



**Schumpeter, J.A., 1934 (2008), *The Theory of Economic Development: An Inquiry into Profits, Capital, Credit, Interest and the Business Cycle*, translated from the German by Redvers Opie, New Brunswick (U.S.A) and London (U.K.): Transaction Publishers.**

*A review to a book that is 100 years old*<sup>1</sup>

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‘The Theory of Economic Development’ is still one of the most famous and influential books in the entire field of economics. This book was published when Joseph Schumpeter was only 28 years old and he considered it to be his seminal work. Since this book’s publication, Schumpeter’s reputation as a “*prophet of innovation*” (McCraw, 2007) has been firmly established. Just a few years ago, the well known economist Richard Swedberg (2007: 2) wrote that from “all the theories of entrepreneurship that exist, Schumpeter’s theory is still, to my mind, the most fascinating as well as the most

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<sup>1</sup> This book was first published in 1911 under the name “Theorie der wirtschaftlichen Entwicklung” and the first English edition was published in 1934. Even if the two editions are not identical because Schumpeter chose to make some changes in the text, he emphasized in the preface of the English edition that these differences between the version from 1911 (reprinted another two times in German before its translation into English) and the one from 1934 had not altered the essence of the book. Schumpeter admitted that some of the ideas outlined in this book transformed in the interval of time between the two editions but explains his choice to change only some minor elements of the book thus: “*books, like children, become independent beings when once they leave the parents’ home. They lead their own lives, while the authors lead their own also. It will not do to interfere with those who have become strangers to the house. This book has fought its own way, and rightly or wrongly has won its place in the German literature of its time and field. It has seemed to me best to leave it undisturbed as much as possible.*” (Schumpeter, [1934] 2008: lxi-lxii) This review is based on the fourteenth printing of the book, namely the one from 2008, New Brunswick: Transaction Publishers.

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promising theory of entrepreneurship that we have”. Last but not least, this book contains some significant elements used as foundations for building contemporary analysis which is labelled as being in the sphere of the economic sociology (Martinelli, 1994: 478-480).

Joseph Schumpeter was born in 1883 and in his youth specialized in law and economics at the University of Vienna. In this period “Schumpeter had studied with Friedrich von Wieser, Eugen von Philippovitch and Eugen von Böhm-Bawerk in Vienna and had acquired an intimate knowledge of their contributions” (Kurz: 2008: 263). His academic career started in 1909 at the University of Czernowit, and two years later, in 1911, Schumpeter moved at the University of Graz. Between 1914 and 1925 there was a break in his academic life wherein he served as the Austrian finance minister for a short time. After that he acted as the president of a private bank in Vienna. The next phase of his academic life, during which he was linked with the University of Bonn, started in 1926 and finished in the early 1930s. In the last part of his life he accepted a professorship at Harvard University where he remained until his death in 1950<sup>3</sup>.

The Schumpeterian system of economic thought was built in such a way as to realize a necessary symbiosis between economic, historical, political, social and all other elements of the process of the functioning and development of the capitalist world. All of these specific aspects of capitalist society could be approached as separate entities because this was considered to be the most appropriate way to effectively access the economic aspects of reality. Certainly, from the Schumpeterian point of view, economic phenomena are not an isolated and undetermined, but this is not a reason to explain the economic world through external factors. ‘The Theory of Economic Development’ was a first step in this Schumpeterian effort to create the theoretical tools and concepts which were needed to approach the economic sphere of reality while assigning phenomena such as wars, political upheaval, and cultural or spiritual issues a secondary significance. The important influence of these latter are not effaced, rather Schumpeter succeeded in elegant fashion in focusing the analysis of the economic development of the capitalist world on exclusively economic elements of the process. The central argument of his system of thought assigned the most significant role to entrepreneurship with its inseparable and embedded innovative nature.

The theoretical aspects of the economic phenomena of the capitalist world analyzed in this book were developed and detailed further by Schumpeter in another two books, namely *Business Cycles: A Theoretical, Historical, and Statistical Analysis of the Capitalist Process*<sup>4</sup> (1939) and *Capitalism, Socialism and Democracy*<sup>5</sup> (1942).

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<sup>3</sup> All the information synthesized in this paragraph about Joseph Schumpeter’s life are taken from the introduction by John Elliott for “The Theory of Economic Development” (2008) where these are presented in a more elaborated and elegant fashion. Other sources for a detailed presentation about Schumpeter’s biography can also be found in McCraw (2007); Kurz H. (2010) or in Hanusch H. (1999).

<sup>4</sup> Both volumes of the *Business Cycles* provide readers with an excellent outline of the history of the process of building the capitalist world. In this book Schumpeter explored the cyclical evolution of the economic world focusing the analysis on the important role assumed by *innovation* in starting a new phase of economic development. Schumpeter described a series of historical and statistical facts and data,

In 'The Theory of Economic Development' and all of Schumpeter's subsequent seminal books, one of the most important aspects of the analysis is the distinction between exogenous and endogenous factors of the economic system. This perspective allows analysis of economic phenomena through economic factors and maintains a useful distance between these phenomena and elements from the other spheres of the reality. Schumpeter structured his discussion of the theoretical aspects of economic development in six chapters<sup>6</sup>: (I) *The Circular Flow of Economic Life as Conditioned by Given Circumstances*; (II) *The Fundamental Phenomenon of Economic Development*; (III) *Credit and Capital*; (IV) *Entrepreneurial Profit*; (V) *Interest on Capital*; and (IV) *The Business Cycle*. Swedberg's statements that this book is one of the most quoted in the field of entrepreneurship studies and that the second chapter has attracted many of the scholars from this field provides further confirmation of the substantial influence of Schumpeter's work on the theory of entrepreneurship (Swedberg, 2002: 19).

In the first chapter of the book, Schumpeter introduces some similarities and differences between his approach to economic phenomena and those of other well-known economists such as F. Wieser (about the role of the 'long experience' for individuals' economic action), A. Marshall (regarding "the way taken by individual goods in the circular flow") E. Böhm-Bawerk (about the role of "introducing new technical facts" (p 11); the fact that "the whole value of the product must in principle be divided between labor and land, if the process of production is to proceed with ideal perfection" (p 32), and about 'abstinence' p 37-38), J. S. Mill (about the low level of satisfaction derived from his own distinction between production and distribution) and C. Menger (about the classification of goods into 'orders'). Schumpeter also made numerous definitions of the main principles and concepts used in his analysis. The nature of economic activity can be seen in a very succinct form in the following proposition "economic activity may have *any* motive, even a spiritual one, but its *meaning* is always the satisfaction of wants." p 10

Economic and technological problems faced by individuals in the process of production have different characteristics; therefore, these necessitate specific answers

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emphasizing not only the cyclical nature of evolution, but also the essence of this phenomenon and the element which is capable of starting a new business cycle. This element is closely associated with *innovation* in the Schumpeterian system and all the others aspects of the society's life gravitate around this function. The assumed state of equilibrium of the economic system is disturbed only through the power of innovation and this is seen as a factor endogenous to the economic system.

<sup>5</sup> The book, first published in 1942, exposes Schumpeter's vision of Marxian doctrine and yields Schumpeter's answers to two of the most important questions of that time, respectively *Can Capitalism Survive?* and *Can Socialism Work?*

In a similar fashion to the book which is the subject of this review we can quote a very short paragraph regarding the essence of the evolution of the capitalist world: "*The fundamental impulse that sets and keeps the capitalist engine in motion comes from the new consumers' goods, the new methods of production or transportation, the new markets, the new forms of industrial organization that capitalist enterprise creates.*" (Schumpeter, [1943] 1976: 83)

<sup>6</sup> For readers who are interested in a sample of the original material from the 1911 German edition which was consistently omitted from the subsequent English editions of the book, the article published by Becker M. C. and Knudsen T. (2002) presents a useful insight.

and different types of knowledge for the economic actors to take into consideration (p 12-14). On the one hand, the contrastive nature of the relationship between economic and technological problems and on the other hand the complementary nature of the two as aspects of the process of production are the main characteristics of the picture used by Schumpeter for an introduction to one of the most important concepts of his book, namely the concept of 'combination'. "Technologically as well as economically considered, to produce means to combine the things and forces within our reach. Different methods of production can only be distinguished by the manner of the combination, that is either by the objects combined or by the relation between their quantities. Every concrete act of production embodies for us, is for us, such a combination... An enterprise as such and even the productive conditions of the whole economic system we shall also regard as 'combinations'" (p 14). These two types of combinations are not similar. From the Schumpeterian perspective "economic logic prevails over the technological" (p 14-15). The fact that producers can choose between different combinations implies that the costs for producing a particular good can be different for each producer and also that an enterprise can produce different types of goods using identical kinds and quantities of factors. From this perspective 'costs are a value phenomenon' (p 27) and in the analysis of the costs for producing a good, the possibilities of utilizing the resources in a different way must be taken into account. "Costs as an expression of the value of other potential employments of means of production constitute the liability items in the social balance sheet. This is the deepest significance of the cost phenomenon" (p 29).

In his attempt to simplify the construction of the argument to the greatest extent possible, Schumpeter gives a short insight into the essence of goods and into means of production assuming that the analysis can take into account only two main factors, namely labor and land. These two "original productive factors are equally indispensable in production" and "labor as well as land is valued, is used according to economic principles, and both receive equally economic consideration" (p 19). The great emphasis placed in his analysis on the concept of labor contains two distinctions: firstly, the distinction between 'directing and directed labor' and, secondly that between 'independent and wage labor' (p 19). The emphasis is given to the 'creative' nature of the directing or independent labor.

Schumpeter distinguished between two different types of risk, the first one associated with 'the technical failure of production' and 'the risk of commercial failure', but he emphasizes that "none of these methods of evening out economic risks, in principle, creates profit" (p 33). These two kinds of risks are part of the common knowledge of the producers. Schumpeter saw a somewhat different situation "if the risks are not foreseen or at any rate are not taken account of in the economic plane" (p 33): in these cases there are some possibilities for gains and losses. These are associated with the changes of relevant data on the market and with the situations that necessitate adaptation by individuals.

Turning to the relationship between different parts of the production process, Schumpeter emphasized the fact that distinct industries are connected<sup>7</sup> in a very specific way. This connection is possible because different resources can be combined in different ways in production and “therefore we can say that the values of individual goods for everyone form a value system, the separate elements of which are mutually dependent” (p 39). This aspect of the process of combining different kinds of resources and means in production confers a high level of stability to the value system and this system is perceived as such by individuals. Individuals constantly adapt their activities according to adjustments in the value system and any major changes disturb the individual’s universe. On the one hand, this happens because it is not part of their routine and on the other because the knowledge achieved through prior experience decreases in utility.

The second chapter of the book contains some important clarifications about the concept of ‘development’ in the Schumpeterian view. Thus, “by development... we shall understand only such changes in economic life as are not forced upon it from without but arise by its own initiative, from within” (p 63). This feature, outlined above, should be understood alongside the fact that “development in our sense is a distinct phenomenon, entirely foreign to what may be observed in the circular flow or in the tendency towards equilibrium. It is spontaneous and discontinuous change in the channels of the flow, disturbance of equilibrium, which forever alters and displaces the equilibrium state previously existing (p 64)”. Schumpeter attributes the principal role in this type of development to the entrepreneur. Entrepreneurial actions are the main mechanism in the process of economic development and the disturbance of the economic system is impossible without them.

In the field of consumers’ behaviors and preferences Schumpeter adopts a very categorical attitude. In his economic vision producers’ behaviors and activities are important because they have the strength to influence and change consumers’ preferences<sup>8</sup>. His characterization of the process of influence is clear in the following extract: “it is, however, the producer who as a rule initiates economic change’ and consumers are educated by him if necessary; they are, as it were, taught to want new

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<sup>7</sup> One of the features emphasized by Mises is that suppliers are in a permanent state of competition regardless of their activity niches or relationship to one another and this state increases the actors’ uncertainty: “competition does not take place only among those who offer the same item for sale, but also among those who wish to sell different articles. The sums which a consumer spends on buying any commodity reduce the sums which he can put up to buy other commodities. All entrepreneurs try hard to draw into their coffers as much as possible of the cash at the public’s disposal. All goods and services are in competition with all other goods and services” (Mises, [1961] 1994: 154). This type of approach further outlines the elements of connection underlined by Schumpeter and places the emphasis on other aspects of the market process.

<sup>8</sup> An interesting point of view about the ‘adaptive nature’ of preferences and insights into the relationship between suppliers and consumers can be found in Carl Christian von Weizsäcker (2011) ‘Homo Oeconomicus Adaptivus’

things...<sup>9</sup>” (p 65). This part of the analysis assures the validity of focusing the attention of economists on producers as the main ‘engine’ of changes in the market. In this way the ‘new combination’ also achieved a privileged role in explaining the mechanism of the economic development.

The concept of ‘new combination’ is often associated with Schumpeter’s work and with his approach to economic development. One of the most quoted paragraphs from Schumpeter’s book is the following, where the author give some specific details about the meaning of this concept:

“This concept covers the following five cases: (1) The introduction of a new good – that is one with which consumers are not yet familiar – or a new quality of a good. (2) The introduction of a new method of production, that is one not yet tested by experience in the branch of manufacture concerned, which need by no means be founded upon a discovery scientifically new, and can also exist in a new way of handling a commodity commercially. (3) The opening of a new market, that is a market into which the particular branch of manufacture of the country in question has not previously entered, whether or not this market has existed before. (4) The conquest of a new source of supply or raw materials or half-manufactured goods, again irrespective of whether this source already exists or whether it has first to be created. (5) The carrying out of the new organization of any industry, like the creation of a monopoly position (for example through trustification) or the breaking up of a monopoly position.” (p 66)

The clarification of the concept of ‘new combinations’, poses an important question: who are the people able to ‘carrying out’ these new combinations? Schumpeter reserves this particular economic role for entrepreneurs. They are capable of initiating innovative actions and this is how the economic system evolves. Schumpeterian entrepreneurs are not necessarily the possessors of the capital used for carrying out the new combinations because in many cases they use stocks of capital supplied through the mechanisms of credit<sup>10</sup> by capitalists or bankers. The connection between credit and innovation is a very close one, and one that makes possible the formation of new firms which are the exponents of the new combinations. From this point of view, it is obvious that in Schumpeter’s system the role of ‘savings’ in carrying out ‘new combinations’ is relatively insignificant because “the entrepreneur does not save in order to obtain the

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<sup>9</sup> This idea is formulated in *Business Cycles* in a very similar way “there is obviously no lack of realism in the proposition that the great majority of changes in commodities consumed has been forced by producers on consumers who, more often than not, have resisted the change and have to be educated up by elaborate psychotechnics of advertising.” (Schumpeter, 1939: 73)

<sup>10</sup> In the *Business Cycles* the ‘credit creation’ is associated by Schumpeter in a very direct way with the moment when the capitalist system has arisen: “Capitalism is that form of private property economy in which innovations are carried out by means of borrowed money, which in general, thought not by logical necessity, implies credit creation... Therefore, we shall date capitalism as far back as the element of credit creation.” (Schumpeter, 1939: 223-224)

means which he needs, nor does he accumulate any goods before beginning to produce” (p 136).

The transient character of the economic function performed by entrepreneurs makes impossible the formation of a social class in the typical way. Those who have carried out a successful innovation can be found in the class of capitalists. From this perspective entrepreneurial activities can furnish an excellent mechanism for upward social mobility, that is the achievement of a higher social status for the individual and his or her family (p 156). Further on in the book we find the assertion that the only things a person needs to be an entrepreneur are “the will and the action” (p 133).

Entrepreneurs’ main distinctive features are linked with their courage for ‘carrying out a new plan’ even if they do not have complete knowledge<sup>11</sup> of the market situation; “the success of everything depends upon intuition, the capacity of seeing things in a way which afterwards proves to be true... The more accurately, however, we learn to know the natural and social world, the more perfect our control of facts becomes, and the greater the extent, with time and progressive rationalization, within which things can be simply calculated, and indeed quickly and reliably calculated, the more the significance of this function decreases”(p 85-86). This is one of the points in which Schumpeter’s entrepreneur is different to the one characterized by Austrian economics<sup>12</sup>. Many of the Austrian economists have emphasized the capacity of individuals ‘to learn’ in the market process and to adapt their behaviors and responses to the changes from the market’s context. In the Schumpeterian perspective these are simply features of the individuals who conduct their businesses in a routine phase and certainly not distinctive characteristics of the entrepreneur viewed as an innovator<sup>13</sup>. Another significant distinction emphasized by Schumpeter is that between entrepreneurial leadership and other types of leadership. In this distinction Schumpeter emphasizes the fact that the entrepreneur can be a very discrete person who need not to convince others from the market about ‘the desirability’ of his or her vision, capacities or abilities because he or she is able to “lead the means of production into new channels” and often “the only man he has to convince or to impress is the banker who is to finance him” (p 89).

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<sup>11</sup> For Hayek, ‘complete knowledge’ is one of the features of the state of ‘perfect competition’ and this state is not possible in a real economy. “Accordingly to the general view, perfect competition presupposes: (1) A homogenous commodity offered and demanded by a large number of relatively small sellers or buyers, none of whom expects to exercise by his action a perceptible influence on price (2) Free entry into the market and absence of other restraints on the movement of prices and resources (3) Complete knowledge of the relevant factors on the part of all participants in the market.” (Hayek, [1946] 1990: 172)

<sup>12</sup> In Kirzner’s analysis this dimension of knowledge is associated with the individual’s alertness “once we become sensitive to the decision-makers’ alertness to new possibly worthwhile ends and newly available means, it may be possible to explain the pattern of change in an individual’s decisions as the outcome of a learning process generated by the unfolding experience of the decisions themselves.” (Kirzner, 1973: 36)

<sup>13</sup> Schumpeter emphasized the distinction between invention and innovation. For economic analysis the one that matters is innovation because “as long as they are not carried into practice, inventions are economically irrelevant” (p 88).

Digging for the roots of individuals' entrepreneurial behaviors, Schumpeter emphasized some significant psychological motivations of this type of person. These are grouped in three main categories:

“First of all, there is a dream and the will to found a private kingdom, usually, though not necessarily, also a dynasty... Then there is the will to conquer: the impulse to fight, to prove oneself superior to others, to succeed for the sake, not of the fruits of success, but of success itself... Finally, there is the joy of creating, of getting things done, or simply of exercising one's energy and ingenuity” (p 93)

Looking at the economic system from a perspective focused on the role of innovation, Schumpeter points out that the importance of credit cannot be dissociated from entrepreneurial action. Credit mechanisms acquire a high level of significance only at the moment when credit's utilization is linked with the activity of carrying out 'new combinations' and of moving the production into 'new channels'. From this point of view “the entrepreneur is the typical debtor in the capitalist society” (p 102). Linked with this approach to the economic sphere of a society is the approach to capital and its economic function. In Schumpeter's words “capital is nothing but the lever by which the entrepreneur subjects to this control the concrete goods which he needs, nothing but a means of diverting the factors of production to new uses, or of dictating a new direction to production (p 116)”.

Entrepreneurial profit is the direct result of the activity of innovation and from this perspective this type of activity could be considered a temporarily productive factor. As we have already seen, the entrepreneurial leader is the person capable of initiating these actions and his or her role is indispensable in the economic process, or as Schumpeter puts it “in most cases... the means of production are replaceable, but not the leader”(p 144). This contextualization of entrepreneurial activity and its recompenses allows for the fact that entrepreneurs' profit is different of rent, wage or return on capital (p 153).

Schumpeter built his theory of 'interest on capital' on the foundation of entrepreneurial activity and its profit. In this way, interest could be seen only as a part of the process of economic development and from the Schumpeterian perspective the fact “that interest is a value phenomenon and an element in price”(p 173) became an 'elementary conclusion'. The mechanism from which interest arises is closely linked with the entrepreneurs' profit and without the need for a detailed exposition of the complexity of his argument we can quote probably the most important aspect of the process: “the entrepreneur is certainly the most important person in the whole matter; not however, because he is the true, original, typical interest receiver, but because he is the typical interest payer” (p 180). This is the field of conflict between capitalists and entrepreneurs because their interests in it are divergent. The explanation offered by Schumpeter regarding the question of the levels of interest paid in a market is “expressed in terms of the marginal theory, just as in the case of any price-determining process” (p 193). Thus, “on the one hand... interest must in every case be equal to the

smallest entrepreneurial profit that will be actually realized” and “on the other hand... the interest is also equal to the greatest or marginal sacrifice that must be made in order to satisfy the existing demand for money at a given rate of interest” (p 194). In the final part of his analysis Schumpeter emphasizes that interest should be viewed as a “tax on entrepreneurial profit”(p 210).

The last chapter of the book outlines an early form of the Schumpeterian perspective on business cycles. Firstly, Schumpeter points out some similarities and distinctions between his approach to the issue and that of Spiethoff<sup>14</sup>. The main question from this perspective is if “this whole development which we have been describing proceeds in unbroken continuity is it similar to the gradual organic growth of a tree?” It is well known that Schumpeter answered in the negative and he developed this view and detailed an alternative model in ‘the Business Cycles’ (1939). The chapter analyzes the nature of the relationship between economic crises and panics and gives Schumpeter’s view that the latter could be considered to be consequences of the former. One of the most widely utilized concepts from economic analysis of entrepreneurial action receives special attention in this part of the book, namely that of ‘uncertainty’. The author sees this concept as being in direct connection with the period of depression because it is particularly true in this case that the economic data and conception of value learnt by individuals through experience loses a greater amount of utility. The new channels of production that entrepreneurs impose on the market dramatically reduce the relevance of the knowledge acquired by individuals.

The specific focus of Schumpeterian theory, briefly outlined above, could be clarified by an explanation of what is not considered to be the Schumpeterian entrepreneur. To this end we can use some aspects of the market process described by Reisman (2004: 65-68) in his analysis focused on enterprise and evolution. From his insight into the Schumpeterian system and in accord with the theory of entrepreneurship from Schumpeter’s 1911 book reviewed here we can definitely point out the following characteristics : the Schumpeterian entrepreneur is not an inventor but he is an innovator; he is not the risk taker because this role is reserved for capitalists and bankers; the entrepreneurial endeavor cannot be labelled as one of error correction (here is the well known point of difference between the Schumpeterian entrepreneur and the one drawn by Kirzner [1973]); the entrepreneurial activity is distinct from the routine administration of a firm; and finally, as we have already seen, the entrepreneurial profit constitutes an “independent value phenomenon fundamentally connected with the role of leadership in the economic system”(Schumpeter, 2008 : 147).

Since its publication, ‘The theory of economic development’ and the Schumpeterian vision of the entrepreneur have been quoted and analyzed in many different approaches. In the final part of this review we briefly turn our attention to two

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<sup>14</sup> A deeper insight into the similarities and differences between the perspectives of Schumpeter and Spiethoff on the issue of business cycles can be found in Kurz H. (2010) ‘The Beat of the Economic Heart: Joseph Schumpeter and Arthur Spiethoff on Business Cycles’. The paper also contains interesting information about the personal relationship between Schumpeter and Spiethoff.

interesting attempts at comparing Schumpeter's theory of entrepreneurship with two other well-known contributions in the field.

Firstly, Carlin's paper [1956](1999) analyzed the Schumpeterian entrepreneur in terms of the Weberian 'constructed type'. This paper is built on the comparison between Schumpeter's entrepreneur and Weber's 'charismatic leader' and it succeeded in emphasizing several significant similarities and differences between these two methods of analyzing the evolution of capitalist societies. In Carlin's analysis this specific type of Schumpeterian entrepreneur is influenced by particular aspects of the economic system such as "the entrepreneur's access to resources", "the market's dimension" and "the independence of the banking system". Consumers must "demonstrate the flexibility necessary for any change to materialize", and finally there should be room for calculability. This "calculable law does not mean unchanging law, however, but merely that the general direction of change can be estimated and in some sense discounted" (Carlin, 1999: 163). Carlin's analysis leads him to the conclusion that "if the entrepreneur-type is viewed as sub-type of the Weberian charismatic leader certain analytical advantages can be realized" (Carlin, 1999: 166).

Secondly, we can take an insight from White's paper [1976](1990) where he made an attempt to reconcile the Schumpeterian entrepreneur with the one constructed by Kirzner (1973). In this case the focus is on the entrepreneur's role in the market rather than the nature of the entrepreneur. White's emphasis is on 'uncertainty and expectations' and the entrepreneur's 'imaginative capacity' is the proposed element of connection between the two different approaches to entrepreneurship. His exposition in this field should be considered in conjunction with Shackle's writing on the subject and in this tradition he asserted that "the 'deliberate search for profit opportunities' which as Kirzner notes is 'the essence of the entrepreneurial role' is not so much a search as an exercise in constrained imagination. Entrepreneurial projects are not waiting to be sought out so much as to be thought up. The entrepreneur's plans must be based on expectations, and these must be created by him: an image of future markets is available not through sight but through insight" (White, 1999: 93). This perspective complements the one that he puts forward on "the Schumpeterian innovator [who] may be admitted to the broader ranks of entrepreneurship without his being denatured when the role of imagination is recognized" (White, 1999: 95).

The Schumpeterian economic system is capable of reconfiguration and change because Schumpeter's metaphor of 'creative destruction' is embedded in the role attributed to the entrepreneur and his or her innovation. His theoretical approach to the entrepreneurial phenomenon remains one of the main foundations for contemporary analysis in this field and his macroeconomic perspective still inspires numerous economists. Schumpeter's visions of economic phenomena have survived through the years because of his specificity and focused perspective on the endogenous factors of the economic sphere of the world.

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