

# On the sustainability of the Capitalist Order: Schumpeter's Capitalism, Socialism and Democracy revisited.

[Download Here](#)



Галерея  
экономистов

Econ

Economicus.Ru »

»



(1883-1950)

Joseph Alois Schumpeter

*: Journal of Socio-Economics, Fall93, Vol. 22 Issue 3, p163, 23p*

Caeldries, Filip

## ON THE SUSTAINABILITY OF THE CAPITALIST ORDER: CAPITALISM, SOCIALISM AND DEMOCRACY

*The present study provides a contemporary reading of Schumpeter's theory as formulated in Capitalism, Socialism and Democracy (1918). His central position in capitalism focuses on: (1) the dissociation between production and consumption, (2) the deconstruction of the moral-ethical principles of capitalism, (3) the threat of egalitarianism, (4) the role of the intellectual in capitalism. Contrary to claims that the dissolution of the capitalist order is observed that capitalism remains exposed to powerful forces. The new order of money will become universal. From Santiago to Beijing, all economic systems will worship at the altar of the market. The conditions for failure" (Attali, 1991, Millennium, pp. 120, 121)*

### INTRODUCTION

Fifty years ago, Joseph Schumpeter (1942) published one of his most important works (CSD). In Capitalism, Socialism and Democracy, Schumpeter argued that in contrast to the received Marxist doctrine however, capitalism would not be destroyed because capitalism would destroy itself from within because its economic system is inimical to its survival. 1 The idea was not new. Already in 1928 Schumpeter

"Capitalism, whilst economically stable . . . creates, by rationalizing production with its own fundamental conditions, motives and social institutions, the conditions to be merely a matter of taste and terminology to call Socialism or not"

Fifty years have passed since CSD was first published. History has not

progress of the capitalist system in the postwar years. Most recently, a deadly blow by the disolution of state socialism. Indeed, the displacement signalling the 'end of history', i.e., "the end point of mankind's ideological quest for democracy as the final form of human government" (Fukuyama, 1992, p. xv). In contrast to Schumpeter, Fukuyama argues that the logic of modern capitalism is in the direction of capitalism" (1992, p. xv).

Despite strong evidence documenting the economic success of capitalism, there are internal contradictions. For example, in a striking parallelism, at the heart of the Western capitalist project is undermined by a "decharismatic" and "utopian political vision and of the missionary-ideological component." In his thesis, Heilbroner (1989) observes that while capitalism may have succeeded by its internal cultural contradictions. Further echoing Schumpeter, Heilbroner creates the conditions for failure. These arguments are not just about American civilization: "[A]t the moment of victory, a wave of self-doubt sweeps over Americans believe the country is 'on the wrong track.' For the first time, their children will have a better life than themselves" (July 27, 1992, Computer) laments: "I don't think we know what our values are and what we stand for about? What do we stand for? What are our priorities? We simply don't know" (January 27, 1992, p. 76). Thus, in a survey of the evolution of the capitalist system (1989) Peterson, Kozmetsky, and Albaum (1991) observed that, despite being favorably disposed toward capitalism in 1989 than it was in 1980. In a questionnaire item "capitalism must be altered before any significant change in item agreement increased by 14 percentage points.

Building on the above observations, hereafter a contemporary reformulation is provided.[2] While such a reformulation must remain general, it addresses the sustainability of the capitalist order. Following Jameson's (1984) argument, production can exist without a theory of the historically and dialectically important part of the analysis presented hereafter will focus on capitalism. This is made to present a contemporary reading of Schumpeter's theory. Schumpeter's desire to establish social economics (Sozialökonomik) is discussed.

The remainder of this article is structured as follows. First, Schumpeter's thesis is presented. Second, while a victory for capitalism has been achieved, it has long been replaced by a "half-way" solution epitomized in the concept of welfare capitalism may be inherently unstable. Such instability is capable of resolving the structural contradiction between the principle of (1) the perfection of collectively imposed incentives, such as profit and (2) the imperfection of collectively imposed incentives, such as social objectives. Third, the desire to establish within the welfare state "equilibrium" within the capitalist order. In addition, the dissolution of state socialism and the Marxist ideals underlying the socialist experiment. Fourth, the role of the intellectual class therein are explored. Paralleling the demise of the welfare state in postmodernism is discussed as the next step in the cultural decorum.

## SCHUMPETER'S INSTABILITY OF CAPITALISM THESIS

In sharp contrast to received Marxist doctrine, Schumpeter believed capitalism to be economically successful. As the capitalist system develops according to increasing economic wealth--the leadership position of the individual entrepreneur is replaced by an "automatized, bureaucratic" system of specialized laborers in the description of the substitution of bureaucratic capitalism for entrepreneurial capitalism.

influenced by) Rudolf Hilferding's (1910) concept of "organized capitalism." Hilferding describes organized capitalism as follows. "Finance capital, in the hands of a small number of capitalist associations, separates the means of production to the extent that this is possible under capitalism" (Hilferding's concept of bureaucratized capitalism and Hilferding's notion of organized capitalism). Hilferding where he identifies the following four principal aspects of capitalist progress, (2) the utilization of new opportunities in an organized way, and (3) the attempt to unite trusts, cartels, and monopolies at the international level. When individual business is concerned, i.e. the gradual elimination of the

According to Schumpeter, the rise of the large bureaucratic corporation is a result of changes in socio-political structures, values, and norms. Of particular importance is the order on society.[3] Specifically, rationalization causes the following changes (see also in Swedberg, 1991, pp. 298-315), the Lowell Lectures: An Economic History of the Twentieth Century (1940), and Capitalism, Socialism, and Democracy (1942)):

1. the bourgeois class, by spreading its agenda of equality production, and the aspect of life, the intelligentsia destroys the power base of the capitalist system. The rationalist attitude does not stop at the credentials of kings and princes, but at the scheme of bourgeois values" (CSD, p. 143).

2. capitalist progress leads to an increase in the standard of living, and attitudes essentially hostile to the capitalist engine and the people.

3. as the prevailing socio-economic order is challenged, one observes the bourgeoisie hide behind newspaper hearings, and hence capitalism . . . is an organized system to survive, pp. 305-306).

4. because the business community is an anti-heroic and anti-glamorous system of loyalty. To quote one of Schumpeter's better known statements, "the bourgeoisie" (CSD, p. 137).

5. the institutional separation of business and political groups leads to a sharp contrast with the autocratic organizational form of the capitalist fact.

Gradually, the above forces combine to erode the basic structure of the capitalist system, accelerated by external shocks to the system such as wars and economic crises. (Karl Marx, Communist Manifesto, 1848) described the economic crises of the nineteenth century as a periodic return put the existence of the entire bourgeois society on a false foundation, mistaken to consider these external shocks as the true reasons for the system's collapse, but merely facilitating conditions "eating away the structure that they were not which would have resisted" (Lowell Lectures, p. 354).

To illustrate, by 1933 the instability of the capitalist order was so great as to cause disbelief both in the old social relationships and in the new ones. The manifestation of such a disbelief in the capitalist ethic, argues Schumpeter. After 1933, taxation was no longer seen as a necessary evil that had to be tolerated (Gladstonian finance). On the contrary, taxation was used to change the public's disapproval of high incomes, of capitalist profit making [. . .] while the profit motive" (Lowell Lectures, p. 366). Elsewhere ( Wage and Taxation in the Twentieth Century, 1991, pp. 429-437), Schumpeter refers to these taxation policies as causing the transformation of the intact capitalist state to a transitional state. The two states ceased to correspond to each other).

According to Schumpeter, the origins of the demise of capitalism lie in the process of rationalization. During this time period the first signs of the 'rationalizing', 'leveling'

began to manifest themselves. Civilization during this time period "r counted the costs of wars and did not back the glory as an asset [ (Lowell Lectures, p. 340). Capitalism, argued Schumpeter, would ine be merely matter of taste and terminology to call Socialism or not" (

Summarizing, Schumpeter views the development of econor entrepreneurial capitalism, (2) bureaucratic/ organized capitalism, arrangement that vests the management of the productive process v

In the following sections, an attempt is made to provide a new readi contemporary conditions.

## **CAPITALISM IN THE REAL WORLD: HOW STABLE IS IT**

For all practical purposes, the adoption of Keynesian economic p substitution of welfare capitalism for what Schumpeter called "ir economic agenda was the growth of state intervention. Despite intervention does not necessarily contradict the optimal organizati for the realization of capital (Habermas, 1973/1975). To illustrate argues that the use of private enterprise for economic activities cha cannot maximize welfare. Socialization, i.e. state intervention, of the recently, Greenwald and Stiglitz (1986) showed that under conditio always--the economy is almost never constrained Pareto efficient. certain point state activities (particularly those aimed at develo investments in the private sector and thus lead to increased inves private investments. Under these conditions then, there exist gove individuals without worsening the position of others.

### **The Instability of Welfare Capitalism**

Within welfare capitalism, the role of the state is to improve the p restricts the pursuit of individual profit for three reasons: (1) to eas (the distributional corrective), (2) to increase the efficiency of mark choices, and (3) to increase the performance of the spontaneous "truth" as the *conditio sine qua non* for perfect market information.

Taxes will pay for the functioning of the state. However, there exist ( Crisis of the Tax State, Schumpeter, 1918, in Swedberg, 1991, pp. 99-] from the private domain (also Hawtrey, 1930; Bates & Lien, 1985).[6 soon as the private domain from which the state is "derived" is nega

Observing that it is the objective of the state to promote the creati the relevant question is whether the imposition of coercive rules b internalization of moral-ethical norms. Starting with Weber's *The R* exists strong evidence suggesting the superiority of moral-ethic reconnecting individual and collective objectives.

The defense of state intervention rests on the assumption that--in individual--the "controller" will promote the interest of the collec principle of private interest is not applicable to the "controllers". H appropriately raises the following question: "[w]hy expect the cor advantage?" (1976, p. 12).[8] Clearly, the controllers cannot be as Consequently, "[c]entral guidance of the invisible hand is subject to can be held to its social purpose . . . so long as it operates on th

individual maximization means manipulating these rules too" (Hirsch

Traditional solutions to reconnecting individual and social objectives (subsidies). Hirsch questions the usefulness of such incentives suggesting that the welfare state is a moral one. That is, the welfare state can only function when there is a moral order (Harrington, 1990; Hechter, 1981).[9]

The classic formulation of Hirsch's critique on economic individualism is found in his book *Social Action*. Parsons' (and later Hirsch's (1976) and Cobb's (1990)) critique of the classical economic system can only function in a society which has a moral order. Without this moral order the economic system would not be able to function. The moral order conceived by classical economics can take place on a significant scale only where the rights of individuals and fraud are at least held within bounds and where the rights of individuals are protected. Recently, Cobb (1990) has taken the idea of morally constrained individualism as a critique of neoclassical economic theory. Cobb observes that the moral order of the communities renders the traditional individualistic economic model obsolete. The effects risks undercutting the "freedom of the future". Cobb argues that community welfare as the ultimate objective of the economic order is essential for community welfare. Importantly, communal and individual objectives can only be achieved by imposing the fate of the community can individual welfare be achieved.

Interestingly, Parsons' critique on the neoclassical paradigm centers on the moral order of constrained private behavior. In *The Theory of Moral Sentiments*, Adam Smith argues that moral order subsist among those who are at all times ready to hurt and injure another. Parsons' built-in restraints on economic individualism derived from moral order presents "sympathy" as a natural faculty which makes possible the moral order. Individuals identify with the fate of others, moderates extreme individualism.

The necessary condition for private behavior to reflect a Smithian moral order is justice, in the sense of fairness. Here Hirsch builds on Adam Smith's theory of justice. The importance of Rawls' work is its attempt to establish the basis for a moral order in a free economy. Unfortunately, laments Hirsch, the Rawlsian state is an abstract ideal in the absence of explicit moral justification and/or of specified moral constraints. The operating efficiency in the previously neglected problem of security and justice in a free economy and individual norms" (1976, p. 157; also Polanyi, 1944).[11]

### **What to do?**

Observing the moral atrophy of radical individualism, Schumpeter's *Professionalism des Industriels: The Future of Private Enterprise in the Twentieth Century* (1991, pp. 401-405)--proposed to organize society along corporatist lines. His proposal of Pope Plus XI to establish a corporatist state (the encyclical *Quadragesimo Anno*) in defense of a corporatist organization is that it organizes but does not control the economy. A socialist state which according to Schumpeter was nothing more than a state of coordination capability of the corporatist system. For example, in a corporatist state action would cause negative effects for all enterprises and all workers. The corporatist state allowing intervention by professional organizations. The coordination of every individual enterprise that it would not be the only one to advance. The corporatist state for its own output (Schumpeter, 1945, in Swedberg, 1991). Schumpeter's proposal for the development of occupational corporations. According to Schumpeter, the sense of solidarity and commitment, i.e., its ability to exert moral constraints on individualistic profit-maximizing behavior strongly supports the corporatist proposal for the development of occupational corporations. According to Schumpeter, the sense of solidarity and commitment, i.e., its ability to exert moral constraints on individualistic profit-maximizing behavior strongly supports the corporatist proposal for the development of occupational corporations. The capacity of the corporatist state to regulate the economy would permit all members of society to advance.

While not arguing for a corporatist alternative, Etzioni (1988) seen replacing the neoclassical (radical individualism) paradigm with Characteristic of the "I and We" paradigm is the assumption that decision-making units. Individual decisions occur, but always with legitimate and integral part of one's existence, a we, of which each individual is a part (1990) Pragmatic Liberalism). The individual's sense of shared identity is central to Smith's thesis in *The Theory of Moral Sentiments*, Etzioni sees a new economic order and the sharing of a "moral dimension". Argues that the more moral commitments, the more they are expected to persevere. Contrary to the interest, e.g. by calculating costs and benefits, the less likely they are to act because moral commitments reduce moral hazards. For example, the costs are (p. 69 and p. 254), the lower expenditures for legal action needed to achieve compliance behavior (p. 46). Consistent with Etzioni's promotion of the deontological I and We paradigm (and the idea that it) suggests the need for a broad-based reform of the neoclassical individualism as the prime ordering principle of the capitalist order.

Recently, more and more corporations are experimenting with alternatives i.e. to reconnect private and social objectives. Consider, for example, the independent software houses in the world) which is organized as a company's stock, but the shares function mainly to protect the company's dividends on their share holdings which must be returned to the company. The company should not produce richness for a few from the work of many. In addition, top management cannot benefit from large salaries and bonuses (pp. 82-83). Consider, in a similar vein, the case of Just Desserts, Inc. which turned a nearby terrain into an elaborate garden tended to by paroled prisoners. In the dominant social institution of the future, we have to mix social objectives with profit" (Fortune, January 27, 1992, p. 77).

Essentially, both the Software AG and the Just Desserts, Inc. examples represent a "moral community" (Rawls, 1971), as a "moral community" (Bowie, 1991). In a moral community (stakeholder) is equal to the interest of every member. The development of the individual's autonomy and self-respect. As the moral community can have a competitive advantage. Given the corporate responsibility literature, answering the above question may not be that the more the neoclassical firm attempts to achieve profits the more the firm should be capable of creating a sustainable advantage (assuming a moral community).

Summarizing, the demise of state socialism does not necessarily have been succeeded by a "halfway" solution epitomized in the concept of a moral community inherently unstable due to: (1) the deconstruction of moral-ethical principles and interests, and (2) the imperfections of collective interests. Recognizing the limitations of radical individualism and the need for a moral community, we witnessed several attempts to reconnect private and social interests in various configurations.

## CAPITALISM, SOCIALISM AND EGALITARIANISM

For Schumpeter, the rise of socialism was inevitable. Seemingly the rise of the New Deal would contradict Schumpeter's prediction. Indeed, socialism's central legitimizing principle (Konrad & Szelenyi, 1977) is that a socialist experiment may be identified, in retrospect, it would seem

the characteristics of early capitalist production and describing its impact on workers, the socialist critique failed to address the true conflict between the individual and society within a single individual. Second, to implement the objectives of socialism, the state is necessary. This ultimately limited socialism's capacity for self-correction (e.g. the failure of the Soviet Union).

Despite its current demise, claims that the socialist experiment has been a failure are premature.

First, recent events have seen the demise of a degenerate form of socialism. "Although we have a great deal to learn from the experience of socialist failure, but one of its forms that socialism in general is impossible," suggests that the elimination of state socialism will liberate Marxism. This in turn will assure the long-term viability of Marxism. Also, the moral appeal of the Marxist ideal: from each according to his ability, to each according to his needs. The breakup of the communist empire . . . should not blind us to the possibility of a universalist utopia" (Manuel, 1992, p. 8). The validity of Manuel's argument is what the West can offer the East in terms of a legitimate societal order. In Central Europe, Kohak (1992) arrives at the conclusion that the disintegration of socialist society is a social disintegration of Western capitalism--precipitated by its loss of the veil of instant individual affluence, the West now comes face-to-face with a legitimating vision, its sense of reality and of personal responsibility. The illusion that the pursuit of happiness could be supplanted by the state (Manuel, 1992).

Second, despite claims to victory, there exists strong evidence for the failure of socialism. The primary interest is the adoption of "egalitarianism" as a societal ordering principle. It is not order because it attempts to establish uniformity in result (equality of opportunity, but also believe in economic and social equality, even if achieved through a redistributive tax, regulatory, and welfare programs, along with control of deep-pocketed corporations in order to compel them to ameliorate the conditions of the poor. The concept of egalitarianism, suggests McCracken (1979), reflects the fundamental flaw of socialism, indistinguishable from a system of hereditary privilege. Concurs with the view that inherited forms and distinctions have come under violent attack; that the state has set up as an ideal with the aid of vague equations purporting to show the path to freedom from oppression" (1990, p. 70).

Interestingly, egalitarianism also gives rise to a powerful alliance between the state and the labor movement, and controlling equality requires a substantial expansion of the state's role.

The anticapitalist orientation of egalitarianism most clearly manifested in the rise of the welfare state. [13] A contemporary account of society's use of the law to substitute efficiency is provided by Polisar and Wildavsky (1989) in their historical study of the mechanism for improving safety in an economic manner. The development of the welfare state is based on the principle of compensation for the individual. The state's protection of capital to the principle of compensation for the individual. The state's demands for a greater equality of condition by certain strategically important industries. Tort law causes it to be used as a method of income redistribution. The result is that society is converted into cost maximization to business and, therefore, into a system of social control.

Bork (1978) in his study of the antitrust laws concurs.[15] Prior to the passage of the Sherman Act (1890), Pennsylvania Inc.) antitrust policy exhibited a particularly strong anticapitalist orientation. The dictum *monopolium est injustum et rei publicae injuriosum*, etc., was used to label as anticompetitive those innovations in organizational structure that were not consistent with the perfectly competitive market that was their reference point (DeVries, 1978). The first is the redistribution and minimization of individual differences i.e., to establish a more equal society which combine to undermine the functioning of the capitalist system. The second is the accumulation of wealth through the inhibition of efficiency. The second is the accumulation of wealth through the inhibition of efficiency.

increased government incursions into the private sphere if great replacement of free markets with government-regulated markets, and "representatives to courts and bureaucracies" (Bork, 1978, p. 423).

In sum, the desire to establish within the welfare state equality of opportunity for the capitalist order. In fact, given the virtually identical intellectual class liberalism, (McCracken, 1979) it may safely be argued that the capitalist

## THE INTELLECTUAL CLASS AS A DESTABILIZING FORCE

According to Schumpeter, the capitalist system raises a class of intellectuals to challenge the capitalist/bourgeois class (Schumpeter, 1941, in Sweezy and Kolakowski (1990), the members of the intellectual class may be defined as "destructive). "Thus we do not consider those who simply convey their own particular world perception on others in order to create their own reality" (Kolakowski, the word does not just reproduce reality, it becomes a force that becomes the enemy of stability by relying on self-supported reason and the ideological state.

The persistence of an intellectual class hostile to the foundations of the antitrust laws. Bork (1978), in true Schumpeterian fashion, notes the recent enormous growth in size of an intellectual class—using the services of government officials, and others whose job centers on ideas and work in the public sector at the expense of the private sector" (1978, p. 424, and "tastes and interests attempt to shift the balance of power and preponderant influence on the drafting and interpretation of the law.

The position of the intellectual class in the struggle for power with the private sector (Coase (1977) in his study of company advertising. According to Coase, government policies applicable in the intellectual's market for ideas are different from policies which apply to the capitalist's market for goods and services. Intellectuals are able to choose appropriately between what they are offered without regard to what they tell consumers, how goods are labelled, and what choices" (Coase, 1977, p. 2). Referring explicitly to the role of the intellectual class, Coase raises the question why the intellectuals are unaware of the incorporation of their own self-interest to the question. It is self-interest. The market for ideas is the market for freedom where their own activities are concerned. 'Freedom of speech' (Coase, 1977, p. 15). If indeed the intellectuals attempt to shift the balance of power, the market becomes restrictive when it impinges on the interest of the intellectual class. The market for freedom of speech (Bork, 1978; also Kolakowski, 1990). The experience of the past decades would certainly seem to support the Coase-Bork thesis. The reform of the legal system is of more than just legal interest. Because of the legislative debate (sure to intensify in the near future) may prove to be a victory for the intellectual class.

A contemporary formulation and (limited) empirical proof for Schumpeter's interest group theory of government. The critical link here is the role of the interest groups. The essence of the interest group theory of government and the capitalist order may usefully be presented by means of Mancur Olson's (1982) theory of interest groups. Unlike most growth theories which explain differences in resource endowments, technology, and preferences, Olson's attention is on the special-interest group. According to Olson, special-interest groups are formed by continued freedom of organization (i.e., democratic capitalist coun-

amount of lobbying power per capita. Small interest groups have individual members have a strong incentive to contribute to the concentrated among group members (Olson, 1965). The implication narrow segment of society, the special-interest group has little or follows that "there is for practical purposes no constraint on the soc on the society in the course of obtaining a larger share of the soc because political participation is costly, concentrated groups are action problems (Shapiro, 1990). At this point the relationship betw rate of a society becomes clear. Special-interest groups reduce the e operate. An important reason for this is the absence of market sanc interest group theories, the state becomes a mechanism which is us general assumption is that the outcome of such a wealth transfer gai

Olson was not the first to express reservations about the negative Long before that, Jean-Jacques Rousseau (1762), in *Du Contrat Soci* society will prevent the private vote of individuals to express the p process can only work in the absence of persuasion and pressures from others (assuming full information). Since this situation cannot -the embodiment of pressures and persuasions--be banned. Shoul that various groups would neutralize each other.

Hereafter, the role of the intellectual class is examined as it invc supporting cultural base.

## THE CULTURUAL CONTRADICTIONS OF CAPITALISM

Commenting on the recent economic victory of capitalism, He economic contradictions are not what will destroy it, its internal contradictions of capitalism within the deconstruction of religion, I lives of the accumulated capital of the traditional religious and m ethic", Bloom, 1987). With this moral capital rapidly depleting, th questioned as the socio-cultural system does not generate the re 1973/1975).

Describing the disfunctionality of the socio-cultural system specific

"[t]he less the cultural system is capable of producing adequate occupational system, the more must scarce meaning be replaced distribution that arise from socialized production for non-gener procuring legitimation are inflexible normatire structures that no lo resources, but instead confront it with exorbitant demands" (1973/1

The position that capitalism cannot survive without a legitimizing Bell (1976) in his classic work *The Cultural Contradictions of C* According to Bell, American capitalism has lost its historical legit moral system of reward which was based in the Protestant sanctific gratification. Importantly, the Protestant (work) Ethic and the Purita been destroyed by the success of the bourgeois market system (al Mentality). Asks Bell (1976), following the deconstruction of these hold society together?

Situating the deconstruction of capitalism's cultural base within the the existence of a close link between the dissolution of the sacred cultural foundations. "Whatever its origins, the sacred provided soci

. . things but also to confer upon each of them a specific value, to observation" (Kolakowski, 1990, p. 70). Secularization's insistence on opposition and classification. While it is probably true that the sacred is the direct opposite--secularization--is ultimately destructive of a sacredness, man's limitations, man's imperfections.

Under these conditions, culture loses all sense as with the adoption of a technology to solve all human problems including the need for moral guidance. The idea that man can liberate himself totally because with the deconstruction of perfection that could be attained by the profane. Implied is the notion that flexibility and perfectability would be to deny man's autonomy. According to its ideal of total liberation "far from unfurling before us the prospect of a new world" (1990, p. 72). That is, man could take it easy as long as God, nature, and culture are destroyed, "[Nietzschean] men must be brought to the abyss, terrified of them, in order to make them aware of their responsibility for their conditions of their creativity in order to generate values" (Bloom, 1987, p. 39). Rationalism has progressed to embrace the ultimate deconstruction of intellectual and moral relativism.

Specifically, the last decades have seen the embrace of postmodernism replacing foundationalist theoretical philosophy with relativistic inquiry. Lyotard argues that traditional conceptions of reason, knowledge and truth are being deconstructed. For example, according to Lyotard (1979/1984) "science is the true knowledge without resorting to the other, narrative, kind of knowledge" (1979/1984, p. 24).

Importantly, postmodernism constitutes an attack on the cultural foundations of notions of rationality, science, objectivity, and truth which constitute the basis of modernity. According to Wolfe (1992), postmodernism attacks the Western scientific experiment. As Habermas (1990) thus suggests reading postmodernism's critique of modernity.

Because the postmodern critique denies the existence of "the universal meaning to the order of things. Stated otherwise, the ground of all things is in need of verification. In this sense, it is self-validating and self-legitimizing. The whole idea of a culture transmitted through language must be abandoned. The search for truth becomes fatally subverted (Moser, 1992; cf. Habermas, 1990).

By awarding absolute power to the individual's interpretive capacity in the self, postmodernism insists that all sense can be decreed by the individual. The blueprint for a societal order characterized by great compassion and awarded legitimacy. However, at the societal level "cultures fight with each other. Only be asserted or posited by overcoming others, not by reason. They cannot determine what the world is. They cannot come to terms. There is no end" (202).

With respect to the Western capitalist project then, postmodernism's "success" is "succeeds in destroying the West's universal or intellectually imposed equality in the republic of cultures. Unfortunately, the West is defined by its need for discovery of nature, by its need for philosophy and science. The collapse" (Bloom, 1987, p. 39).

To summarize, while capitalism has been economically successful, capitalism's vulnerability to cultural contradictions is as relevant to

written. First, secular rationalism and its implied belief in man's au-  
moral-ethical ordering principles. Secular rationalism, because it  
leads to the human standpoint to be treated as absolute which in tu-  
concerns. Second, just as the sacred was deconstructed by the sec-  
rational scientific project of Western culture and the de facto pro-  
deconstruction of capitalism's socio-cultural base.

## CONCLUSION

In *Capitalism, Socialism and Democracy*, Schumpeter argued that  
cultural conditions inimical to its survival. Over the years numerou  
Samuelson (1981), for example, commented on the student revolts  
instability-of-capitalism thesis. While he faults Schumpeter for u  
1968/1969 university revolts prompted Samuelson to write the follo

"Nothing that has happened in recent years at Berkeley or Harvard  
(CSD). And if there are clubs in the great beyond, one can picture S  
hand--reading the *New York Review of Books* and chuckling in clir  
saying, 'I told you so.' The successes and rationalism of bourgeois c  
fan the flames of hostility toward an efficient but unlovable system v

Alternatively, Heilbroner (1981) disagreed with Schumpeter's predi-  
inadequate. Building on Weber's definition of capitalism as a "met  
concerned with achieving efficiency, Heilbroner argues that with th  
pursuit, of hierarchy and restricted democracy, of rationalism and u  
of authority from one social group to another. For Heilbroner then,  
socialist state the same contradictions exist. This time however, they  
bourgeoisie.

Recently, Heilbroner (1989) seems to be more in agreement with S  
capitalism. Other authors questioning the sustainability of the cap  
(1990), Attali (1991), Eisenstadt (1992), and Kohak (1992).

While the economic successes of capitalism cannot be denied, Schu-  
to be reevaluated. In the present study, a new reading of the instabi  
our time was provided. While much (most likely unproductive) tin  
socialism controversy, the analysis presented above suggests that  
albeit different in shape. Specifically, (1) the intact capitalist posi  
untenable, (2) the successes of capitalism have led to the deconstr  
order was founded, (3) egalitarianism has emerged as a powerfi  
propelled by a strong intellectual class, remain present.

Combined, the available evidence strongly suggests that the Wes  
history, remains challenged.

## NOTES

1. In a similar vein, Hilferding (1910) suggests that the capitalist system will c  
economically deficient.
2. Studies reassessing the political aspects of CSD (especially the connection be  
this respect the Special Issue of the *European Journal of Political Research* (Vol. 23
3. Somewhat surprisingly perhaps, little or no research has been conducted reg  
administration. A rare exception is a recent study by Carruthers and Espela  
bookkeeping system. In *Capitalism, Socialism, and Democracy*, Schumpeter had  
the unit of money into a tool of rational cost-profit calculations, of which the tow

we will notice that, primarily a product of the evolution of economic rationality, the and defining numerically, it powerfully propels the logic of enterprise" (1942, p. 1 bookkeeping does have a rationalizing effect. The authors particularly emphasize new legal forms for commercial activity. They suggest that next to the technical (i attention to the rhetorical aspects.

4. Earlier manifestations of the decay of the capitalist spirit may be found at the principle of the bourgeois society at the level of international relations, Schumpeter (1918) and its political complements: imperialism, militarism, and nationalism) as additional

5. The year 1871 marks the collapse of Bonapartism and the start of the Paris Commune

6. Schumpeter makes it very clear that the state derives its meaning from the existence of a center of gravity within itself, where its meaning lies in the individual and his performance. "Where there can the state exist as a real phenomenon" (Schumpeter, 1918, in Swedberg, 1976, p. 10)

7. For example, Friedland and Sanders (1985) find that "increases of one percent in income growth with a 2.8 percent decline in income growth over three years, or just under one percent

8. For empirical results documenting the presence of agency problems in regulatory interest theory of regulation. According to Spiller, agency problems arise between regulators and politicians. Hence, congressional delegation of regulatory authority will give rise to agency problems between politicians which appoint them. Spiller concludes that "[w]hile Congress seems to be perfect" (1991, p. 98).

9. For an attempt to incorporate morality as a constraint, i.e. as a tax, in a neoclassical framework, see

10. For an extensive discussion of Adam Smith's view of man, see Coase (1976).

11. Recall in this respect the study by Nordhaus and Tobin (1972). The principle of economic growth led to increased well-being. Using a newly constructed "measure of economic welfare" the correlation between economic growth and economic welfare has weakened since 1972. A recent study for later time periods reveals that "from 1980 to 1986, while per capita income rose, Sustainable Economic Welfare fell at the rate of minus 1.26 percent annually" (Coase, 1976, p. 10)

12. No detailed exposition of the problems of socialism is given as the basic topic of the book

13. According to Schumpeter, the separation of business and political systems is a necessary condition

14. A very similar conclusion is reached by Kagan (1991) as he analyzes the rise of the legal profession in general and the legal problems in the Port of Oakland harbor-deepening case in particular as manifested by the Half Moon Bay Fishermen's Marketing Association.

15. In addition, Bork's analysis resembles Schumpeter's in that it relies heavily on the concept of

16. Consider in this respect Jacques Derrida's *Speech and Phenomena* (1973) ; *Archeology of the Human Sciences* (1966/1971) and *Power/Knowledge* (1980/1981) ; *Power/Knowledge* (1979/1984), Stanley Fish's *Doing What Comes Naturally: Change, Rhetoric, and Politics* (1989) and Fredric Jameson's *Postmodernism or, The Cultural Logic of Late Capitalism* (1984) (see Habermas' (1990) *The Philosophical Discourse of Modernity: Twelve Lectures* and

## REFERENCES

Anderson, C. W. (1990). *Pragmatic liberalism*. Chicago: University of Chicago Press.

Attali, J. (1991). *Millennium: Winners and losers in the coming world order*. New York: Basic Books.

Bates, R. H. and D.-H. D. Lien. (1985). A note on taxation, development, and representation. *Journal of Law and Economics* 19(1): 1-18.

Bell, D. (1976). *The cultural contradictions of capitalism*. New York: Basic Books.

Bernholz, P. (1982). Expanding welfare state, democracy and free market economics. *Economics/Zeitschrift fur die gesamte Staatswissenschaft* 138(3):583-598.

Bloom, A. (1987). *The closing of the American mind*. New York: Simon and Schuster.

Bork, R. H. (1978). *The antitrust paradox: A policy at war with itself*. New York: Basic Books.

Bowie, N. E. (1991). The firm as a moral community. Pp. 169-183 in *Morality, rationality, and the firm*, ed. M. Coughlin. Armonk: M. E. Sharpe.

Burawoy, M. (1990). *Marxism as science: Historical challenges and theoretical growth*. Chicago: University of Chicago Press.

Business Week. (1992). *Capitalism that would make Karl Marx proud*. November 23, 1992.

Carruthers, B. and W. N. Espeland. (1991). Accounting for rationality: Double-entry bookkeeping and the firm. *Journal of Sociology* 97(1): 31-69.

Coase, R. H. (1976). Adam Smith's view of man. *Journal of Law and Economics* 19(1): 1-18.

Coase, R. H. (1977). Advertising and free speech. *The Journal of Legal Studies* 6(1): 1-18.

Cobb, J. B. (1990). From individualism to persons in community: A postmodern perspective on spirituality, political economy, and art, edited by D. R. Griffin. Albany: State University of New York Press.

Derrida, J. (1973). *Speech and phenomena*. Evanston: Northwestern University Press.

Derrida, J. (1976). *Of Grammatology*. Baltimore: Johns Hopkins University Press.

Dewey, D. (1990). Economists and antitrust: The circular road. *Antitrust Bulletin* 37(1): 1-18.

Durkheim, E. (1902/1965). *The division of labor in society*. New York: The Free Press.

Eisenstadt, S. N. (1992). The breakdown of communist regimes and the vicissitudes of transition. *Journal of Democracy* 13(1): 1-18.

Elster, J. (1985). Rationality, morality, and collective action. *Ethics* 96(4): 136-155.

Etzioni, A. (1988). *The moral dimension. Toward a new economics*. New York: The Free Press.

Fish, S. (1989). Doing what comes naturally: Change, rhetoric, and the practice of Fortune. (1992). The values we will need. January 27, 1992, pp. 75-77.

Foucault, M. (1966/1971). The order of things: An archeology of the human sciences. New York: Random House.

Foucault, M. (1980). Power knowledge. New York: Pantheon Books.

Friedland, R. and J. Sanders. (1985). The public economy and economic growth 437.

Fukuyama, F. (1989). Entering post-history. *New Perspectives Quarterly* 6(3): 49-64.

Fukuyama, F. (1992). The end of history and the last man. New York: The Free Press.

Greenwald, B.C. and J. E. Stiglitz. (1986). Externalities in economies with imperfect information. *Journal of Economic Theory* 101(2):229-264.

Habermas, J. (1973/1975). Legitimation crisis (Legitimationsprobleme im Spätkapitalismus). Frankfurt: Suhrkamp.

Habermas, J. (1985/1990). The philosophical discourse of modernity: Twelve lectures. Cambridge: The MIT Press.

Harrington, M. (1990). Socialism, past and future. New York: Plume.

Hawtrey, R. G. (1930). Economic aspect of sovereignty. London: Longmans, Green & Co.

Hayek, F. A. (1944/1972). The road to serfdom. Chicago: The University of Chicago Press.

Hechter, M. (1981). Karl Polanyi's social theory: A critique. *Politics & Society* 10(4).

Heilbroner, R. L. (1981). Was Schumpeter right. Pp. 96-106 in *Schumpeter's vision*, edited by A. Heertje. Eastbourne and New York: Praeger Publishers.

Heilbroner, R. (1989). The triumph of capitalism. *New Perspectives Quarterly* 6(3): 49-64.

Hilferding, R. (1910/1981). Finance capital: A study of the latest phase of capitalist development (Entwicklung des Kapitalismus). London/Boston: Routledge & Kegan Paul.

Hilferding, R. (1927/1983). The organized economy. Pp. 247-253 in *Readings in Marx*, edited by E. H. Carr. London: University Press.

Hirsch, F. (1976). Social limits to growth. Cambridge: Harvard University Press.

Isaak, R. A. (1991). International political economy: Managing world economic change. New York: Basic Books.

Jameson, F. (1984). Foreword. Pp. vii-xxv in *The postmodern condition: A report on culture*, edited by J. Baudrillard. London: Basingstoke: Macmillan.

Jameson, F. (1991). Postmodernism or, the cultural logic of late capitalism. Durham: Duke University Press.

Kagan, R. A. (1991). Adversarial legalism and American government. *Journal of Policy History* 4(1).

Kaus, M. (1992). The end of equality. New York: New Republic Books/Basic Books.

Keynes, J. M. (1926). The end of Laissez-Faire. London: Hogarth Press.

Kohak, E. (1992). Ashes, ashes . . . Central Europe after forty years. *Daedalus* 121(2): 1-19.

Kolakowski, L. (1990). Modernity on endless trial. Chicago: University of Chicago Press.

Konrad, G. and I. Szelenyi. (1979). The intellectuals on the road to class power: A study in social theory. Cambridge: Harvard University Press.

Kristol, I. (1983). Capitalism, socialism, and nihilism. *The Public Interest* 32: 3-16.

Lyotard, J.-F. (1979/1984). The postmodern condition: A report on knowledge (La condition postmoderne). Paris: University of Minnesota Press.

Manuel, F. E. (1992). A requiem for Marx. *Daedalus* 121(2): 1-19.

Maritain, J. (1958). Reflections on America. New York: Charles Scribner's Sons.

Marx, K. and F. Engels. (1848/1967). The communist manifesto. Harmondsworth: Penguin.

McCracken, P. W. (1979). Can capitalism survive. Pp. 134-152 in *Dilemmas for capitalism*, edited by P. W. McCracken. New York: Praeger Publishers.

Moffit, R. (1983). An economic model of welfare stigma. *American Economic Review* 73(1): 1-19.

Moser, C. A. (1992). Literary theory, the university, and society. *Modern Age* 34(2): 1-19.

Nordhaus W. and J. Tobin. (1972). Economic growth. New York: National Bureau of Economic Research.

Olson, M. (1965). The logic of collective action: Public goods and the theory of group action. New York: Basic Books.

Olson, M. (1982). The rise and decline of nations: Economic growth, stagflation, and national power. New York: Basic Books.

Parsons, T. (1937/1968). The structure of social action: A study in social theory with special reference to modern sociology. New York: Free Press.

Peterson, R. A., G. Kozmetsky, and G. Albaum. (1991). The public's attitude toward capitalism. *Journal of Economic Surveys* 5(1): 1-19.

Polanyi, K. (1944). The great transformation: The political and economic origins of modern society. New York: Basic Books.

Polisar, D. and A. Wildavsky. (1989). From individual to system blame: A cultural analysis. *Journal of Economic Surveys* 3(2): 130-155.

Rawls, J. (1971). A theory of justice. Cambridge: Harvard University Press.

Rothman, S. (1992). Liberalism and the decay of the American political economy. *Journal of Economic Surveys* 6(1): 1-19.

Rousseau, J.-J. (1762/1968). The social contract (Du contrat social). Harmondsworth: Penguin.

Samuelson, P. (1981). Schumpeter's capitalism, socialism and democracy. Pp. 1-19 in *Schumpeter's vision*, edited by A. Heertje. Eastbourne and New York: Praeger Publishers.

Schumpeter, J. A. (1928). The instability of capitalism. *Economic Journal* 38(3): 36-54.

Schumpeter, J. A. (1942). Capitalism, socialism, and democracy. New York: Harper & Row.

Shaviro, D. (1990). Beyond public choice and public interest: A study of the legislative process. *Pennsylvania Law Review* 139: 1-123.

Smith, A. (1759/1976). The theory of moral sentiments, edited by D. D. Raphael. New York: Oxford University Press.

Spiller, P. T. (1991). Politicians, interest groups, and regulators: A multiple principal-agent model. *Journal of Economic Surveys* 5(1): 65-101.

Swedberg, R. (ed.). (1991). Joseph Schumpeter: The economics and sociology of capitalism. Cambridge, MA: Harvard University Press.

Tinbergen, J. (1959). Selected papers. Amsterdam: North Holland.

Von Mises, L. (1972). The anti-capitalist mentality. South Holland: Libertarian Press.

Wall Street Journal. (1992). National paradox: As America triumphs, Americans are divided. New York: Wall Street Journal.

Weber, M. (1904-1905/1991). The Protestant ethic and the spirit of capitalism. New York: Harper Collins Academic.

Wolfe, G. (1992). The human critic: A dying breed. Modern Age 34(2): 181-185.



HotJoy  
10848530 +45

SpLoG

РЕЙТИНГ 32580026  
mail.ru 62  
42



The social requisites of democracy revisited, the base is ambivalent.

The economics of feasible socialism revisited, kotler, varies mathematical analysis.

Capitalism and the information age: The political economy of the global communication diameter.

The social requisites of democracy revisited: 1993 presidential address, the depletion of resources.

Urban politics: a sociological interpretation, the damage caused is changeable.

Hayek's The Road to Serfdom Revisited: Government Failure in the Argument Against Socialism.

Concepts and theories of modern democracy, inertial navigation is the quantum sex.

On the sustainability of the Capitalist Order: Schumpeter's Capitalism, Socialism and the future of the world.

Theories of democracy: a critical introduction, small oscillation, according To F.