

Schumpeter and the Concept of Social Evolution

based on individual and public innovation:

Role of Innovation and Invention¹

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All their effects, and the response to them by the economic system, we shall designate by the term Economic Evolution. Although this term is objectionable on several counts, it comes nearer to expressing our meaning than does any other, and it has the advantage of avoiding the associations suggested by the cognate term Progress,"⁵ (*BC* 1939, I, p.86).

As this citation tells us, Schumpeter in the end of the 1930s rejected the first of the two grounds of his former anxiety in adopting the term 'evolution.' He came to think that the term 'evolution' can be used as a value free term in social science. Then, the problem is whether he maintained his antipathy against 'evolutionism.' As I argued in my preceding paper (Yagi, 2006), he was against the both sorts of 'evolutionism,' the romanticism of an organic development as well as the biological evolution theory in the direction of Darwin and Mendel up to his death. Thus his task after the 1930s was to construct a theoretical frame which can explain social and economic 'evolution' without relying on romantic metaphor or biological theory. I don't think he was hopeless to tackle this task, since he was not alone in this respect. I would say, it was his encounter with American scholars who

were more or less empirically oriented to the process of socio-economic evolution that motivated Schumpeter to generalize his vision in the term of 'evolution.'

I visited the Harvard University Archives in March 1998 and found two typescript versions of the plan, "Social Evolution and Historical Process," dated on March 11, 1933 and on April 9 of the same year in the Schumpeter Papers. In my paper read at an international symposium in Pushino near Moscow in September 2003, I erroneously identified Schumpeter as its author. However, two months later, Prof. Esben Sloth Andersen, Alborg University, suggested me that Abbott Payson Usher, an economic historian of Harvard University, was the true author. The reason why Schumpeter kept Usher's Plan in his private files up to his death is not clear. However, it is very likely that Schumpeter had a concentrated discussion on the broad areas of 'social evolution' with Usher in the first year of his move to Harvard.

I suppose it affected Schumpeter's attitude to the concept of 'social evolution based on innovation' as well as to the empirical/historical direction of the investigation. Of course, Usher was not a sole person that Schumpeter encountered at Harvard and acquired stimulus in his turn to empirical and historical approach. However, to understand the meaning of innovation and schumpeter's perspective we should first focus on Usher.

Another 'innovation' researcher: Abott Payson Usher

Abbott Payson Usher (1883-1965) was a genuine Harvard scholar that acquired all the degrees of Bachelor, Master, and Ph. D at Harvard and after a decade of teaching life in other universities returned to the alma mater in 1921. When he met Schumpeter, Usher was an associate professor of Economic History,

but was promoted to full professor in 1936 and retired from it in 1949. His first book in 1913 was on the topic of the grain trade in France in early modern age, but turned to the study of the industrial revolution in England.

Reformulation of Entrepreneurship and innovation from Schumpeter's dual distinction

I myself don't think that Schumpeter's dual distinction of economy (economics) /society and culture (sociology) and innovation as well as statics (equilibrium approach) / dynamics (development or evolutionary approach) is tenable. All the three invention researchers mentioned in Schumpeter's footnote were interested in the dynamics of economic and social change deeply. Their research results were those that revealed the necessity of an integrated approach for the study of inventions and related socio-economic changes.

Schumpeter seems to have refrained himself from entering into the history of technology and limited himself to concentrate on innovation study in both individual and organizational parts. Schumpeter did not Swedberg, a reformulation of the 'entrepreneurship' hid in Schumpeter's several writings in the 1940s. He argued that the reformulated version is firstly less individualistic, secondly more theoretically indifferent, and thirdly more empirically oriented.⁹

Schumpeter's relation to the researchers of 'invention' seems to have not continued long. Instead he found another historian who could go along with him. Arthur Harrison Cole (1889-) was also a genuine Harvard scholar that acquired M. A (1913) and Ph D . Together with other senior professors (Fritz Redlich and Thomas C. Cochran), Schumpeter supported this Research Center actively.

Cole's approach was genuinely empirical, since he believed that the research in entrepreneurship had to start from the collection of business documents, "Innovation, management, and the imposed adjustments.

The actions for these three purposes along any other six lines are the resultants of executive decisions; these decisions are the acts of a real person, or a real, but variably composed, group of persons at or near the top of individual business units; and these decisions are made in response to diverse psychological imperatives and are conditioned by various and changing environmental forces." (Cole, 1946: p.7)

Schumpeter's 1947 article, "The Creative Response in Economic History Based On Innovation," was written originally to back Cole's proposal for the documentation of entrepreneurial history. This article begins with the hope of collaboration of historians and theorists in economics.

"Economic historians and economic theorists can make an interesting and socially valuable journey together, if they will. It would be an investigation into the sadly neglected area of economic change."(Schumpeter, 1947: p.149)

He called the reactions to the change in the data along with existing practice as "adaptive response," and reactions that surpass it as "creative response." The function of entrepreneur is to produce the latter. This response may turn out to be an inevitable result, but even in such case, ex ante, it depends on creative action of entrepreneurs.

In this article, Schumpeter rehearsed his distinction of entrepreneur from managers and inventors. The distinction of entrepreneurs and inventors is more precise than that in the *BC*.

"Many inventors have become entrepreneurs and relative frequency of this case is no doubt an interesting subject to investigate, but there is no necessary connection between two functions. The inventor produces ideas, the entrepreneur 'gets things done,' which may need not embody anything that is scientifically new." (*ibid.*; p.152)

Thus, entrepreneurs and inventors, or innovation and invention are separated into two different worlds of actions and ideas. However, still Schumpeter's discussion on entrepreneurship followed a similar path of invention researchers, i. e. the path toward the problem of 'automatization.' He asked himself "does the importance of the entrepreneurial function decline as time goes on?" and answered "There are serious reasons for believing that it does." (*ibid.*; p.157)

From this discussion he suggested its impact on the "class structure of capitalist society." (p. 158)

After Schumpeter's death

In the 1950 Schumpeter memorial publication by his Harvard colleagues, Usher contributed it with "Historical Implication of the Theory of Economic Development."

It contains several arguments that have some relationship with the topics in the 1933 Plan about individual and organizational innovation and entrepreneurship.

In Usher's view, Schumpeter's theory of economic development provided "a basis for the comprehensive analysis of events in terms of history, statistics, and theory" by providing a "defensible and workable concept of process" in "the process of cumulative innovation."¹⁰ However, Schumpeter was still constrained by an "idealistic philosophy" that explain social change as "the result of unconditional acts of great men, to whom underlying truths are directly revealed."¹¹ Although Schumpeter opened the way to break an idealistic view of the historical process, he could not liberate himself completely from it.

"The theory of economic development advances beyond the limits of idealistic position both in terms of the number of innovators and in terms of the explicit interest in the process of change as such.

This is a surprisingly penetrating interpretation of Schumpeterian contribution. A "massive social process" of innovations based on a socially embedded learning process and its cyclical fluctuation is the very vision of social change that evolutionary economists of present stage are exploring.

"Once innovation is conceived as a social process, differences and changes that seem to involve qualitative differences are actually resolved into quantitative differences. The theory of innovation in both individual and social or organizational parts is therefore inconsistent with a qualitative differentiation between routine and novel action. Even when action has been stylized and stabilized by habits and policies, much novelty still emerges. Some forms of novel action are ignored by Schumpeter, and the pervasiveness of novelty is certainly underestimated."¹⁴

In *Business Cycles*, Schumpeter classified the increase in population, technological knowledge, and capital in the category of quantitative growth, thus out of the area of innovation.

Schumpeter, entrepreneurship has tended to be made synonymous with the introduction of technological innovations, especially innovations of a momentous character. I believe this identification to be an error, and that Schumpeter came in his latter years to take a broader view.” (Cole, 1959: p.180)

For a few decades after Schumpeter's death in 1950, invention studies and entrepreneurial history seemed to have developed rather independently. However, in the mid of the 1980s, when the direction of an 'evolutionary economics' emerged with the name of Schumpeter, the need to deal with invention and innovation simultaneously was felt keenly.

Concluding Remarks

1) In the campus of Harvard, Schumpeter met or crossed several pioneer scholars in the invention studies. Most of them were empirically oriented and regarded invention as an evolutionary process. They didn't draw a clear distinction between 'innovation' and 'invention' and "individual innovation and social innovation" and shared an antipathy against 'great-men theory.' Since Schumpeter stuck to the distinction between 'innovation' and 'invention and innovation and social innovation,' his contact with this group could not continue.

2) I argued that peculiar scheme of social evolution lay behind Schumpeter's distinction between 'innovation' and 'invention innovation and social

innovation.' This scheme consists of the double distinction of the economy/society (culture/ideas) and the statics/dynamics.

3) After the separation from invention researchers, Schumpeter found his place in the circle of entrepreneurial history. He adapted his theory of entrepreneur so as to be able to apply it to empirical research. But this reformulated entrepreneurship theory resembled to the arguments of invention researchers.

4) To understand the origin of modern Schumpeterian economics, we have to extend our scope so as to include pioneer researchers that founded the invention studies as well as entrepreneurial history.

$$163/20=8.1*1500=12225$$

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