

## Buchbesprechung

*Stolper, Wolfgang S.: Joseph Alois Schumpeter. The Public Life of a Private Man. Princeton University Press, Princeton, N. J., 1994, XX, pp. 400.*

If one lists the giants in economics from the first half of the Twentieth Century, high up on the list would have to come Joseph Alois Schumpeter. Indeed, his only rival from this period in terms of citations and impact would be John Maynard Keynes. I doubt if any Twentieth Century economist who died before 1950 is read today more than Schumpeter except, perhaps, Keynes. Just as one can speak of Keynesian economics and post-Keynesian economics, one can speak of Schumpeterian and neo-Schumpeterian economic models. For every devotee of Keynes, however, today there can be counted as least one and probably several economists who think, as did Schumpeter, that Keynes set the economics profession off into the wrong direction. Indeed, Keynesian macroeconomics is by-and-large rejected by practioners of the "new macroeconomics." Moreover, fans and opponents of Keynes divide rather cleanly along ideological lines. The same cannot be said for Schumpeter. He seems as popular among economists on the left of the political spectrum as he is among those on the right. At least *three* professional societies have been founded in recent years to carry on the kind of research that Schumpeter has inspired. Rather than dwelling upon the faults in Schumpeter's work, each successive generation of economists seems to be stimulated to develop new models that somehow try to capture the essence of Schumpeter's ideas.

For many the personal side of Schumpeter's life is equally as fascinating as his intellectual accomplishments. Whereas Keynes kept his homosexuality hidden from public view, Schumpeter was not adverse to letting the world know about his heterosexual prowess, as least in his early years. It is, therefore, unsurprising that this is the fourth biography of Schumpeter to appear.

Wolfgang Stolper's Father, Gustav, was a colleague and friend of Schumpeter, the young Wolfgang was Schumpeter's student. Perhaps, no living person is in a better position to write a biography of this giant of a man. We all are in Professor Stolper's debt for having taken the effort to do so.

Stolper concentrates almost exclusively on the intellectual side of Schumpeter's life. Only in a brief second chapter and in an even briefer epilogue does he discuss a few aspects of Schumpeter's personal life. The reader seeking a complete picture of Schumpeter, the man and the scholar, will have to supplement Stolper's fine biography with one of the other three.

Stolper divides his discussion of Schumpeter's work into six parts. Part I presents the theoretical foundations for Schumpeter's writings. Here it is interesting to observe that the Schumpeterian "Weltanschauung" is clearly visible in his earliest works: the emphasis on dynamic rather than static analysis, the stress placed on the role of the individual entrepreneur, the admonition that economics be "wertfrei", and so on. These themes would reappear and be embellished upon through Schumpeter's productive career.

Part II takes up Schumpeter's ideas regarding both the properties and the merits of capitalism and socialism. Here, and elsewhere in the book, Stolper stresses that Schumpeter did not consider the use or nonuse of the market as an important differentiating criterion for capitalism and socialism. The definition of capitalism rested on the source of finance for innovation – innovation in a capitalist society is financed out of *borrowed* funds (9p. 49). Schumpeter's somewhat surprising willingness to accept the replacement of capitalism by socialism arises out of this, rather unique, definition of capitalism. For Schumpeter, the question of who owns the capital stocks of a nation was much less important than how new innovations would be financed, since it was only through innovation that countries continue to develop. Schumpeter's belief that it was *possible* to design a system in which capital was collectively owned, and yet individuals still had the incentive and means to finance innovation accounts for his tolerance for socialist movements, and his efforts to design a system for "socializing" the ownership of capital in Austria following World War I (Ch. 13).

Most economists who will be inclined to read this biography will already have read some of Schumpeter's most important works, and thus will be familiar with his ideas regarding capitalism and socialism, entrepreneurship and innovation, business cycles and the like. For most readers, therefore, it is Parts III – VI that will contain the most new and interesting material. In these sections of the book, Stolper recounts Schumpeter's activities as a young professor writing memos to members of Austria's parliament to try and avoid the pending economic disaster following World War I; his speeches during his brief service as Minister of Finance of Austria in 1919; the finance plan he proposed as Minister and the reasons for its and his ministerial demise; his articles on various policy questions, published in German newspapers during the 1920s; his letters and articles on the Great Depression, the New Deal, and many more issues. Wolfgang Stolper has done the academic world a tremendous service in tracking down this vast collection of Schumpeter's thoughts and translating large quantities of this work into English.

What emerges from a large sampling of this material, as selected and interpreted by the biographer, is a picture of someone who was anything but the stereotypical ivory-tower academic. In his youth Schumpeter was greatly concerned about the fate of his country and made strenuous efforts to improve it. This same goal led him into politics and, had the other members of the cabinet been less obtuse, he might well have become the "savior of the Austrian economy" and remained in politics and gone on to even greater things. And, even after personal and professional setbacks led him to adopt a lower profile within the ivy-walls of Harvard, he continued to strive through his lectures and his writings to improve government policies on both sides of the Atlantic.

Schumpeter's writings on policy matters reveal an economist who was equally comfortable and erudite discussing macro issues as micro problems; corporate finance as public finance. Much of his analysis and recommendations are as valid today as when he wrote. For example, Schumpeter clearly saw the potential efficiency gains from having local governments compete against one another in a federalist system, anticipating the contribution of Charles Tiebout by 30 years (p. 354). If Schumpeter were alive today, he would not be a supporter of "tax harmonization" in the European Union, as so many European public finance scholars appear to be. Equally relevant for Europe today is Schumpeter's frequently made observation that the worst conflict a nation faces is not between capital and labor, but between the present generation and future generations.

Even someone like myself, who thought before reading this book that Schumpeter was one of the giants in the history of economic ideas, must come away from the book with an even greater admiration for the man and his ideas. In part this is because of the sympathetic, almost loving, way in which Wolfgang Stolper discusses Schumpeter's life and work. But for the most part, it is because the man himself was indeed an intellectual giant. Wolfgang Stolper's excellent biography should help secure a permanent place for Schumpeter in the economists' hall of fame.

Excellent though it is, Stolper's biography still contains some blemishes, which a dutiful reviewer feels compelled to mention. At several points Stolper defends Schumpeter against his critics (e.g., p. 293), but forgoes naming them, so that the reader cannot compare Stolper's defense with the original critiques. Stolper often assumes a greater knowledge of the history of ideas, and of Austrian history, than most readers are likely to have. For example, on p. 144 reference is made to an argument between Hayek, von Mises and Barone without informing the reader of the main elements of the debate.

Many translators place key words from the original text in parentheses when alternative interpretations of meaning are possible. Stolper follows this laudable practice, but often includes the original words when only one possible translation exists (e.g., the reader is informed that "blaue Bohnen" have been translated as "blue beans"). Certain observations are reiterated on several occasions using almost the identical words and phraseology. Indeed, the copyediting is the worst I have seen in some time, with commas appearing in odd places, noun and verb tenses not matching, etc. The words "no one" appear twice as one word within a few lines (pp. 204 - 05). The publisher should fire this book's copyeditor.

But these are quibbles alongside of the book's immense value. So popular was Sir Arthur Conan Doyle's mysteries that the author had to bring Sherlock Holmes back from the dead in one of his later stories, and several authors have written sequels after Conan Doyle's death. In many ways this book has the character of a "return of Joseph Schumpeter." The author frequently extends a discussion of Schumpeter's thought into the more recent times, as say to criticize Reaganomics (p. 352). On some of these occasions it is not clear where Stolper on Schumpeter stops, and Stolper solo begins. The symbiosis between the biographer and his subject is so close that it does not much matter where the line is drawn. Thus, this book offers the reader not only much original work by Schumpeter that s/he has never seen, but also a Schumpeterian commentary on economic developments after his death. Every fan of Schumpeter will want to take advantage of this wonderful "package deal."

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