which is therefore …… at the very least an avenue to the study of economic change in the capitalist epoch. (*Ibid.*, p. 412)

Our interpretation is that Schumpeter had a vision of “unitary social science¹⁴⁾” that contains economic analysis and cultural sociology from the beginning of his academic career, but could not attempt its systematic description. Unfortunately, Schumpeter left only a sketchy summary on this direction for the lectures he intended to give in January 1950 (Schumpeter 1950).

¹⁴⁾ This term was used to describe the comprehensive unity of Marx’s works (Schumpeter 1951, p. 441). It reveals the hidden origin of Schumpeter’s ideas.

When he died on the morning of January 8, 1950, from a sudden stroke in his brain, he had already made preparations to travel to Chicago to deliver a lecture series titled "American Institutions and Economic Progress." The syllabus of the lecture deals with several basic problems such as the definition of "institutions," "factors of institutional change," "interaction between factors of economic and institutional change," and "groups and classes."

Schumpeter began this syllabus with the definition of institutions.

In this course, by the term "institutions," we refer to all the patterns of behavior into which individuals must fit under penalty of encountering organized resistance, and not only legal institutions (such as property or the contract) and the agencies for their production or enforcement. (*Ibid.*, p. 439)

This is a typically sociological definition of "institutions" that focuses on the patterns of behavior and its enforcement. Together with given tastes and knowledge, the given institutional structure molds the behavior of individuals. However, there are also three distinct groups, politicians, bureaucrats, and journalists that promote the change of institutions. Their "routine activity" induces a slow process of institutional change; and their "response" to the impact of external factors, a more rapid change. In their behavior that aims at power, career, and fame, Schumpeter saw an "analogy" with the profit-seeking activity in the area of economy. Further, Schumpeter moves forward to the interaction between economic factors and institutional change and emphasizes the view of political economy.

Even if we reduce this Marxist theory to its tenable elements, it is clear that economic evolution will shape human values, attitudes, legal structures, administrative practice, and so on, to some extent. Historical examples will elucidate this fact and the mechanisms through which it asserts itself.

But it must not be overlooked that institutional patterns in turn shape the economic process, a fact that can also be established historically. Therefore, neither the analysis of the economic process — economics — nor the analysis of the political process — political science — is adequate by itself to explain actual sequences of events. This is the reason why so many writers have come to plead for a political economy which is to combine both and much besides. (*Ibid.*, p. 439f.)

Here, we can see the Marxian origin of Schumpeter's idea of "unitary social science," the core part of which forms his "economic sociology." This syllabus delves further into the "social process" in which "groups and classes" are the "real agents."

The environment that molds individuals is not individual but rather group

environment; motives of the individual are not individual but group motives; actions are not simply individual actions but can, in general, be only understood as group actions. (*Ibid.*, p. 440)

Groups and classes are real agents in the social process. By their actions or even by their mere existence, they help to determine (to restrict) the possibilities for economic and institutional change and even what is to be considered, at any time and place, as economic or institutional progress or retrogression, as good or bad, as just or unjust. (*Ibid.*, p. 440f.)

Despite the stress on the collective motives and interest, Schumpeter does not adopt a deterministic view. Alternatively, he advocates “a principle of indeterminateness.” The premise on which this principle is based is two-fold, “the element of chance” and “personal elements.”

Regarding the former aspect of the premise, Schumpeter mentions not only the unpredictable events such as the discovery of gold mines or the breakout of wars but also the interaction of the developments of relatively autonomous sectors of social life.

We have seen that developments in the various sectors of social life, for instance, economic and political developments, though interrelated, enjoy a limited amount of independence. Therefore, situations may arise in business and in politics the temporal coincidence of which, though to some extent fortuitous, may produce consequences that could not have been predicted from any study of either development taken separately. (*Ibid.*, p. 441)

Regarding the latter, Schumpeter pays attention particularly to the qualities of the leading stratum. Although they are in themselves the result of social organizations and economic process, they can exert a totally different effect.

Without committing ourselves either to hero worship or to its hardly less absurd opposite, we have got to realize that, since the emergence of exceptional individuals does not lend itself to scientific generalization, there is here an element that, together with the element of random occurrences with which it may be amalgamated, seriously limits our ability to forecast the future. That is what is meant here by “a principle of indeterminateness.” (*Ibid.*, p. 442)

Usher would also agree with Schumpeter on the conclusion that the process of social evolution or development is characterized by indeterminateness. However, he would regard Schumpeter’s stress on “exceptional individuals” as a remnant of “idealism.” As we have seen in the 1932 manuscript of *Entwicklung*, Schumpeter hated materialism that may be easily accompanied by an “evolutionism.” He quested after an alternative concept of “evolution” that can explain the emergence

of novelty and discontinuity in the historical process. However, as his verdict on biological "evolutionism" turns out to be wrong, a non-idealistic explanation for the emergent properties in social life should be further explored.

6. Concluding remarks: Was Schumpeter a fatalist?

We have examined the origin of Schumpeter's writings that matched the definition of "economic sociology" he presented in the introductory chapter of *History of Economic Analysis*. To conclude this investigation, we apply our findings to the famous Schumpeterian view of the destination of capitalism.

Our findings are summarized as follows:

- 1) From his early years, Schumpeter had maintained the vision of "socio-cultural development" that was characterized by a general interdependence and the distinction between statics and dynamics.
- 2) Schumpeter adopted the term "evolution" to describe the historical change, but would provide theoretical explanation based on his own vision and be categorically different from that of the biological evolution.
- 3) In the understanding of real historical process Schumpeter endeavored to refine his view of interdependence but emphasized the indeterminateness due to the creative activity of "exceptional men."
- 4) The overall implication of the above three findings is that Schumpeter's conception of the history, including "economic sociology" is characterized by a dual structure of determinateness and indeterminateness that is isomorphic with his theory of economic development.

Under the static view, attaining the most efficient state is an inherent feature of the economic field. The conformity with other areas of society will bring the bureaucratization and the dominance of rationalism in politics and culture. They are also the result of economic growth. Schumpeter's prognosis of the transformation to socialism emerges from these interdependent and causal relations. It has the appearance of determinateness, since it rests on the conception of general interdependence of all social areas. However, this reasoning remains in the static or in the quantitative extension of static relationship. Under a dynamic view, the indeterminate elements revive with the emergence of innovative individuals ("exceptional men"). Even under an apparently deterministic identification of the tendency towards socialism, capitalism has the origin of its unforeseen evolution. However, simply for the same reason of indeterminateness, the prediction of the future is banned for a social scientist.

My view is that a fatalistic understanding of Schumpeter's thesis on capitalism overlooks the core structure of Schumpeter's "economic sociology." As we confirmed in the syllabus of his last (intended) lectures, he admitted to the existence of indeterminateness in the historical development of capitalistic institutions. However, the recommendation to counter the tendency is also not the

task of a social scientist.

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