

# Schumpeter: Theorist of the avant-garde

## The embrace of the new in Schumpeter's original theory of economic development

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**Abstract** This paper argues that Schumpeter's 1911 edition of 'Theory of Economic Development' can be fruitfully read as a theory of the avant-garde, in line with such theories developed by artistic avant-garde around the same time, in particular by the Italian Futurists. In particular it will show that both Schumpeter and other avant-garde theorists sought to break with past (1), identify an avant-garde who could force that break (2), find new ways to represent the dynamic world (3), embrace the new and dynamic (4) and promote a perpetual dynamic process, instead of a specific end-state or utopia (5). This new reading helps us to understand the cultural meaning of this seminal text in economics. Secondly it greatly facilitates our understanding of the differences with the later interwar German edition and English edition, which were more cautious in their embrace of the new, less focused on the individual qualities of the entrepreneur and placed more emphasis on historical continuity. Thirdly this reading suggests a different reason for the bifurcation between Schumpeter and the rest of the Austrian school of economics. Traditionally this split is explained by Schumpeter's affinities with the Lausanne School, this paper instead suggests that the crucial break between Schumpeter on the one hand and Böhm-Bawerk, Wieser and later members of the Austrian School on the other hand is their theory of and attitude toward social change.

**Keywords** Schumpeter · Avant-garde · Economic development · Modernism · Futurism

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We rang for room service and the year 1913 answered: it gave Planet Earth a  
valiant new race of people, the heroic Futurians.  
— *Velimir Khlebnikov*

The difficulty lies not in the new ideas, but in escaping from the old ones, which  
ramify, for those brought up as most of us have been, into every corner of our minds.  
— *Keynes, General Theory, preface*

This paper argues that one of the most fruitful ways of reading and interpreting the original German edition of Schumpeter's 'Theory of Economic Development' is as a theory and pamphlet of the avant-garde. The first edition of Schumpeter's book came out during the period just before the first world-war in which a host of avant-garde movements sprung up. The most prominent of these avant-garde movements was Futurism, a group of Italian artists, who embodied the spirit of dynamism and 'the new'. The spirit of the avant-garde, the embrace of a dynamic changing world, and the praise of 'the new', pervades Schumpeter's '*Theorie der wirtschaftlichen Entwicklung*' (1911, hereafter TWE). That original edition is significantly different from the second 1926 edition and the 1934 English translation (Becker et al. 2012). This paper will show that the 1911 version of Schumpeter's theory of economic development is in rhetoric, themes and general outlook in line with the avant-garde movements of its age.

The comparison of Schumpeter's work to that of a group of artists is perhaps not the most obvious one. There is, however, a long, although somewhat meagre, intellectual tradition which analyzes the relationship between modern art and science (Waddington 1970; Richardson 1971; Vargish and Mook 1999; Kern 2003). Most of this work unfortunately focuses on the exact sciences, although some inroads have been made into economics, especially into the relation between modernism or post-modernism and economics (Klamer n.d.; Amariglio et al. 2001; Ruccio and Amariglio 2003). Those studies are, however, rather general and biased towards the American forms of modernism and therefore focus on the post-WWII period.

The idea of the avant-garde has become a general concept for the bringers of change, but in cultural histories it typically refers to the early twentieth-century movements of futurism, Dadaism, Surrealism and some Russian movements, most notably Suprematism. As such it shares many characteristics with the more general cultural notion of modernism which refers to the general break with traditions: "a sharp sense of militancy, praise of nonconformism [and] courageous precursory exploration" (Calinescu 1987, 95). Some streams of modernism, however, are rather inward-looking, as opposed to the avant-garde movements who seek to embrace the new and bring about change in art and society. For that reason a prominent theorist of the avant-garde, distinguishes between aestheticism and avant-gardism (Bürger 1984). The former is primarily inward looking, but the latter sees artists as those who will lead society into the future. Although as Calinescu emphasizes, the avant-garde is frequently

more occupied with destroying the old, than with putting forward a definite notion of what the new will be. The destruction of the old and the ‘new’ itself is their goal (Calinescu 1987, 115–120).

A similar radical embrace of the new, and the destruction of the old pervades Schumpeter’s TWE. Most studies of Schumpeter’s theory of economic evolution are based on the 1935 translation into English and his famous *Capitalism, Socialism and Democracy*, these two versions of his theory are often denoted Mark I and Mark II, with the first one emphasizing individual entrepreneurship and the second one emphasizing entrepreneurship within large organizations. Although more recently it has been recognized that the 1911 version also contains the beginnings of a broader theory of social change, denoted as Mark SC (Andersen 2012). In analyzing Schumpeter as an avant-garde theorist, however, we will see that if anything these theories should be called Mark II and III, for Schumpeter’s 1911 theory of economic evolution is substantially different from those later versions. Recent scholarship has re-appreciated the importance of the first edition of TWE, however it has mainly focused on the methodological implications for the Schumpeterian project of the ‘missing’ seventh chapter (Shionoya 1990; Peukert 2003; Meerhaeghe 2003; notable exceptions are Swedberg 2009; Becker et al. 2012). The omitted chapter is interesting for methodological concerns, but it also contains important aspects of Schumpeter’s embrace of the new, and his theory of social change as brought about by an avant-garde (Andersen 2011). The central figure in that theory is the Man of Action (Mann der Tat), who has the ability to bring about change in every domain of society. It just so happens that we call him the entrepreneur in the economy. This Man of Action is the central figure of particularly the second chapter which was completely rewritten for the second German edition, which in turn served as the basis for the English translation.

The goal of this paper is not to argue that Schumpeter was directly influenced by these avant-garde movements, the paper offers no evidence in that direction. Although the cultural context of Vienna and the Habsburg Empire is relevant for understanding his work in a number of ways (Rothschild 2015; Dekker 2016). Instead it seeks to demonstrate the close likeness between the vision, rhetoric and aims of Schumpeter and artistic avant-garde movements, in particular with futurism—the movement that is closest in time and place to Schumpeter’s TWE. By exploring these similarities I seek to offer an alternative interpretation of Schumpeter’s contribution, an interpretation that relates his work to the cultural atmosphere of pre-WWI Europe, and somewhat less to contemporary economics. Although the latter context remains important for understanding his contribution. This paper will succeed if it is able to convince the reader, that there are such close similarities between the work of Schumpeter and the avant-garde movements that we cannot deny what Apollonio calls a “kind of intimate communion of spirit”, shared by the intellectual and artistic elite in those crucial years before the Great War (Apollonio 2009, 14). This intimate communion might be partly due to a common ancestor, Nietzsche for example, whose influence, on Schumpeter is studied by Reinert and Reinert (2006).

This reinterpretation of TWE helps us to better understand the difference between the original and later editions of Schumpeter’s theory of economic development. Secondly it offers a cultural reading of an important economic text, which sheds light on the broader meanings and context of economic writings, which are

typically ignored. Thirdly the alternative interpretation suggests a different reason for the bifurcation between Schumpeter and the rest of the Austrian school of economics. The difference between them is typically explained by Schumpeter's affinities with the Lausanne School of Walras and Pareto, and to methodological differences (Simpson 1983; Vanberg 2015). This explanation, however, is unsatisfying primarily because it has to rely on Schumpeter's methodological statements and appreciation of the Lausanne School in his work on the history of economics. Schumpeter's applied economic work shows great similarity both in themes and in style with that of Friedrich von Wieser, Ludwig von Mises and later Friedrich von Hayek. The alternative interpretation in this paper, however, suggests that the difference lies more in the way they thought about social change. Within the Austrian School, starting with Menger, social change was believed to be an organic, gradual and largely impersonal cultural process (Dekker 2016). Schumpeter, on the other hand, in TWE embraced a far more revolutionary concept of social change, which could be brought about by strong individuals, and was characterized by sharp discontinuities.

The paper first explores several aspects shared by Schumpeter and the avant-garde movements. The vehement rejection of the 'stasis' and traditions of the classics (section 1). The desire to break with these constraints, and pave a new path (section 2). The development of a self-conscious theory of the avant-garde as the movement that will do so, and the problem of representing this avant-garde and the new dynamic world (section 3). The embrace of new forms and creation, and how these are brought about (section 4). Then we consider the way in which Schumpeter's theory of social change is at odds with other Austrian economic theories of economic and social evolution (section 5).

## 1 The lifeless static world

The point of departure for Schumpeter in his TWE is the static theory of the classics, which is in 1911 epitomized by the theoretical framework of Walras (TWE, 100), and the recent expositions of Clark and Pantaleoni (TWE, 473). This static theory is what Mises has later described as the evenly-rotating economy in which the processes occur over and over again, unless disturbed by external factors such as population growth or changes in tastes. Or as Schumpeter describes that system: "Since it exists, theoretical economics has in essence sketched a static, self-repeating and constant economic life. (...) The great revolution in of the [economic] theory of the subjective value theory has left the static quality of the house of economic theory untouched" (TWE, 100–101)<sup>1,2</sup> This classical view is well captured by the epigraph of Marshall's *Principles of*

<sup>1</sup> Only parts of Schumpeter's TWE have been translated; some parts of the second chapter book by Becker et al. (2002) and the 'missing' seventh chapter by Backhaus (2002). I rely on these established translations where possible, otherwise translations are mine, and the German original text is included in a footnote. Page references are consistently to the original German version.

<sup>2</sup> In German: "Seit sie existiert, schildert die theoretische Ökonomie im Wesen einen stetigen, in sich zurückkehrenden und sich gleichbleibenden Strom des Wirtschaftslebens (...) Die große Reform der Theorie durch die subjektive Wertlehre ließ den statischen Charakter des Lehrgebäudes unberührt."

*Economics*: “Natura non saltum facit,” (Nature does not make a leap) (Marshall 1920).<sup>3</sup> It is Schumpeter’s goal to break with this static model, and instead introduce a dynamic model of the economy. In a move that resembles Keynes’ strategy in the *General Theory*, Schumpeter denounces everything that came before him as the classics. And all the classics are guilty of the same sin, only analyzing the static economy: “They did not imagine that there could be an alternative concept to the static economy” (TWE, 477).

In this static economy all changes are on the margin. And individuals find no incentive or energy to do anything more: “most of the time such people are on slippery ground and the effort to stand straight exhausts their energies and suppresses all appetite for further exploration” (TWE, 162). In that sense the static model is reflective of an ossified society, ‘a dormant economy’ (TWE, 481), in which traditions govern individual behavior and whenever changes occurs they are small and incremental: “It is the usage of that, which one has learned, working on the inherited foundation, doing what everyone does. There is only passive adjustment and acceptance of the circumstances” (TWE, 125).<sup>4</sup> The attack that Schumpeter will mount against classical theory, pertains just as much to its theoretical apparatus as the underlying idea(l) of a static economy. Thus his claim about the incomplete static theories is also a criticism of the lack of dynamism in the economy itself, or at the very least the failure to promote such dynamism by classical economists.

It is this dual criticism that theorist of the avant-garde Peter Bürger identifies as characteristic of the avant-garde. In a discussion of his work Richard Murphy argues that: “according to Bürger, the historical avant-garde of the early twentieth century (...) develops not only in response to the need to mark a break with the artistic tradition as a whole, but more specifically in response to the need to distinguish its emergent artistic credo from the conventional aestheticist principles” (Murphy 1999, 78). The avant-garde, according to Bürger, rejects the quietist, consolatory and apologetic function of art, and seeks to criticize the institution of art, or at least the current position of art in society.

In order to do so the avant-gardes force a break with the past. This is very apparent in the manifestoes of one of the most prominent twentieth century artistic avant-garde movements, futurism. In this and later manifestoes they preach the destruction of the old, and the celebration of the new. Marinetti, the most prominent futurist, compared the museum to a cemetery, in which the classics are buried, literature up to now has: “exalted contemplative stillness, ecstasy, and sleep” (Marinetti 1909/2009, 51). The classics were only representing a: “fixed *moment* in universal dynamism” (Boccioni et al. 1910, 64). Schumpeter originally had wanted to call his theory dynamic, but decided against it, as he observes in a letter to the American economist Clark, because of the negative reactions to that term among his German friends (Schumpeter 2000, 48). He, however, makes clear that his theory of development is no mere extension of the static theory: “development and equilibrium in the sense that we have given these terms are therefore opposites, the one excludes the other” (TWE, 489). Schumpeter was forcing a break with the classical economic theory. He was not merely making marginal

<sup>3</sup> Schumpeter expands on the fact that leaps, or true novelty, does exist in the economy in his recently discovered ‘Development’ (Schumpeter 2005).

<sup>4</sup> In German: “Es ist das Anwenden dessen, was man gelernt hat, das Arbeiten auf den überkommenen Grundlagen, das Tun dessen, was alle tun.”

adjustments, but forcing a radical break, just as economic development caused: “entire layers of society [to] lose the ground under their feet” (TWE, 503).

## 2 Breaking the chains

To explain why both our view of the economy, and the economy itself are typically static, Schumpeter has to explain why it is so hard to change. He argues that the primary constraint is the status quo, which most people wish to uphold. To break this status quo an individual has to be strong mentally, socially and economically. These correspond to three different types of oppositions the entrepreneur faces according to Schumpeter: psychological, sociological and economic. The economic constraint is not our main concern here, especially since Schumpeter does not differ very significantly from other authors in this respect. So let us start by analyzing the social opposition for the entrepreneur, der Mann der Tat.

For Schumpeter the social constraints are not the legal and political framework in which the entrepreneur operates, for they are by and large not determined within the economy. They are rather the reactions of the people around the entrepreneur and in the wider society. Every society according to Schumpeter demands conformity and the individual will have to fight that conformity if he wants to do something out of the ordinary or something new: “Every aberrant act from a member of society will meet the disapproval of the others members” (TWE, 118).<sup>5</sup> Examples of such aberrant behavior are dressing differently, a different demeanor, or different habits. Behavior not at all strange to the young Schumpeter, who was the subject of repeated scandal (McCraw 2007, 76–80).

Overcoming this social resistance is the challenge for the Man of Action. He is by nature a divergent individual, and would therefore find strong resistance from the people around him. Few would be able to break these resistances, and most would conform to the social norms: “[such] pressure is coercive for the masses” (TWE, 119).<sup>6</sup> The task for the Man of Action was not merely to resist these conformist pressures, but also to be able to convince others that his plans are worthwhile. He needs to persuade consumers that they need a new product, those within his organization that they should produce it, and the banks that they should finance it. Schumpeter emphasizes that wants do not just spring up, but have to be created by the entrepreneur (TWE, 485). As a consequence the entrepreneur, the man of action, should accept that he is an outcast.

The social pressures are primarily external, but the economic avant-garde also has to be able to break with its own psychological habits: “It [is] infinitely lighter, to go down a beaten track, than to pave a new one. [...] It takes a new and differently natured use of will power, of which not everyone is capable” (TWE, 120).<sup>7</sup> Thomas McCraw, Schumpeter’s most recent biographer,<sup>8</sup> understands the importance of the analysis of this resistance well. He argues:

<sup>5</sup> In German: “Jedes abweichende Verhalten eines Gliedes der sozialen Gemeinschaft begegnet der Mißbilligung der übrigen Glieder.”

<sup>6</sup> In German: “Und dieser Druck ist für die Masse durchaus zwingend.”

<sup>7</sup> In German: “Es ist ein psychische Tatsache daß es unendlich viel leichter ist, eine scharf ausgetretene Bahn zu begehen, als eine einzuschlagen. Es erfordert die eine neue und anders geartete Willensaufwendung, deren nicht jedermann fähig ist.”

<sup>8</sup> Schumpeter is uniquely blessed among economists for having received the attention of no less than three full biographies, but none deal with the differences between the first and second edition of TWE.

Perhaps with his own trailblazing in mind, Schumpeter goes on to describe a sequence of stubborn opposition against anyone who wants to do anything new. ‘This resistance manifests itself first of all in the groups threatened by the innovation, then in the difficulty in finding the necessary cooperation, finally in the difficulty in winning over consumers’. In business, the development of a large-scale corporation is especially challenging, because few useful patterns exist. To overcome all these barriers requires a “special aptitude.” The same could be said for remaking an academic discipline, as Schumpeter was trying to do.

(McCraw 2007, 72)

For the overwhelming majority of economic subjects such psychological and social barriers are impossible to overcome. However there is a group, or rather there are individuals, who can break free from these oppositions. Who do not gradually adjust, but are capable of creation and doing something completely new. Who to speak with Schumpeter, define the difference between swimming with the stream and swimming against the stream (Schumpeter 1911, 121). They possess the necessary energy and will power to free themselves of the social bonds and psychological chains.

The self-confident artistic avant-garde movements, such as the Futurists spent little time analyzing the possible resistance they might have to fight. But they display a clear agonistic attitude to the past, which has to be destroyed or overcome (Poggioli 1971, 65–68). And the social and the psychological opposition can be clearly identified for the avant-garde movements. The Impressionist famously sought to break free from the powerful French Academy, and later avant-garde movements followed their lead in breaking with dominant art institutions. The academy, the Futurists argued, by training young students in the traditional methods and forms caused the “prudent repression and the constriction of any free or daring tendency” (Pratella 1911, 77). The attempt of the avant-garde to form movements independent of these official institutions was perhaps their most visible characteristic (Poggioli 1971, chap. 2). Instead of relying on these established organizations and create change from within they sought new audiences through their manifestos and exhibitions. Particularly notable is the original Futurist manifesto, which was published on the front page of an Italian and a French newspaper.

As in Schumpeter’s theory, the difficulty of undertaking new artistic action prevents most artists from doing so. They are merely perfecting the craft of the past, instead of doing something new. These painters were ‘docile slaves of past tradition’ according to Boccioni and his fellow Futurists (Boccioni et al. 1910, 62). Such painters lacked the courage and often the mental capabilities to break free from the reigning tradition and academicism. The avant-garde movements, on the other hand, were able to break with these traditions, and standards of the past. Schumpeter emphasized that this was by no means simple: “unconsciously the past is always the judge of the present” (TWE, 535). But it was up to the man of action, or the avant-garde to create new standards and measures. As Malevich commented: “enormous strength of will was needed to violate all the rules and to strip away the hardened skin of academism and to spit in the face of common sense” (Malevich 1968, 30). The relevant distinction for Schumpeter was between following habits, traditions and customs, and being able to imagine the new and act upon it. Rational calculation was as little part of the tradition-bound behavior of the masses, as it was of the creative acts of the Men of Action (Böhm 1990, 216).



### 3 Understanding and representing the man of action

The Man of Action—who in the later version and translation is called the entrepreneur—is the central figure in Schumpeter's 1911 theory of economic development. The Man of Action is according to Schumpeter present in all branches of society: in art, science, politics and the economy. The crucial difference in this early theory is not so much the distinction between the inventor and the innovator, a distinction most often emphasized in the literature, but rather the distinction between individuals who adjust to circumstances, and those individuals who shape the circumstances. This man (never a woman), knows no psychological opposition, and by virtue of being a leader is able to shape to society around him:

The Man of Action acts on foreign ground with the same determination and the same vigor as on well-known ground. The fact, that something is not yet done, is no reason for him to hesitate. He does not feel those impediments, which otherwise determine the behavior of economic subjects. (TWE, 132)<sup>9</sup>

The Man of Action is free from the psychological constraints we identified in the previous section. This is equally true for the social constraints which the entrepreneur faces, instead of accepting the given circumstances he fights and transforms them.

The defining characteristic of the Man of Action is his energy: "what is indispensable and decisive is the act and the force to act" (TWE, 163). This comes out most clearly in Schumpeter's comparison of what he calls the hedonic or static man and the dynamic man of action. The individual we know from static theory is 'merely' optimizing his well-being. But the Men of Action escape this description. They have an innate will to get things done, to create new things: "The achievement of self-defined goals and coming up with new things belongs to a much greater extent in a healthy mental life of those powerful individuals than simple pleasure seeking" (TWE, 145).<sup>10</sup> Such individuals want to follow through with new plans all the time and find satisfaction in the act of creation. The Man of Action wants "ever more deeds, ever more victories" (TWE, 146).<sup>11</sup>

The behavior of the energetic type is not brought about by conscious calculation, but rather a strong willpower: "The men, who shaped the modern industry were 'spirited lads', and not weaklings" (TWE, 137) (Schumpeter 1911, 137)<sup>12</sup> The Man of Action is driven by a sort of intuition, an inner willpower and it is therefore, Schumpeter claims, that we should not focus on his environment, or the particular new ideas, but the energy of his actions (Swedberg 2009, 11). He even goes as far as

<sup>9</sup> In German: "Der Mann der Tat handelt (...) ausserhalb der gegebenen Bahn mit derselben Entschlossenheit und demselben Nachdruck wie innerhalb des erfahrungsgemäss Gegebenen. Die Tatsache, das etwas noch nicht getan wurde, wird von ihm nicht als Gegengrund empfunden. Jene Hemmungen, die für die Wirtschaftssubjekte sonst fest Schranken ihres Verhaltens bilden, fühlt er nicht".

<sup>10</sup> In German: "Das Erreichen selbstgesetzter Ziele und das Ins-Auge-fassen neuer gehört ja in viel höhern Maße zu einem gesunden psychischen Leben kräftiger Naturen als einfaches Genußstreben."

<sup>11</sup> In German: "immer weitere Taten, immer neue Siege".

<sup>12</sup> In German: "Die Männer, die die moderne Industrie geschaffen haben, waren 'ganze Kerle' und keine Jammergestalten".



claiming that the fundamental things that matters is the act itself, and the power of that act, which even without an extraordinary intelligence leads to successful actions TWE, 163–164. This urge to action does not lead to equilibrium as the maximizing behavior of the static individual does. Instead his actions transform the economy and society.

In fact, to describe this energetic type, Schumpeter argues we cannot rely on the precise descriptions we have developed for the maximization behavior of the static type. Like the avant-gardes he problematizes the way we *represent* the dynamism of the world. The avant-gardes turn to new styles of painting, sculpture and poetry, and like them Schumpeter is exploring new metaphors and concepts to capture their behavior “If we could describe his acting, as precisely as that of the ‘Statics’, then we would not speak of creative types at all” (TWE, 153).<sup>13</sup> The problem of characterization of that what is new and different would continue to haunt studies of entrepreneurship (Kilby 1971).

Schumpeter, however, suggests that he is in a privileged position to understand the Man of Action. First he problematizes the extent to which we can understand and describe the actions of the entrepreneur through our usual mode of introspection: “Only when the theory is about events which happen regularly, it is relatively easy for the observer to empathize with the motives of his subject”. But then he continues: “Only when something analogous goes on in his mind, is [the observer] able to understand the motives of others” (TWE, 144)<sup>14</sup>. The crucial argument is in the second half of that quote, in which Schumpeter suggests that he as a creative intellectual, a Man of Action in the scholarly sphere, is able to grasp the actions of the entrepreneur. And therefore he is in a special position to analyze similar motives in the economic sphere.

But that has not solved the problem of representation, a problem which is arguably the central problem of modernism in the arts (Kern 2003). For the Futurists the problem emerges from their desire to capture the dynamism of the modern world. Their manifesto is full of metaphors which seek to capture the dynamism, they describe the avant-garde, themselves, as: “proud beacons or forward sentries against an army of hostile stars”. Aroused by the mighty noise of first double-decker tram of the day they get out, away, in their car. “And on we raced, hurling watchdogs against doorsteps, curling them under our burning tires like collars under a flatiron.” They are driving into the unknown, with great courage. The cyclists they overtake are terrified by the sound and energy of the car. The car crashes, but that cannot stop them or their car, within no time they are back on the road, ready to declare their plans to the *living* on the earth. These living people are the ones who know the habits of energy and to whom fear is a stranger (Marinetti 1909/2009, 49–50). In other words, the Futurists build an ethos that allows them to explain what the future will look like.

The manifesto loudly announces the coming of a new type of man, the Futurist, a man of courage, audacity and revolt. A figure that is personified in the sculptures of the futurist Boccioni, especially his *Unique Forms of Continuity in Space*. This new type of human being has the power and energy to lead the way and the audacity to be unrestrained by the past and. But it is also clear from their manifestos and art that to

<sup>13</sup> In German: “Könnten wir allerdings sein Tun so genau beschreiben, wie das der ‘Statiker’ (...) dan würden auch wir nicht von schöpferischem Gestalten sprechen”

<sup>14</sup> In German: “Nur wenn es sich um zahllose alltägliche Erlebnisse handelt, gelingt die ‘Einfühlung’ in die Motive dem Beobachter verhältnismäßig leicht. Und nur wenn er in seinem eigenen Bewußtsein Analoges vorfindet, kann er die Motive andrer Leute erfassen”.

represent this new man, and his dynamic world a new mode of representation is required. This new type of human being is more energetic and freer than any other human being has ever been. Schumpeter is a bit more reluctant in describing his Man of Action as a new phenomenon. It certainly is a new type in economic theory, but he has existed in every society. However it is only in modern society that he has come to the forefront, especially economically: “Only in the modern economy has the energetic type evolved so prominently, that he now makes up a special class of economic subjects” (TWE, 171).<sup>15</sup> It is modern society which has given birth to this new sort of human beings, and the values that they share are that of youngsters in general.

To be able to represent this new type of man Marinetti, the Futurist deems it necessary that a Futurist is young, proudly he proclaims that none of them is over thirty years old. That will leave them only ten years to complete their tasks, because by that time they will be taken over by a new generation (Marinetti 1909/2009, 53). For the individuals involved, getting old will mean losing the energy and willpower to continue the leading role in the avant-garde. For society as a whole that is hardly a problem, for their role will be taken over by an ever-new generation, leading to a kind of permanent revolution. One might think that such considerations would be far from Schumpeter’s academic concerns. But like the avant-garde, he praises the strength and energy of the youth. According to Schumpeter the Man of Action is only capable of being creative for a certain part of his life: “One only truly lives during a fraction of one’s physical life” (TWE, 147).<sup>16</sup> After that fraction the entrepreneur is not truly himself any more, he fails to initiate new things and merely finishes whatever things he started earlier in his life. In Schumpeter’s usual graphic style he describes the process as follows: “those who leave the battlefield, only do so, because the shadow of the evening falls over their days, and they do not feel up for the challenge against their younger opponents” (TWE, 147).<sup>17</sup>

The aesthetic of the avant-garde had to reflect the dynamism of their time. In Futurist painting this is clear from the loud colors and overwhelming compositions. The Futurist aesthetic was one that judged works of art by how well they captured the spirit and energy of modern life, how well they represented movement and change. Those closely match the new criteria which Schumpeter proposes for economic theory. Modern economic theory has to be able to explain economic development, the motion of economic life, but it also had to find the appropriate way to represent it. The style of art of the Futurists remains representational and in that sense does not break with the nineteenth century tradition, just like Schumpeter’s work in its verbal presentation of the economy does not fundamentally break with his predecessors. The move toward abstraction, and economic model-building was made by other economists, but the goal of Schumpeter was a dynamic realism, not abstraction. The Futurists likewise did not seek to abstract from the modern dynamic world, but sought to capture this dynamism. This distinguished them from many contemporary and later modernist movements in the arts.

<sup>15</sup> In German: “Erst in der der modernen Wirtschaft hat sich jedoch der energische Typus auf wirtschaftlichen Gebiete so bedeutsam entwickelt, daß er ein besondere Klasse von Wirtschaftsubjekten charakterisiert.”

<sup>16</sup> In German: “Man lebt nur während eines Bruchteils des physischen Lebens.”

<sup>17</sup> In German: “jene, die den Kampfplatz verlassen, dürfen das meist nur tun, weil sich die Schatten des Abends auf ihren Tag senken und sie jüngern Gegnern sich nicht mehr gewachsen fühlen.”

#### 4 Creation and destruction for it's own sake?

The most famous phrase in Schumpeter's work is 'creative destruction'. To create the new, the old has to be destroyed. This notion is as we can now see, in line with that of the avant-gardes, who wish to *break* with the old, instead of improving what already exists. For the constructive aspect of this dual process, Schumpeter uses the notion of 'Creator'—Schöpfer has the same religious connotation in German. The entrepreneur, he argues, is the creator in the economic sphere, just as the original artist is the creator in the artistic sphere. For Schumpeter creative acts in the economic and the artistic sphere are fundamentally the same: both require the same type of qualities in an individual, the creative qualities of the Man of Action. That creative power can particularly be seen in radical changes, not the everyday small adjustments. The entrepreneur, or the artist for that matter, is only truly creative when he is able to go beyond the current moment. The Man of Action: "gives them [the economic input] new forms and connects them in new ways, as the great, creating artists do with the corresponding elements of his art" (TWE, 133).<sup>18</sup>

However, the most important similarity between the artist and the entrepreneur is their identical motivation.<sup>19</sup> The drive for the original artist and for the entrepreneur, is the joy of creation: "[T]he joy of creation, of giving new forms to the economic things rests on the same basis as the creative acts of the artist" (TWE, 142).<sup>20</sup> For the artist art is not instrumental to something else, but the artist creates for the sake of creation. The entrepreneurial activity is also not instrumental to something else such as preference satisfaction, the entrepreneur creates for its own sake. As Schumpeter puts it: "[In the economy] also, one can create for the joy of creation itself" (TWE, 142).<sup>21</sup> This means, that just as the other spheres, such as the artistic, the economic sphere has its own dramatic appeal (TWE, 143 and 526). Prima facie, this looks like a very strong similarity with the avant-garde. In modernism, it is often argued, the idea of art for art's sake is dominant. Malevich, prominent member of the Russian avant-garde in 1916, for example, argues that in Cubism and Futurism art finally approaches creation as an end in itself, whereas previously it was instrumental in depicting nature (Malevich 1915/1968). But later commentators have associated the idea of art for art's sake more with aestheticism, which just precedes the twentieth century avant-garde. The goal of the avant-garde, on the other hand, was to actually fight the quietism and hermetic nature of the aesthetic movement in the arts, they argue (Bürger 1984; Calinescu 1987).

The distinction is important, because for Schumpeter, too, the creation of the new might be motivated by the joy of creation, but the ultimate goal is something else. Schumpeter is ultimately interested in economic development, not just the individual joys of creation. The importance is best illustrated by two quotes from Schumpeter:

<sup>18</sup> In German: "Er gibt ihnen neue Formen und stellt sie in neue Zusammenhänge, so wie das der große, schaffende Künstler mit den überkommenen Elementen seiner Kunst tut."

<sup>19</sup> Schumpeter's recently discovered article development contains further analogies between the arts and the economy (Schumpeter 2005).

<sup>20</sup> In German: "Die Freude am Neugestalten, am Schaffen neuer Formen der wirtschaftlichen Dinge ruht auf ganz denselben Grundlagen wie das schöpferische Tun des Künstlers."

<sup>21</sup> In German: "Dan kann auf wirtschaftlichem ebenso gut geschehen wie auf jedem andern. Auch hier kann man Schaffen um der Freude an dem Geschaffenen willen."

The history of every industry leads us back to men and to energetic will and activity. This is the strongest and most prominent reality of economic life. The economy does not grow into higher forms by itself. (TWE, 487)

So much depends on him [the entrepreneur] and so many people are dependent on him. Continuously one has a reason to pay attention to him, to discuss him. His success is impressive and fascinating. (...) Social life adapts to his needs and directions. The properties of his circumstances of life win a sort of general validity. (...) What is valued highly by the leaders always becomes the values aspired to by the masses.

(TWE, 526)

It becomes clear from these quotes that creative acts are not merely valuable in their own right, but rather because they move the economy to higher levels of development. Schumpeter argues that the entrepreneur, like a true avant-gardist, shows the way forward and leads the masses where they did not imagine and dare to go. By doing so he upsets old ways of thinking, destroys old industries, ingrained habits and customs, in other words he shows the way forward.

Schumpeter fully recognizes that this is a theory of the avant-garde, more generally, and not just of entrepreneurship. So toward the end of his book he develops the distinction between the dynamic and the static type into a general theory of social change:

We observe these differences in art, in science, in politics. They emerge everywhere with the same clarity. Everywhere these two types are very clearly demarcated, letting those spirits stand out who create new directions of art, new “schools”, new parties. (...) On the one hand we find that the behavior of the majority consists, in the copying, recognition of, and adaptation to, a given state of affairs of materialistic and idealistic nature, and, on the other hand the behavior of a minority who shape the state of affairs. (TWE, 543)

The avant-garde leads by example. They set the standards that others follow. Essentially all such acts are alike, Boccioni claims that for the world of art: “No fear is more stupid than that which makes us fear to transgress the field of art we practice. There is no painting, sculpture, music, poetry. There is only creation” (Boccioni 1912/2009, 118). Schumpeter is in fact, making a similar argument, about the entrepreneur. In a capitalist society he will be the most important avant-gardist, with ‘a kind of universal position’ (TWE, 526).

The most important distinction between the avant-garde theory of Schumpeter and the artistic avant-garde movements of the 1910’s on the one hand and later modernist movements is that Schumpeter and the Futurists embrace change, ‘the new’ itself. Schumpeter and the artistic avant-gardes praise the dynamism of the modern world, whereas later modernist movements in the art, including, arguably, the interwar version of Futurism, would link themselves to some kind of ultimate goal, a utopia, whether social, political or aesthetic. Malevich, the avant-garde artist who initially embraced the dynamism of the futurist, now regarded that dynamic period as a ‘provisional order’, on

the way to the longed for ‘tranquility of an absolute order’ (Malevich 1923/1984, 548). That period of modernism is frequently associated with utopianism of various kinds (Buck-Morss 2000; Ayers et al. 2015).

## 5 Social change through a perpetual revolution?

The positive valuation of change, of the dynamic of the new is the hallmark of the avant-garde. But for Schumpeter the social scientist, it also violates the tenet of being a neutral observer. Schumpeter, and some commentators have taken this claim at face value, argues that he did not want to equate evolution with progress (TWE, 466; Peukert 2003). But his embrace of ‘the new’, the word appears about 60 times through the TWE as a noun, suggests otherwise. Schumpeter equates development with the growth of the economy into ‘higher forms’, and the creation of ever new life forms (TWE, 487 and 492). His affirmative embrace of the new, and dismissal of the old economists, and the old ‘static’ economy, is clear evidence that Schumpeter does not only seek to analyze the new, but also to foster it. He argues, for example, that: “We live in a progressive economy, full of movement and development (...) development breeds ever more development.” (TWE, 189).

The new, however, remains unspecified. The future is open and uncertain, but we must go boldly forward into that future. That message is clear from the avant-garde pamphlets of the time. The manifesto of the futurist painters calls upon: “us who are free, us who are confident in the shining splendour of the future” (Boccioni et al. 1910, 62). What this shining splendor consisted of remained unspecified, and Schumpeter even makes the methodological point that in a dynamic system the point of convergence keeps changing. In a truly dynamic system not only the facts were changing but also the equilibrium-point to which the system was tending, changed (TWE, 465). Where the economy is heading depends, he argued on the goals and visions of the leaders: “on their dispositions to act, their energy and goals” (TWE, 530).<sup>22</sup>

Those leaders, the avant-garde, will be different individuals over time. As Schumpeter would argue later: “each class resembles a hotel (...), always full, but always of different people” (Schumpeter 1927/1951, 126). As we saw above, the leaders would get old and lose their energy to create truly new things. As such Schumpeter and the avant-garde movements aim for a perpetual revolution, instead of some end-state. The futurists put this very bluntly, renewal would be constant: “Every generation will have to make its own city anew” (Sant’Elia 1914/2009, 201). This means that the avant-garde will never become a social class in the classical sense of that word, with clearly defined interests.

The avant-garde instead is a group of individuals, in which the old are constantly replaced with the young: “His position as entrepreneur is essentially only a temporary one, namely, it cannot also be transmitted by inheritance: a successor will be unable to hold on to that social position, unless he inherits the lion’s claw along with the prey” (TWE, 529). The entrepreneurs, in that sense, represent a pure meritocracy. They are (ideally) only in power

<sup>22</sup> The otherwise excellent translation by Backhaus wrongly suggests here that it is about the ‘goals of the economy’, instead of those of its leader, which would also violate Schumpeter’s idea of methodological individualism.

as long as they are worthy of it, which as we saw in the above, will only be during the prime of their life. The great difference with individuals with power in the past, is that this personal power attached to an individual and not to a social group.

This view of social change is fundamentally at odds with that of his contemporary Austrian economists. Carl Menger's theory of emergent institutions as the unintended outcome of social interactions is specifically set-up in contrast to designed social change (Menger 1950; Menger 2009). Friedrich von Wieser around the time of the publication of Schumpeter's book looks back upon the golden age of liberalism during the nineteenth century, and cautions against bringing about social change for which the time is not yet ripe (von Wieser 1907, 1910). The element of caution and slow development, and institutions as the unintended consequence of human interaction would later be combined by Hayek into a theory of cultural evolution (Dekker 2016, chapter 4). And it is in his work that we search in vain for a substantial account of entrepreneurial action, even competition is largely conceptualized as an emergent phenomenon rather than driven by powerful individuals (Ebner 2005). And in the notorious assessment of TWE by Eugen von Böhm-Bawerk we clearly find the sentiment expressed that Schumpeter expects far too much of the entrepreneur. On the surface their dispute is primarily about the existence of interest with a static economy. But, if we look past this surface disagreement we see clearly that what Böhm-Bawerk primarily objects to, is that Schumpeter elevates 'a rare bird' into a general, even the most important economic actor (von Böhm-Bawerk 1913, 32). He objects to the way in which Schumpeter leaves out all the processes in between that of the Man of Action and the static maximizer, especially all the equilibrating actions of the day-to-day entrepreneur. The rare occurrence of radical innovations cannot explain the persistent existence of interest in the economy is what Böhm-Bawerk argues. But his more general point is that no economy is ever completely static and that the overwhelming majority of economic actions are neither of the purely static, nor of the Schumpeter's radical dynamic type (von Böhm-Bawerk 1913). This argument is carried forward by later Austrian authors. The entrepreneur of Mises and Kirzner is an extension of the ideas put forward in Böhm-Bawerk's review. They argue that there is an entrepreneurial element in most market activities, and within a price system entrepreneurship would be equilibrating, not disruptive as Schumpeter had suggested (Vanberg 2015, 102).

For the other Austrians the difference between static and dynamic economic actions is gradual. Economic development is a gradual process of capital formation, and adjustments to changing circumstances, not the creation of change by strong individuals. Böhm-Bawerk does not hesitate to also apply this critique to the author of TWE. He praises the courage, the rhetoric and the spirit of Schumpeter, but warns against the power of that enticing rhetoric. He argues that Schumpeter 'creates quickly and easily' (not unlike an entrepreneur), characteristics to envy, but it is also a 'dangerous gift', when not paired with self-criticism and patience. In a particularly harsh ending to his review Böhm-Bawerk quotes Horace to Schumpeter: "nonum premature in annum"/ "Let your draft be kept back until the ninth year" (von Böhm-Bawerk 1913). It captures wonderfully the contrast between the cautious gradualism of the Austrian school and the brazen self-confidence and desire for change in the young Schumpeter.

The difference between Schumpeter and the other Austrians is severely mischaracterized if we focus on Schumpeter's expressed admiration of Walras and Pareto, or of a particular methodological Machian positivism in his first book. Schumpeter never practiced what he preached in that regard (Simpson 1983; Böhm 1990; Keizer 1997). His own work was neither narrowly economic, mathematical, nor empirical in any kind



of positivist manner. But his work his early work did embrace the new, and dynamic change before WWI. When the new became equated with socialism in later years he often playfully and ironically argued that socialism would come (Schumpeter 1954; Schumpeter 1976). That playfulness, and the ironic distance were absent from the work of the early generations of Austrians who sought gradual reform. It is also absent from the work of Mises and Hayek, who believed a return to a liberal order of the nineteenth century (or some renewed version of it) was possible. And where Böhm-Bawerk, Wieser and Menger had all served in political functions which sought to retain the ancient regime of the Habsburg Empire, Schumpeter on the other hand provided advice to the socialization committee in Berlin and became finance minister in the progressive post-WWI government in Austria. For Schumpeter the mixed economy of the twentieth century was an unstable halfway house in a process of economic development, the other Austrians were much too committed to a liberal society to adopt such a position. That difference, which stems from a different vision of economic development and change, is far more important to understand the difference between Schumpeter on the one hand, and Böhm-Bawerk, Mises and Hayek on the other hand.

## 6 Conclusion

In this paper we have analyzed the similarities between Schumpeter and the artistic avant-garde movements of 1910's, especially the Italian Futurists. By doing so we have shown that Schumpeter and the avant-garde movements were both interested in breaking with past (1), (self)-identifying an avant-garde who could force that break (2), finding new ways to represent the dynamic world (3), the embrace of the new and dynamic (4) and the fact that both Schumpeter and the avant-garde promoted a perpetual dynamic process, instead of a specific end-state or utopia (5).

This novel interpretation and contextualization of Schumpeter's TWE helps us to shed light on the differences between the 1911 version of his TWE and the later German and English versions. These were written during the interwar period in which Schumpeter's work is far more pessimistic and concerned with a lurking socialism, which in his eyes would smother the dynamic nature of capitalism (Schumpeter 1954; Schumpeter 1976). It is also written after a number of personal disappointments and intellectual failures, which have smothered his own youthful enthusiasm (Allen 1994). When he rewrites the second chapter for the 1926 edition Schumpeter does away with the radical language of the new, the man of action and the break with the old. Instead the second chapter now starts with a lengthy consideration of what it means to talk about development, emphasizing continuity (*Natura non saltum facit*). He also emphasizes the continuity of his ideas with those of earlier thinkers, including Say's theory of the entrepreneur. Schumpeter stresses the relative autonomy of 'the economy' at the expense of the broader social dynamic theory he expounded in the original version. The entrepreneur is no longer the creator: "The leader does not find or create the new opportunities. They are already present" (Schumpeter 1926, 128). And although Schumpeter still recognizes that some entrepreneurs create out of an inner drive, he first discusses how creation is motivated by of a sense of duty or the desire to compete.

By directing our attention to the similarities between Schumpeter and the artistic avant-garde movement we are in danger of losing sight of the differences which naturally exist



between the two. As a start Schumpeter's TWE is in large segments a relatively traditional economic book, it is primarily in the second and seventh chapter that we find his avant-gardist outlook. His book ultimately presents a system through which to understand the dynamic world, as opposed to the combative manifestoes and exhibitions that characterized the avant-garde movements. Nonetheless it is of the utmost importance in understanding his economic theory of development, to understand him as an avant-garde economic theorist, both in content and in outlook. Schumpeter clearly is fascinated by the 'new', by 'action' itself, and by 'forward dynamics' as intrinsic goals, just like the Futurists. That 'communion of spirit' is best understood in the context of the turbulent and dynamic years leading up to the Great War. The Futurists set out to capture crucial changes in how life was experienced, what some people have called the modern experience. It is therefore not surprising that in 1911 Schumpeter was able to write a book on economic theory which was about those rapid changes.

This paper has demonstrated that much can be learned by considering the broader social and cultural context and meaning of economic writings (Dekker 2016). But also, conversely that economic writings can become cultural influences. The renewed interest in entrepreneurship, innovation and Schumpeter cannot be isolated from the major economic changes during this period. Schumpeter and the Futurists are both reflecting on a similar rapid social and economic change around 1900 (Andersen 2002).

Finally we have seen that not Schumpeter's fascination for the Lausanne school and general equilibrium theories, but his different view of social change is the crucial difference between him and other theorists of the Austrian school. This can also help to explain why in its American incarnation Austrian economists have been much more receptive to Schumpeter. Unlike the more traditional and cautious early generation Austrian, the American Austrians were more ready to embrace social and economic change and were thus more congenial to Schumpeter's theory of economic development.

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