

COMMANDING HEIGHTS

Joseph Schumpeter

(1883-1950)

Joseph Schumpeter was an Austrian-American economist who became known for his theories of capitalist development and business cycles, and for his views on the importance of entrepreneurs and innovation.

From "Schumpeter, Joseph Alois." Microsoft Encarta Encyclopedia 2001.

Austrian-American economist and social theorist Joseph Schumpeter was born in Triesch, Moravia (now in the Czech Republic), and educated at Vienna University. He began practicing law in Vienna in 1907, and, after winning recognition as an economic theorist, he taught economics for various periods at the universities of Vienna, Gernowitz (now Chernivtsi, Ukraine), Graz, and Bonn after 1909. After visiting the United States as an exchange professor at Columbia University in 1913 and at Harvard University in 1927 and 1931, he received a permanent faculty appointment at Harvard in 1932.

Schumpeter achieved prominence for his theories about the vital importance of the entrepreneur in business, emphasizing the entrepreneur's role in stimulating investment and innovation, thereby causing "creative destruction." Creative destruction occurs when innovation makes old ideas and technologies obsolete. Schumpeter also predicted the sociopolitical disintegration of capitalism, which, he maintained, would be undermined eventually by its own success because it would create a class of intellectuals who would attack it. In addition, government controls would destroy the entrepreneur and innovation and would lead to a form of socialism. His best-known books are *The Theory of Economic Development* (1911; translated 1934), *Business Cycles* (1939), *Capitalism, Socialism, and Democracy* (1942), and *The History of Economic Analysis*, published posthumously in 1954.

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