

---

## Capitalism, Socialism, and Democracy

Joseph Schumpeter

---

### The Classical Doctrine of Democracy

#### I. The Common Good and the Will of the People

The eighteenth-century philosophy of democracy may be couched in the following definition: the democratic method is that institutional arrangement for arriving at political decisions which realizes the common good by making the people itself decide issues through the election of individuals who are to assemble in order to carry out its will. Let us develop the implications of this.

It is held, then, that there exists a Common Good, the obvious beacon light of policy, which is always simple to define and which every normal person can be made to see by means of rational argument. There is hence no excuse for not seeing it and in fact no explanation for the presence of people who do not see it except ignorance—which can be removed—stupidity and anti-social interest. Moreover, this common good implies definite answers to all questions so that every social fact and every measure taken or to be taken can unequivocally be classed as “good” or “bad.” All people having therefore to agree, in principle at least, there is also a Common Will of the people (= will of all reasonable individuals) that is exactly coterminous with the common good or interest or welfare or happiness. The only thing, barring stupidity and sinister interests, that can possibly bring in disagreement and account for the presence of an opposition is a difference of opinion as to the speed with which the goal, itself common to nearly all, is to be approached. Thus every member of the community, conscious of that goal, knowing his or her mind, discerning what is

good and what is bad, takes part, actively and responsibly, in furthering the former and fighting the latter and all the members taken together control their public affairs.

It is true that the management of some of these affairs requires special aptitudes and techniques and will therefore have to be entrusted to specialists who have them. This does not affect the principle, however, because these specialists simply act in order to carry out the will of the people exactly as a doctor acts in order to carry out the will of the patient to get well. It is also true that in a community of any size, especially if it displays the phenomenon of division of labor, it would be highly inconvenient for every individual citizen to have to get into contact with all the other citizens on every issue in order to do his part in ruling or governing. It will be more convenient to reserve only the most important decisions for the individual citizens to pronounce upon—say by referendum—and to deal with the rest through a committee appointed by them—an assembly or parliament whose members will be elected by popular vote. This committee or body of delegates, as we have seen, will not represent the people in a legal sense but it will do so in a less technical one—it will voice, reflect or represent the will of the electorate. Again as a matter of convenience, this committee, being large, may resolve itself into smaller ones for the various departments of public affairs. Finally, among these smaller committees there will be a general-purpose committee, mainly for dealing with current administration, called cabinet or government, possibly with a general secretary or scapegoat at its head, a so-called prime minister.<sup>1</sup>

---

Excerpted from: Joseph Schumpeter, *Capitalism, Socialism, and Democracy*. New York: Allen & Unwin, 1976.

1. The official theory of the functions of a cabinet minister holds in fact that he is appointed in order to see to it that in his department the will of the people prevails.

As soon as we accept all the assumptions that are being made by this theory of the polity—or implied by it—democracy indeed acquires a perfectly unambiguous meaning and there is no problem in connection with it except how to bring it about. Moreover we need only forget a few logical qualms in order to be able to add that in this case the democratic arrangement would not only be the best of all conceivable ones, but that few people would care to consider any other. It is no less obvious however that these assumptions are so many statements of fact every one of which would have to be proved if we are to arrive at that conclusion. And it is much easier to disprove them.

There is, first, no such thing as a uniquely determined common good that all people could agree on or be made to agree on by the force of rational argument. This is due not primarily to the fact that some people may want things other than the common good but to the much more fundamental fact that to different individuals and groups the common good is bound to mean different things. This fact, hidden from the utilitarian by the narrowness of his outlook on the world of human valuations, will introduce rifts on questions of principle which cannot be reconciled by rational argument because ultimate values—our conceptions of what life and what society should be—are beyond the range of mere logic. They may be bridged by compromise in some cases but not in others. Americans who say, "We want this country to arm to its teeth and then to fight for what we conceive to be right all over the globe" and Americans who say, "We want this country to work out its own problems which is the only way it can serve humanity" are facing irreducible differences of ultimate values which compromise could only maim and degrade.

Secondly, even if a sufficiently definite common good—such as for instance the utilitarian's maximum of economic satisfaction<sup>2</sup>—proved acceptable to all, this would not imply equally

definite answers to individual issues. Opinions on these might differ to an extent important enough to produce most of the effects of "fundamental" dissension about ends themselves. The problems centering in the evaluation of present versus future satisfactions, even the case of socialism versus capitalism, would be left still open, for instance, after the conversion of every individual citizen to utilitarianism. "Health" might be desired by all, yet people would still disagree on vaccination and vasectomy. And so on.

The utilitarian fathers of democratic doctrine failed to see the full importance of this simply because none of them seriously considered any substantial change in the economic framework and the habits of bourgeois society. They saw little beyond the world of an eighteenth-century ironmonger.

But, third, as a consequence of both preceding propositions, the particular concept of the will of the people or the *volonté générale* that the utilitarians made their own vanishes into thin air. For that concept presupposes the existence of a uniquely determined common good discernible to all. Unlike the romanticists the utilitarians had no notion of that semi-mystic entity endowed with a will of its own—that "soul of the people" which the historical school of jurisprudence made so much of. They frankly derived their will of the people from the wills of individuals. And unless there is a center, the common good, toward which, in the long run at least, *all* individual wills gravitate, we shall not get that particular type of "natural" *volonté générale*. The utilitarian center of gravity, on the one hand, unifies individual wills, tends to weld them

2. The very meaning of "greatest happiness" is open to serious doubt. But even if this doubt could be removed and definite meaning could be attached to the sum total of economic satisfaction of a group of people, that maximum would still be relative to given situations and valuations which it may be impossible to alter, or compromise on, in a democratic way.

by means of rational d  
the people and, on the  
the latter the exclusiv  
by the classic democr  
*not consist simply in*  
*people as such* but rests  
about the "natural" of  
object is sanctioned by  
the existence and the  
*volonté générale* are gov  
the common good fails  
of the classical doctrine  
dust.

## II. The Will of the People Volition

Of course, however conc  
may tell against this pa  
the will of the people, the  
trying to build up anot  
one. I do not intend to qu  
or the importance of the s  
we think of when speaki  
tion. Their analysis is cer  
for making headway wit  
mocracy. It would howev  
tain the term because thi  
fact that as soon as we ha  
the people from its utiliti  
are building not merely a  
same thing, but a theory  
ent thing. We have every  
guard against the pitfalls t  
those defenders of democra  
ing, under pressure of ac  
more and more of the fac  
process, yet try to anoint th  
turns out with oil taken fro  
jars.

But though a common w  
of some sort may still be s  
the infinitely complex ju  
and group-wise situations.

issues. Opinions on important enough "fundamental" issues. The problems present versus the rise of socialism are still open, for every individual might be all disagree on reason.

democratic doctrine of this simply considered any framework. They saw nineteenth-century

preceding the will of the utilitarian thin air. existence of discerning the utilitarian entity soul of juris- derived individ- common. *at least, all generale.* the one did them

been to improved men to that nations

by means of rational discussion into the will of the people and, on the other hand, confers upon the latter the exclusive ethical dignity claimed by the classic democratic creed. *This creed does not consist simply in worshiping the will of the people as such* but rests on certain assumptions about the "natural" object of that will which object is sanctioned by utilitarian reason. Both the existence and the dignity of this kind of *volonté générale* are gone as soon as the idea of the common good fails us. And both the pillars of the classical doctrine inevitably crumble into dust.

## II. The Will of the People and Individual Volition

Of course, however conclusively those arguments may tell against this particular conception of the will of the people, they do not debar us from trying to build up another and more realistic one. I do not intend to question either the reality or the importance of the socio-psychological facts we think of when speaking of the will of a nation. Their analysis is certainly the prerequisite for making headway with the problems of democracy. It would however be better not to retain the term because this tends to obscure the fact that as soon as we have severed the will of the people from its utilitarian connotation we are building not merely a different theory of the same thing, but a theory of a completely different thing. We have every reason to be on our guard against the pitfalls that lie on the path of those defenders of democracy who while accepting, under pressure of accumulating evidence, more and more of the facts of the democratic process, yet try to anoint the results that process turns out with oil taken from eighteenth-century jars.

But though a common will or public opinion of some sort may still be said to emerge from the infinitely complex jumble of individual and group-wise situations, volitions, influences,

actions and reactions of the "democratic process," the result lacks not only rational unity but also rational sanction. The former means that, though from the standpoint of analysis, the democratic process is not simply chaotic—for the analyst nothing is chaotic that can be brought within the reach of explanatory principles—yet the results would not, except by chance, be meaningful in themselves—as for instance the realization of any definite end or ideal would be. The latter means, since *that* will is no longer congruent with any "good," that in order to claim ethical dignity for the result it will now be necessary to fall back upon an unqualified confidence in democratic forms of government as such—a belief that in principle would have to be independent of the desirability of results. As we have seen, it is not easy to place oneself on that standpoint. But even if we do so, the dropping of the utilitarian common good still leaves us with plenty of difficulties on our hands.

In particular, we still remain under the practical necessity of attributing to the will of the *individual* an independence and a rational quality that are altogether unrealistic. If we are to argue that the will of the citizens *per se* is a political factor entitled to respect, it must first exist. That is to say, it must be something more than an indeterminate bundle of vague impulses loosely playing about given slogans and mistaken impressions. Everyone would have to know definitely what he wants to stand for. This definite will would have to be implemented by the ability to observe and interpret correctly the facts that are directly accessible to everyone and to sift critically the information about the facts that are not. Finally, from that definite will and from these ascertained facts a clear *and prompt* conclusion as to particular issues would have to be derived according to the rules of logical inference—with so high a degree of general efficiency moreover that one man's opinion could be held, without glaring absurdity, to be roughly

as good as every other man's.<sup>3</sup> And all this the model citizen would have to perform for himself and independently of pressure groups and propaganda,<sup>4</sup> for volitions and inferences that are imposed upon the electorate obviously do not qualify for ultimate data of the democratic pro-

3. This accounts for the strongly equalitarian character both of the classical doctrine of democracy and of popular democratic beliefs. It will be pointed out later on how Equality may acquire the status of an ethical postulate. As a factual statement about human nature it cannot be true in any conceivable sense. In recognition of this the postulate itself has often been reformulated so as to mean "equality of opportunity." But, disregarding even the difficulties inherent in the word opportunity, this reformulation does not help us much because it is actual and not potential equality of performance in matters of political behavior that is required if each man's vote is to carry the same weight in the decision of issues.

It should be noted in passing that democratic phraseology has been instrumental in fostering the association of inequality of any kind with "injustice" which is so important an element in the psychic pattern of the unsuccessful and in the arsenal of the politician who uses him. One of the most curious symptoms of this was the Athenian institution of ostracism or rather the use to which it was sometimes put. Ostracism consisted in banishing an individual by popular vote, not necessarily for any particular reason: it sometimes served as a method of eliminating an uncomfortably prominent citizen who was felt to "count for more than one."

4. This term is here being used in its original sense and not in the sense which it is rapidly acquiring at present and which suggests the definition: propaganda is any statement emanating from a source that we do not like. I suppose that the term derives from the name of the committee of cardinals which deals with matters concerning the spreading of the Catholic faith, the *congregatio de propaganda fide*. In itself therefore it does not carry any derogatory meaning and in particular it does not imply distortion of facts. One can make propaganda, for instance, for a scientific method. It simply means the presentation of facts and arguments with a view to influencing people's actions or opinions in a definite direction.

cess. The question of these conditions are fulfilled to the extent required in order to make democracy work should not be answered by reckless assertion or equally reckless denial. It can be answered only by a patient appraisal of a maze of conflicting evidence.

Before embarking upon this, however, I want to make quite sure that the reader fully appreciates another point that has been made already. I will therefore repeat that even if the opinions and desires of individual citizens were perfectly definite and independent data for the democratic process to work with, and if everyone acted on them with ideal rationality and promptitude, it would not necessarily follow that the political decisions produced by that process from the raw material of those individual volitions would represent anything that could in any convincing sense be called the will of the people. It is not only conceivable but, whenever individual wills are much divided, very likely that the political decisions produced will not conform to "what people really want." Nor can it be replied that, if not exactly what they want, they will get a "fair compromise." This may be so. The chances for this to happen are greatest with those issues which are quantitative in nature or admit of gradation, such as the question how much is to be spent on unemployment relief provided everybody favors some expenditure for that purpose. But with qualitative issues, such as the question whether to persecute heretics or to enter upon a war, the result attained may well, though for different reasons, be equally distasteful to all the people whereas the decision imposed by a non-democratic agency might prove much more acceptable to them. . . .

. . . If results that prove in the long run satisfactory to the people at large are made the test of government *for* the people, then government *by* the people, as conceived by the classical doctrine of democracy, would often fail to meet it.

## Another Theory of Democracy

### I. Competition for Political Power

I think that most students will now come to accept the classical doctrine of democracy. I also think that they will agree before long on a theory which is much more democratic method really. Like the classical theory, it is a nutshell of a definition.

It will be remembered that about the classical theory of democracy the position that "the people" give their opinion about everything and that they give effect to it by choosing a government will see to it that that opinion is carried out. Thus the selection of the government is secondary to the primary arrangement which is made for deciding political issues. If we reverse the roles and make the deciding of issues secondary to the election of a government, we do the deciding. To put it another way, we take the view that the role of the government is to produce a government, or rather an executive<sup>1</sup> or government, by a democratic method is that individuals acquire the power of a competitive struggle for political power. Defense and explanation of this theory will be given and speedily show that, as to

1. The insincere word "executive" is used in a wrong direction. It ceases however to be used in the sense in which we speak of a business corporation who also ceases to be more than "execute" the will of stockholders.

these conditions are  
in order to make  
be answered by  
reckless denial. It  
serious appraisal of

however, I want  
under fully appre-  
made already.  
if the opinions  
were perfectly  
the democratic  
someone acted on  
promptitude, it  
of the political  
ness from the  
ations would  
convincing  
ple. It is not  
individual wills  
the political  
to "what  
shed that, if  
get a "fair  
stances for  
those issues  
admit of  
which is to be  
ted every-  
purpose.  
question  
er upon a  
ough for  
all the  
a non-  
more ac-

an satis-  
test of  
ment by  
doctrine

---

## Another Theory of Democracy

### I. Competition for Political Leadership

I think that most students of politics have by now come to accept the criticisms leveled at the classical doctrine of democracy in the preceding chapter. I also think that most of them agree, or will agree before long, in accepting another theory which is much truer to life and at the same time salvages much of what sponsors of the democratic method really mean by this term. Like the classical theory, it may be put into the nutshell of a definition.

It will be remembered that our chief troubles about the classical theory centered in the proposition that "the people" hold a definite and rational opinion about every individual question and that they give effect to this opinion—in a democracy—by choosing "representatives" who will see to it that that opinion is carried out. Thus the selection of the representatives is made secondary to the primary purpose of the democratic arrangement which is to vest the power of deciding political issues in the electorate. Suppose we reverse the roles of these two elements and make the deciding of issues by the electorate secondary to the election of the men who are to do the deciding. To put it differently, we now take the view that the role of the people is to produce a government, or else an intermediate body which in turn will produce a national executive<sup>1</sup> or government. And we define: the democratic method is that institutional arrangement for arriving at political decisions in which individuals acquire the power to decide by means of a competitive struggle for the people's vote.

Defense and explanation of this idea will speedily show that, as to both plausibility of

---

1. The insincere word "executive" really points in the wrong direction. It ceases however to do so if we use it in the sense in which we speak of the "executives" of a business corporation who also do a great deal more than "execute" the will of stockholders.

assumptions and tenability of propositions, it greatly improves the theory of the democratic process.

First of all, we are provided with a reasonably efficient criterion by which to distinguish democratic governments from others. We have seen that the classical theory meets with difficulties on that score because both the will and the good of the people may be, and in many historical instances have been, served just as well or better by governments that cannot be described as democratic according to any accepted usage of the term. Now we are in a somewhat better position partly because we are resolved to stress a *modus procedendi* the presence or absence of which it is in most cases easy to verify.<sup>2</sup>

For instance, a parliamentary monarchy like the English one fulfills the requirements of the democratic method because the monarch is practically constrained to appoint to cabinet office the same people as parliament would elect. A "constitutional" monarchy does not qualify to be called democratic because electorates and parliaments, while having all the other rights that electorates and parliaments have in parliamentary monarchies, lack the power to impose their choice as to the governing committee: the cabinet ministers are in this case servants of the monarch, in substance as well as in name, and can in principle be dismissed as well as appointed by him. Such an arrangement may satisfy the people. The electorate may reaffirm this fact by voting against any proposal for change. The monarch may be so popular as to be able to defeat any competition for the supreme office. But since no machinery is provided for making this competition effective the case does not come within our definition.

Second, the theory embodied in this definition leaves all the room we may wish to have for a proper recognition of the vital fact of leadership. The classical theory did not do this but, as we have seen, attributed to the electorate an

---

2. See however the fourth point below.

altogether unrealistic degree of initiative which practically amounted to ignoring leadership. But collectives act almost exclusively by accepting leadership—this is the dominant mechanism of practically any collective action which is more than a reflex. Propositions about the working and the results of the democratic method that take account of this are bound to be infinitely more realistic than propositions which do not. They will not stop at the execution of a *volonté générale* but will go some way toward showing how it emerges or how it is substituted or faked. What we have termed Manufactured Will is no longer outside the theory, an aberration for the absence of which we piously pray; it enters on the ground floor as it should.

Third, however, so far as there are genuine group-wise volitions at all—for instance the will of the unemployed to receive unemployment benefit or the will of other groups to help—our theory does not neglect them. On the contrary we are now able to insert them in exactly the role they actually play. Such volitions do not as a rule assert themselves directly. Even if strong and definite they remain latent, often for decades, until they are called to life by some political leader who turns them into political factors. This he does, or else his agents do it for him, by organizing these volitions, by working them up and by including eventually appropriate items in his competitive offering. The interaction between sectional interests and public opinion and the way in which they produce the pattern we call the political situation appear from this angle in a new and much clearer light.

Fourth, our theory is of course no more definite than is the concept of competition for leadership. This concept presents similar difficulties as the concept of competition in the economic sphere, with which it may be usefully compared. In economic life competition is never completely lacking, but hardly ever is it perfect. Similarly, in political life there is always some competition, though perhaps only a potential one, for the allegiance of the people. To simplify matters

we have restricted the kind of competition for leadership which is to define democracy, to free competition for a free vote. The justification for this is that democracy seems to imply a recognized method by which to conduct the competitive struggle, and that the electoral method is practically the only one available for communities of any size. But though this excludes many ways of securing leadership which should be excluded,<sup>4</sup> such as competition by military insurrection, it does not exclude the cases that are strikingly analogous to the economic phenomena we label "unfair" or "fraudulent" competition or restraint of competition. And we cannot exclude them because if we did we should be left with a completely unrealistic ideal.<sup>5</sup> Between this ideal case which does not exist and the cases in which all competition with the established leader is prevented by force, there is a continuous range of variation within which the democratic method of government shades off into the autocratic one by imperceptible steps. But if we wish to understand and not to philosophize, this is as it should be. The value of our criterion is not seriously impaired thereby.

Fifth, our theory seems to clarify the relation that subsists between democracy and individual freedom. If by the latter we mean the existence of a sphere of individual self-government the boundaries of which are historically variable—no society tolerates absolute freedom even of

4. It also excludes methods which should not be excluded, for instance, the acquisition of political leadership by the people's tacit acceptance of it or by election *quasi per inspirationem*. The latter differs from election by voting only by a technicality. But the former is not quite without importance even in modern politics: the sway held by a party boss *within his party* is often based on nothing but tacit acceptance of his leadership. Comparatively speaking however these are details which may, I think, be neglected in a sketch like this.

5. As in the economic field, *some* restrictions are implicit in the legal and moral principles of the community.

conscience and of sphere to zero—the matter of degree. The democratic method does a greater amount of other political methods in circumstances. It is round. But there is two. If, on principle, compete for political himself to the election, though not in all matters, freedom of discussion normally mean a freedom of the press. Democracy and freedom is can be tampered with of the intellectual, important. At the same relation.

Sixth, it should be the primary function of a government (direct or indirect body) I intend also the function of simply the acceptance of leaders, the other means of this acceptance. The reader may have thought that the election installs. But since election control their political by refusing to reflect majorities that support our ideas about indicated by our definition simultaneous revulsions occurment or an individual enforce a certain course not only exceptional, contrary to the spirit of

6. Free, that is, in the same free to start another text.

competition for democracy, to free justification for simply a recognition that the competitive method is possible for communities excludes many which should be by military intervention cases that are economic phenomena "competition" we cannot exclude should be left. Between this and the cases in established leader continuous range democratic method the autocratic one we wish to understand is as it should be is not seriously

clarify the relation democracy and individual mean the existence of government the economically variable— freedom even of

which should not be of political leadership of it or by election the latter differs from equality. But the force even in modern boss *within his party* then acceptance of his being however these are neglected in a sketch like

economic restrictions are and principles of the

conscience and of speech, *no* society reduces that sphere to zero—the question clearly becomes a matter of degree. We have seen that the democratic method does not necessarily guarantee a greater amount of individual freedom than another political method would permit in similar circumstances. It may well be the other way round. But there is still a relation between the two. If, on principle at least, everyone is free to compete for political leadership<sup>6</sup> by presenting himself to the electorate, this will in most cases though not in all mean a considerable amount of freedom of discussion *for all*. In particular it will normally mean a considerable amount of freedom of the press. This relation between democracy and freedom is not absolutely stringent and can be tampered with. But, from the standpoint of the intellectual, it is nevertheless very important. At the same time, it is all there is to that relation.

Sixth, it should be observed that in making it the primary function of the electorate to produce a government (directly or through an intermediate body) I intended to include in this phrase also the function of evicting it. The one means simply the acceptance of a leader or a group of leaders, the other means simply the withdrawal of this acceptance. This takes care of an element the reader may have missed. He may have thought that the electorate controls as well as installs. But since electorates normally do not control their political leaders in any way except by refusing to reelect them or the parliamentary majorities that support them, it seems well to reduce our ideas about this control in the way indicated by our definition. Occasionally, spontaneous revulsions occur which upset a government or an individual minister directly or else enforce a certain course of action. But they are not only exceptional, they are, as we shall see, contrary to the spirit of the democratic method.

6. Free, that is, in the same sense in which everyone is free to start another textile mill.

Seventh, our theory sheds much-needed light on an old controversy. Whoever accepts the classical doctrine of democracy and in consequence believes that the democratic method is to guarantee that issues be decided and policies framed according to the will of the people must be struck by the fact that, even if that will were undeniably real and definite, decision by simple majorities would in many cases distort it rather than give effect to it. Evidently the will of the majority is the will of the majority and not the will of "the people." The latter is a mosaic that the former completely fails to "represent." To equate both by definition is not to solve the problem. Attempts at real solutions have however been made by the authors of the various plans for Proportional Representation.

These plans have met with adverse criticism on practical grounds. It is in fact obvious not only that proportional representation will offer opportunities for all sorts of idiosyncrasies to assert themselves but also that it may prevent democracy from producing efficient governments and thus prove a danger in times of stress.<sup>7</sup> But before concluding that democracy becomes unworkable if its principle is carried out consistently, it is just as well to ask ourselves whether this principle really implies proportional representation. As a matter of fact it does not. If acceptance of leadership is the true function of the electorate's vote, the case for proportional representation collapses because its premises are no longer binding. The principle of democracy then merely means that the reins of government should be handed to those who command more support than do any of the competing individuals or teams. And this in turn seems to assure the standing of the majority system within the logic of the democratic method, although we might still condemn it on grounds that lie outside of that logic. . . .

7. The argument against proportional representation has been ably stated by Professor F. A. Hermens in "The Trojan Horse of Democracy," *Social Research*, November 1938.