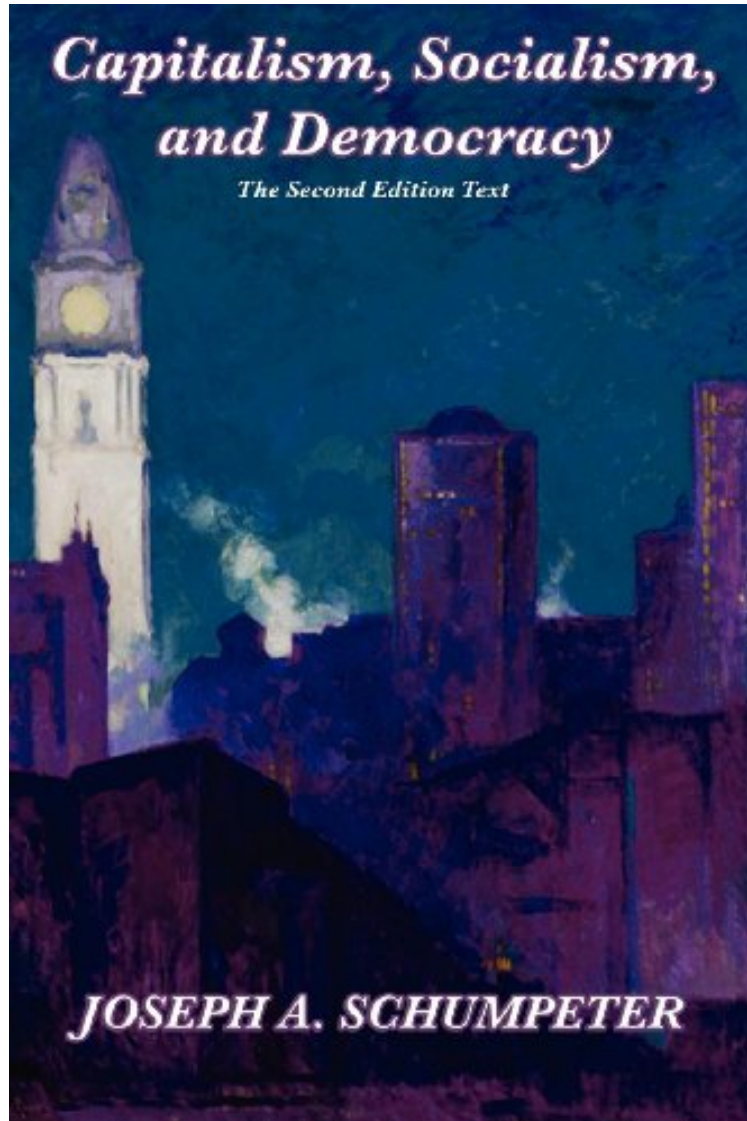


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Capitalism, Socialism, and Democracy: Second Edition Text

Joseph A. Schumpeter

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Joseph A. Schumpeter : Capitalism, Socialism, and Democracy: Second Edition Text before purchasing it in order to gauge whether or not it would be worth my time, and all praised Capitalism, Socialism, and Democracy: Second Edition Text:

0 of 0 people found the following review helpful. ed policy class reportBy elpa revwSchumpeter is one of the better known economists in history. He is particularly famous for this book, Capitalism, Socialism and Democracy. Although he claims he does not advocate socialism or prophesize its inevitability (p. 416), he does make the case for why and how socialism may evolve from the current system according to its logic. The author mentions several times that laypeople do not have the insight and power of analysis (p. 144) necessary to understand the dynamics of

institutional and economic processes. His audience is clearly one with a certain specialized knowledge. This book is not an easy read for everyone, though I do recommend skimming through the various sections at the very least if you have an interest in a very theoretical critique of the relationship between capitalism, socialism and democracy, as the title suggests. I read this book for an education class on school finance, so I had that topic in mind when reading and would like to assess the book in the context of education and the potential implications of Schumpeter's ideas on the way we view education. One of the more interesting relevant points in the book is that in a capitalist society civilization "creates, educates and subsidizes a vested interest in social unrest" (p. 146). That education is thought of as necessary for a successful democratic society and for alleviating social unrest, I find it interesting that Schumpeter says society educates with a vested interest in social unrest. Intellectuals are charged with the role of forming spearheads of class interests, so I am not clear how much of the unrest is intentional by key players like intellectuals, how much is endogenous to a capitalist system, and if the idea of education in a democratic society is overly romanticized when actually there is a greater force at play. Schumpeter covers class conflict a lot and the tensions between the bourgeoisie and the proletariat. I thought about the dynamics of this conflict in the context of education, trying to compare relationships within the education system to these societal relationships characteristic of the economic system. He talked about unions and guild socialism as one possibility in the U.S. As teachers unions have been among the most influential in U.S. history, I am curious if modern guild socialism is one possible future of education based on his logic and reasoning. He seems to suggest that capitalism will only remain stagnant with the help of the public sector. Schumpeter asserts capitalism will not continue earlier in his book (p. 61), but in the final section that was added later he clarifies it will only continue with intervention of the public sector. The author may have developed or changed his thinking from the first edition. However, I like the point he brings up about how bureaucratic apparatuses have always played a big role since feudal times, even if the form of bureaucracy looked different. People have proposed privatizing education or criticized the bureaucratic inefficiencies of school systems in the U.S. Schumpeter's reasoning presents, if not defends, the logic behind bureaucracy in general. Schumpeter's book was an important contribution to economic and social theory from a certain perspective. Although it does not directly address education, I believe study of theory like this can contribute to education by giving readers a unique framework through which to view the evolution of education.

9 of 9 people found the following review helpful. Creative Destruction of Capitalism and the Emergence of Socialism By Matthew P. Arsenault

Like Marx, Schumpeter predicts the inevitable disintegration of the capitalist system. However, where Marx foresees the collapse as stemming from proletariat revolution, Schumpeter argues that the "actual and prospective performance" of capitalism is strong, and unlikely to fail. But, Schumpeter argues, it is these same successes which will ultimately destroy the social institutions, namely private property and free contracting, necessary for its continued survival. As such, new conditions will emerge which will not allow capitalism to continue and socialism will become the dominant economic system. Capitalism is an evolutionary and dynamic process. This constant state of motion is driven by the emergence of new methods of production (and subsequently new consumer goods), the pursuit of new markets, and improved forms of industrial organization (83). As such, aspects of the internal capitalist system are constantly being revolutionized; old processes are being replaced with new processes in the name of progress and improvement. Schumpeter refers to this process as a state of creative destruction. "This process of creative destruction is the essential fact about capitalism. It is what capitalism consists in and what every capitalist concern has to live in" (83). The theory of creative destruction is based on the classic feature of capitalism, competition. Traditionally, capitalism is characterized by competition stemming from price, methods of production, and organization. This competitive attributes help to ensure the market efficiency of firms. However, Schumpeter argues that the real feature of capitalism is destructive competition. Destructive competition includes the emergence of new commodities, technologies, sources of supply and new types of organizations (84). Where the traditional measures of competition allow for existing firms to evolve in a changing market, destructive competition tends to destroy those firms which become inefficient. It is this system of destructive competition that revolutionizes the internal capitalist structures. Through the process of destructive competition, Schumpeter argues that the vital institutions of capitalism, ownership of property and freedom of choice in contracting, are destroyed. Schumpeter's sentiment is illustrated through a brief examination of the collapse of the feudal structure. During the feudal period, changes in production and mechanization overran and obliterated the artisan and small producer. Today, the same process can be observed in that larger, more efficient firms are eliminating their smaller, less efficient brethren. Stated simply, the capitalist process attacks its own institutional framework. The entrepreneurial class, which fuels the dynamic capitalist system, is being retarded, or as Schumpeter suggests, "economic progress tends to become depersonalized and automatized" (133). This is exemplified by the emergence of mega-companies in which the firm is rarely owned by one individual but rather is composed of board members and stock holders. Schumpeter argues that none of these actors truly own the company and as such lack the drive of the entrepreneur who owns his or her company. What then emerges is capitalist stagnation. Individual choice is usurped by the interest of large corporations. Instead of relying on choice, corporations will come to agreements between themselves, thus creating a system of pseudo-monopoly. With this limited competition, laws and regulations are imposed on the corporations rather than left to individual firms (141). As such,

we begin to see the emergence of socialist ideology in that competition and ownership are removed, and replaced by a centralized governmental system of control. Of particular note, unlike Marx who sees the destruction of bourgeois entrepreneur as a necessary precondition to socialism, Schumpeter sees the same entrepreneur as integral to the success of the socialist transition. Socialism will only emerge when capitalism has reached its maturity, that point in time where capitalism has destroyed its own vital institutions of ownership and choice. Although these institutions are eliminated, socialism still reaps the benefits from the technology, knowledge, and resources developed by the entrepreneurial class in the earlier stages of capitalism. In order to be sustainable such inheritances are necessary condition for the success of socialism. 16 of 17 people found the following review helpful. Cheap print-on-demand version sold as original Routledge edition By yuml;yvind Thomassen This review is about the printed version that sells as Routledge 1994 edition of *Capitalism, Socialism and Democracy*. The copy I received is a cheap version, with irregularly cut edges and paper that is not book quality. The last page of the book says: Made in the USA Lexington, KY 04 October 2012 which was two days after I ordered the book. should not be selling these copy shop items as if they were real books, especially not at \$70.

Schumpeter's *Capitalism, Socialism, and Democracy* is perhaps the most important and influential book on the subject ever written. This volume is the result of an effort to weld into a readable form the bulk of almost forty years' thought, observation and research on the subject of socialism. The problem of democracy forced its way into the place it now occupies in this volume because it proved impossible to state my views on the relation between the socialist order of society and the democratic method of government without a rather extensive analysis of the latter. Moreover, this material also reflected the analytic efforts of an individual who, while always honestly trying to probe below the surface, never made the problems of socialism the principal subject of his professional research for any length of time and therefore has much more to say on some topics than on others. In order to avoid creating the impression that I aimed at writing a well-balanced treatise I have thought it best to group my material around five central themes. Links and bridges between them have been provided of course and something like systematic unity of presentation has, I hope, been achieved. But in essence they are—though not independent—almost self-contained pieces of analysis.

About the Author Joseph A. Schumpeter (1883-1950). Originally born in Moravia in the present-day Czech Republic, Schumpeter was a renowned Economist, Business Theorist and Political Scientist. He has numbered among his pupils Robert Solow, the Nobel Laureate, and former chairman of the Federal Reserve Alan Greenspan.