

# Friedrich List & Joseph Schumpeter: Strange bedfellows in the pedigree of (development) economics?

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## Abstract

Arguing that Joseph Schumpeter generalized development economics, whereas List saw it as of limited scope, we take a closer look at List's approach. We discover that, for List, theories are time- and space-bound, and historical and institutional parameters help define their applicability. When history and institutions matter, mere internal dynamics cannot be taken as the sole motor-force of development and change. While Schumpeter's approach is associated with evolutionary economics, List's is affiliated with institutional economics. Institutional economics and evolutionary economics are not exactly the same but they are not poles apart either. This holds the key to understanding the uneasy yet inevitable combination to which List and Schumpeter contribute in the context of contemporary development-friendly economics. It is in this vein that we attempt to compare, contrast and somewhat synthesize List and Schumpeter in terms of their conceptions of capitalist development and economic evolution.

*Key words:* Friedrich List, Joseph Schumpeter, institutional economics, evolutionary economics, development economics.

*JEL codes:* B15, B25, B31, B52, O10.

## 1. Introduction

In his well-known 1911-book, *Theory of Economic Development*, Joseph Schumpeter (1883-1950) has helped reshape the overall conception of economics as essentially dynamic from within, that is, a process the very unfolding of which brings about (evolutionary) change. In this sense, the economic process, as

Schumpeter understands it, is universally comprehensive and applicable to all cases. It characterizes the state of things in general. By definition, all real economies experience this process. A plausible implication is that economic theory needs to be re-theorized as development economics.<sup>1</sup> Put differently, all economics is, by definition, development economics. In this sense, Schumpeter's path-breaking work can be considered as representing a true paradigm-shift.<sup>2</sup> The full meaning of this break-through has increasingly been grasped by various economists, a significant number of which cluster under the rubric of evolutionary economics.

In his posthumously published *History of Economic Analysis*, Schumpeter (1954) presented a brief account on the achievements of Friedrich List (1789-1846) – one of the earliest development economists in the modern history of economic thought. From Schumpeter's attitude towards List, we discern that he saw no affinity between his theoretical position and that of List, except perhaps for the latter's ability to “feel intuitively that the dominant fact about capitalism was its power to create productive capacity” (1954: 572).

As far as the scope of influence is concerned, List's work in general, and his *The National System of Political Economy* (1841) in particular, had nevertheless played a comparable role to that of Schumpeter in the ‘long nineteenth century’. With its critique of classical political economy as *Manchestertum*, it was also intended as a paradigm-shift. List insisted that classical political economy was not universal as it purported to be, but applied only to a special case whereas the majority of remaining cases required a different type of political economy, which he called the ‘national political economy’. Even so, this numerical greater relevance

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<sup>1</sup> We should make it clear at the beginning that, according to Schumpeter, unlike for the mainstream of his time, economics is a ‘process’ and is about change. This links it with development and evolution in the broadest sense. All economics is by definition about development and evolution. By implication, there is no need for a special ‘development economics’ for the less fortunate countries. If anything, Schumpeter dissolves the artificial sub-department of development economics before it came into being and opens the way for development as a process to become everybody's inevitable concern. Obviously, the original German title of Schumpeter's book had the word “*Entwicklung*”, implying the ‘process’ of development. This, he must have thought, placed his discussion in a proper context within the German-speaking academia. Yet when it came to the publication of the English translation, Schumpeter, well-versed in English, had no objection to the use of ‘development’ in the title. This, he must have agreed, directed the book to the attention of the most appropriate specialists in the Anglo-American world. Schumpeter had ample opportunity to change the title. The fact that he did not do so attests to his resolution to see his work as most pertinent to the nascent field of ‘development economics’.

<sup>2</sup> Given the fact that Schumpeter's approach developed from within the dominant economic theory by taking-off from Leon Walras's general equilibrium analysis, it introduced dynamics to economic analysis where previously there was none. This made it truly new in its own headquarters. We do not deny that dynamic concerns were a legacy of classical political economy to various heterodoxies, but these approaches have, by the time of Schumpeter, been greatly marginalized, if not already outright silenced within the academia.

of national political economy did not make it the universal theory, because it was conceived as fitting generally for a historically transient stage of economic development. According to List, once a developing country completed its industrialization, it would engage in free trade at parity with the other developed countries. By implication, at this more advanced stage, national political economy would no longer apply, and classical political economy would be reinstated as generally applicable albeit with certain modifications. In short, here, development economics is seen as a transitory prescription for the less-privileged countries.

Had this been all, we could conclude that whereas Schumpeter generalized development economics, List saw it as of limited scope. However, when we take a closer look at List's approach, we discover that, for List, theories are time- and space-bound and the historical and institutional parameters help define their applicability. When history and institutions matter, mere internal dynamics cannot be taken as the sole motor-force of change. In this regard, the affinity of List's work with institutional economics cannot escape the cautious and informed reader.<sup>3</sup> Consequently, whereas Schumpeter's approach is associated with evolutionary economics, List's is affiliated with institutional economics. Institutional economics and evolutionary economics are not exactly the same but they are not poles apart either. This holds the key to understanding the uneasy yet inevitable combination to which List and Schumpeter contribute in the context of contemporary development-friendly economics. It is in this vein that, in this paper, we attempt to compare, contrast and somewhat synthesize List and Schumpeter in terms of their conceptions of capitalist development and economic evolution.

## 2. Schumpeter's attitude towards List

In his 'encyclopedic' *History of Economic Analysis*, Schumpeter (1954) developed a positive attitude towards List in general, but not without some reservations. Let us first take a look at Schumpeter's laudatory remarks on List.

First of all, Schumpeter confirmed that List held "a great place both in the opinion and in the affections of his countrymen" thanks to "his successful

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<sup>3</sup> List's affinity with institutional economics has been emphasized previously: "The importance of institutions for the social sciences was perceived with great clarity by Friedrich List who is perhaps the true founder of modern institutional economics.... Schmoller says that List intuitively grasped the idea that it is not isolated individuals but social formations who are the actors in economic history; he understood that institutions, which regulate socioeconomic life under the guidance of social and public interests, constitute the true object of political economy'... " (Bortis, 1997: 95). Indeed, List's work has generally been considered as one of the main forerunners of German Historical School, which, in its turn, is known to have certain epistemological and ontological connections with the earlier and original versions of institutional economics. Moreover, for example, Ha-Joon Chang of the University of Cambridge, who works on development issues from an institutionalist political-economy viewpoint, is generally considered to be a contemporary follower of List in many respects.

championship of the customs union of the German States (*Zollverein*), the embryo of German national unity". Indeed, List was a "national hero" who possessed "the grand vision of a national situation". Such vision was "a prerequisite for a certain type of scientific achievement – that type of which, in our own day, Keynes is an outstanding example" (1954: 504). List's doctrine of 'stages' was a "felicitous device", while his doctrine of 'productive forces' (*Produktionskräfte*) deserved a "place of honor". Hence, List "was a great patriot, a brilliant journalist with definite purpose, and an able economist who co-ordinated well whatever seemed useful for implementing his vision" (1954: 505).

For Schumpeter, List's major work *The National System of Political Economy*, originally titled "*Das nationale System der politischen Ökonomie* (1841; English trans. 1885), remains a classic in the eulogistic sense of the word..." (1954: 505). As opposed to the Ricardian-Malthusian 'dismal science', List had an 'optimistic' vision on economic development. He was one of the most prominent thinkers who "did not lack imagination", feeling "intuitively that the dominant fact about capitalism was its power to create productive capacity" and seeing "vast potentialities looming in the near future" (1954: 572). At this point, it should be underscored that, for Schumpeter, "this 'optimism' was the result of both a vision and a theory that were more correct than those of the 'pessimists'..." (1954: 573).

Highly positive remarks on List can also be found in Schumpeter's much earlier book – *Economic Doctrine and Method: An Historical Sketch* (1912; English trans. 1954). Here, Schumpeter argued that, in List's work:

... the group of facts of national growth, so neglected by 'classics', emerges in a most apt formulation and was for the first time applied in a concrete way which even the modern businessman, who had no use for romantic mysticism, could grasp, especially in the field of tariff policy... In this context List's contribution towards an *economic sociology* is of first importance, his conception of the national economy in the setting of its historical causes as *the embodiment of historically unique circumstances*, which he made accessible to the large public by his ingenious but reckless and extremely effective doctrine of the four stages of development. The merits of this brilliant writer and his success were very great. It is not without reason that he can claim a position in Germany which is somewhat analogous to that of Adam Smith in England... (Schumpeter, 1912: 100, emphases ours).

At a time when Schumpeter himself had only recently started to contribute to the newly-emerging field of 'economic sociology', he did not hesitate to identify List's major contribution with that field of inquiry. Today, we know that there is an intimate historical relationship between 'institutional economics' and 'economic sociology'. Given this fact, Schumpeter's above-quoted assessment of List can be taken as an implicit evidence of the former's awareness of the latter's

‘institutionalist’ frame of mind. Schumpeter’s usage of the phrase “the embodiment of historically unique circumstances” in order to characterize List’s conception of the development of national economies implies that ‘history matters’ for List, like for institutional economists.

All in all, one can safely argue that Schumpeter considered List as an important figure in the history of economic thought-and-practice – indeed, as a paramount figure comparable to both Adam Smith and John Maynard Keynes in certain respects. However, Schumpeter put also a number of critical annotations on List’s work, in juxtaposition to his positive evaluations. Let us now take a look at Schumpeter’s caveats about List.

In the *History of Economic Analysis*, the first context in which Schumpeter makes mention of List has the sub-title “Quasi-systems”, where he discusses briefly the ‘developmental’ policies designed and implemented by the famous first Secretary of Treasury of the US – Alexander Hamilton (1757-1804). It is well-known that Hamilton had an immense and formative influence on List’s conception of national economic development, and that List mentally constructed the state-led developmental framework of his *magnum opus* – *The National System of Political Economy* – during his exile period in the US (1825-1830). In this connection, Schumpeter speaks highly of “Hamilton’s famous *Report on Manufactures*” as “really ‘applied economics’ at its best”, and draws attention to the fact that the report constitutes the essence of List’s “analytical framework” (1954: 199). At first sight, Schumpeter seems to emphasize merely Hamilton’s influence on List. However, the very sub-title under which Schumpeter sets forth this brief discussion suggests that he considers neither Hamilton nor List as ‘full-fledged’ system-builders in the history of economic analysis. Instead, he chooses to categorize their developmental efforts as part of a ‘quasi-systemic’ program of economic policy.

Schumpeter starts his explicitly critical attitude towards List in a later chapter, under the sub-title “Historians’ Evolutionism”:

Mere preoccupation with the problems of describing the events of an ever-changing world does not spell evolutionism... Professional historians, therefore, are not evolutionists by profession. They become evolutionist – of a distinct type – only when they try to arrange states of society – economic, political, cultural, or general ones – into sequences that are supposed to be necessary and sufficient condition for the emergence of the one that follows it. *The oldest and most primitive way* of doing this is by constructing typical stages through which an economy must pass. *This method was represented in that period by Friedrich List*, whose scheme – hunting, agriculture, agriculture plus manufacture, agriculture and manufacture plus commerce –

met with *deserved criticism* from Karl Knies:<sup>4</sup> *we should indeed have put down this scheme as completely worthless...* (Schumpeter, 1954: 442, emphases ours).

It is somewhat surprising to see Schumpeter commenting on List in such an unfavorable manner, in juxtaposition to his laudatory remarks. However, Schumpeter completes the last sentence as follows:

... were it not for the fact that it may be used (and was used by List) as a simple expository device for impressing upon beginners (or the public) the lesson that *economic policy has to do with changing economic structures and therefore cannot consist of a set of unchanging recipes* (Schumpeter, 1954: 442, emphases ours).

In other words, Schumpeter does not put down List's 'evolutionist' scheme as "completely worthless" thanks to its popular and practical appeal. Moreover, even though Schumpeter finds List's 'evolutionism' outmoded and weak in theoretical terms, he considers it still important for teaching another 'institutionalist' lesson: There is no 'standard recipe' of economic development for all countries, as every country evolves varying economic structures. In other words, Schumpeter is aware that 'space matters' for List, like for institutional economics. A few paragraphs ago, we have already argued that Schumpeter is also aware that 'history matters' for List, like for institutional economics – with reference to "the embodiment of historically unique circumstances". As such, Schumpeter can be said to be able to recognize that List's work involves a truly 'institutionalist' perspective, according to which developmental economic policy should not be designed irrespectively of time- and space-bound institutional specificities.

As far as Schumpeter's critical attitude towards List's scheme is concerned, up to now, we have pointed out its quasi-systemic aspect and theoretically outmoded and weak framework. The rest of Schumpeter's critical attitude involves annotations against lack of novelty or originality. For example, "individual pieces of [List's] analytical apparatus were not particularly novel" (1954: 504), and "his best-known contribution to the education of German public opinion on economic policy, the infant-industry argument, ... is clearly Hamiltonian and part of the economic wisdom that List imbibed during his stay in the United States" (1954: 505). Furthermore, Schumpeter argues that List "used pieces of the existing analytical apparatus judiciously and correctly. And this, too, spells *scientific merit*". But List "made no original contribution to the analytical apparatus of economics"; whereas "English free traders" did, as they "implemented their visions and their

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<sup>4</sup> Schumpeter's footnote: See his *Politische Ökonomie vom Standpunkte der geschichtlichen Methode* (1853, enlarged ed., 1883).

politics analytically and with success – the theorem of comparative costs was a major contribution to our analytical apparatus” (1954: 517).

All in all, Schumpeter considers List’s work in a ‘balanced’ manner. While he praises its popular appeal and practical accuracy, he draws attention to its lack of originality<sup>5</sup> and theoretical weakness. Thus, he asserts that his presentation of List “does justice to, and at the same time reduces to its proper proportions, List’s analytic gifts and performance” (1954: 505).

### 3. List’s ‘mental capital’ and Schumpeter’s entrepreneur: A case of theoretical affinity?

It is clear that Schumpeter saw no theoretical affinity between himself and List. However, we think that, among a few others, especially one connection in which Schumpeter positively evaluated List’s work deserves further examination. Such elaboration can, indeed, reveal that there was a serious ‘theoretical’ affinity between the two. Let us repeat this connection once more: List “felt intuitively that the dominant fact about capitalism was its power to create productive capacity, and [he] *saw* vast potentialities looming in the near future (Schumpeter, 1954: 572). List’s ‘optimistic’ developmental perspective in the context of capitalist production possibilities drew Schumpeter’s due attention, but the latter did not elaborate further this momentous aspect of the former’s work. Therefore, we will now elaborate List’s conception of ‘productive powers’ with an eye to Schumpeter’s conception of ‘entrepreneurship’, emphasizing the former’s momentous notion of ‘mental’ (human) capital. These Listian and Schumpeterian concepts are two important pillars in their respective ‘theoretical’ analyses of capitalist development and economic evolution. To our knowledge, establishment of a connection between List’s ‘mental capital’ and Schumpeter’s ‘entrepreneur’ has not been attempted yet. Our contention is that such a connection can reveal a significant theoretical convergence between these two important figures<sup>6</sup>.

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<sup>5</sup> Schumpeter’s overall evaluation of Adam Smith’s work is also similar in this regard. That is, Schumpeter has a tendency to attribute some ‘lack of originality’ to Smith’s work as well (1954: 181-194 & 362-378).

<sup>6</sup> For instance, there is a noteworthy and obvious convergence of opinion between List and Schumpeter in their attitudes towards the role of patents in enhancing entrepreneurship and development. List’s argument was quite ‘Schumpeterian’ in this regard: “The granting of patent privileges offers a prize to inventive minds. The hope of obtaining the prize arouses the mental powers, and gives them a direction towards industrial improvements. It brings honour to the inventive mind in society, and roots out the prejudice for old customs and modes of operation so injurious among uneducated nations. It provides the man who merely possesses mental faculties for new inventions with the material means which he requires, inasmuch as capitalists are thus incited to support the inventor, by being assured of participation in the anticipated profits” (List, 1841: 307).

No less an authority than Dieter Senghaas (1991) exposed, in a classic article, that List's contribution to developmental issues involved much more than straightforward protectionism. Presumably, Senghaas's exposition can be considered to be one of the leading contributions that paved the way for the resurgence of interest in List's work. Senghaas made it clear that List's conception of developmental differences among countries was essentially a matter of "a gap in know-how and organizational capacities", occurring as the result of "unequally spreading technological and organizational innovations" (1991: 452-3). In List's analysis, such inequality in innovative capacity is the principal source of difference between "a less productive economy" and "a more productive one", implying that the developmental differences are necessarily a reflection of "a capability or competence gap" (1991: 453). Narrowing down this gap on the part of a less productive economy requires appropriate protection, without which the more productive economy "can use its superiority to good advantage in every respect: in the areas of production processes and products, as well as in its *capacity for continuous innovation*" (1991: 453, emphases ours). In other words, Listian protectionism involves a major concern for the establishment and sustenance of a national capability of innovativeness, which is the main key to developmental success. Rather than being a sapless protectionist, List was sophisticated and 'liberal' enough to accentuate the need for "freedom and freedom of movement" for constructing such an innovative national environment. In such an environment, a major factor of development is set forth by List as the formation and maintenance of "an entrepreneurial spirit among *all strata of population*" (1991: 456). What is more, in the context of Listian developmental perspective, "[t]otal isolation from the outside world, that is, a policy of autarchy, deprives a society of its stimuli for innovation" (1991: 465).

Analogously, David Levi-Faur (1997), in a thought-provoking article on List's political-economic approach to the nation-state, convincingly offered two views of globalization. The 'globalization' with which Levi-Faur deals has a capitalist-developmental essence, and thus his views are quite relevant to our paper. In examining List's conception of 'national productive powers', Levi-Faur starts with these two views of globalization (or of capitalist development, for that matter): "The first emphasizes the material aspects of economic activity and derives from Adam Smith's notion of development, while the second emphasizes *the political and human capital aspects of economic activity and relates to List's concept of development*" (1997: 156-7, emphases ours). Making a distinction between Smith and List in terms of their notions of development is a proper starting point in order to understand clearly that List was *not* an unsophisticated nineteenth-century 'mercantilist' thinker who advocated merely an 'outmoded' protectionism in foreign trade. The prominent emphasis that List put on the human-capital

dimensions of capitalist development is presumably more important than his better-known ‘protectionism’. Indeed:

If List did accord a certain priority to anything, it may be found in his high esteem for non-material intellectual forces as opposed to material goods. In “invisible capital”, that is, in the stimulation and promotion of intellectual activity and inventive spirit, of knowledge and skills, in short, of competence, he saw a source of energy and strength that would be very difficult to replace by natural resources (Senghaas, 1991: 456).

A careful examination of this aspect of List’s work has the potential to reveal that his notion of human-capital-led development at national level is supplementary as well as analogous to Schumpeter’s entrepreneur-led evolution of capitalism at a ‘universal-theoretical’ level.

List used the term ‘productive powers’ frequently in all his three major works – “Outlines of American Political Economy” (1827), *The Natural System of Political Economy* (1838), and *The National System of Political Economy* (1841). Productive powers are three-fold, all the three of which were conceptualized by List (1827: 193-4) as a type of ‘capital’:

- i) “natural capital”, which “comprises land, sea, rivers, and mineral resources”,
- ii) “material capital”, which “comprises all objects, such as machines, utensils and raw materials, that are used directly or indirectly in the production process, and
- iii) “mental capital”, which “includes skills, training, industry, enterprise, armies, naval power and government” (Levi-Faur, 1997: 157).

List identified anything that could be productive with the term ‘capital’, and such conception of productive powers is interesting enough. However, what is more impressive is that List also put the productive powers in order of importance in terms of their contribution to development. That is, he singled out ‘mental capital’ as the most important productive power *vis-à-vis* the ‘natural’ and ‘material’ ones. In doing so, he criticized Adam Smith for putting priority on material capital, and thus for downplaying the principal role of mental capital in developmental processes.

Therefore, Smith-List rift is not confined to their relatively better-known opposing attitudes towards foreign trade policy. Much more importantly, the essence of the rift arises from their different understandings of the major source of ‘wealth creation’ and ‘economic development’. List was essentially critical of Smith’s well-known distinction between ‘productive labor’ and ‘unproductive labor’ in the economy:

We now see into what extraordinary mistakes and contradictions the popular school [i.e., Smith-led classical political economy] has fallen in making material wealth or value of exchange the sole object of its investigations, and by regarding more bodily labor as the sole productive power. The man who breeds pigs is, according to this school, a productive member of the community, but he who educates men is a mere non-productive. The maker of bagpipes or jews-harps for sale is a productive, while the great composers and virtuosos are non-productive simply because that which they play cannot be brought into the market. The physician who saves the lives of his patients does not belong to the productive class, but on the contrary the chemist's boy does so, although the values of exchange (viz. the pills) which he produces may exist only for a few minutes before they pass into a valueless condition. A Newton, a Watt, or a Kepler is not so productive as a donkey, a horse, or a draught-ox (a class of labourers who have been recently introduced by M'Culloch into the series of the productive members of human society) (List, 1841: 142).

In this regard, List's examples of an 'educator' and a 'physician' are especially to-the-point and beyond-its-time, as the measurement of developmental level in the last quarter of the twentieth century has been broadened effectively from a mere calculation of national product or income (which reflects only the material aspect of national development) to the inclusion of 'non-economic' variables. One of the most illustrative cases is the Human Development Index (HDI) that has been calculated by the United Nations Development Programme (UNDP) since 1990. The HDI includes education and health indicators (adult literacy, school enrollment, and life expectancy at birth) in addition to per-capita-income in measuring the developmental levels of national economies. Arguably, much earlier than Amartya Sen's major contributions in this regard, List had also a good understanding of the importance of the role of education and health in development, as inputs to mental-capital accumulation.<sup>7</sup> But List's recourse to such giant scientists as Newton, Watt and Kepler in the above-quoted passage is even more important for our purposes. It is obvious that List makes mention of these figures to emphasize the principal role of 'mental' capital in development.

For Smith, extension of the market and division of labor along with accumulation of *physical* ('*material*') *capital* are the principal sources of increased

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<sup>7</sup> In this regard, List's emphasis on the role of state-led education policies in fostering 'human capital' and economic development is especially noteworthy: "Before the time of Edward III, the English were the greatest bullies and good-for-nothing characters in Europe; certainly it never occurred to them to compare themselves with the Italians and Belgians or with the Germans in respect to mechanical talent or industrial skill; but since then their Government has taken their education in hand, and thus they have by degrees made such progress that they can dispute the palm of industrial skill with their instructors" (List, 1841: 386-7).

wealth and development. For List, however, nothing is more conducive to wealth and development than *human ('mental') capital*:

Smith's concept of economic development was criticized by List. It is not that List rejected the importance of Smith's notion of division of labor, nor did he reject the importance of trade and savings as instruments of economic development, but in his view they are inferior to the augmentation of mental capital. In modern terminology we may say that List emphasized the importance of human capital in economic development... The importance of human capital had been neglected in mainstream economic theory. This much has already been argued by Mark Blaug: '[the classical economists] simply failed to explore the implication of a human capital view of labor supply. Adam Smith made a start; John Stuart Mill carried it a little further' (Blaug, 1975: 574)... The same point was made by List more than one hundred years ago when he emphasized the importance of human capital to economic development. List should be considered one of the founders of human capital theory and deserves more appreciation in this regard than he has received (see, for example, Kiker, 1966) (Levi-Faur, 1997: 159).

If Schumpeter had lived long enough to be able to read these remarks, would he have mitigated his critical annotations on List? Perhaps, he would. But what is for sure is that there must be a sort of analytical-institutional linkage between a human-capital-oriented conception of (national) development and a general theory of entrepreneur-led economic evolution under capitalism, even though List's 'human capital' and Schumpeter's 'entrepreneur' are not the same thing. Be that as it may, one cannot deny the close relationship between the two concepts.

A pro-developmental institutional environment that is essentially designed by the state to be conducive to the accumulation of human capital can be 'theoretically' expected to encourage and enhance entrepreneurial activity at the same time. Thus, once we understand List's political-economy approach to development in terms of the primacy of human-capital, we are urged to derive a Listian notion of political as well as economic 'entrepreneurship' in the well-known Schumpeterian sense of the term. Indeed, our contention is that it is possible to detect a familiar type of motor force in List's conception of development, as compared to Schumpeter's 'entrepreneur', whose distinctive quality is engaging in 'non-routine' and 'risky' activities yielding 'innovations', which, in their turn, lead to the dynamic evolution of capitalism. In other words, 'entrepreneurial-innovative' behavior can be considered to be an integral and essential part of List's political-economic conception of development. To be sure, such consideration should start first with a rejection of the widespread view that List's pivotal contribution pertains to 'trade protectionism'.

List's historical significance in economics is generally identified with his 'protectionism', usually in a pejorative way, by the liberal establishment. Once, a scholar went so far as to call List a 'heretic' (Johnson, 1972: 271-2). However, List's conception of development as well as 'protectionism' was definitely much more sophisticated than the liberal-minded scholars presumed to be.<sup>8</sup> First of all, List had a rather cautious attitude towards protective measures to be designed and implemented by the state<sup>9</sup>. For List, "state intervention *at the appropriate time and in the appropriate amount* was the indispensable precondition for successful development" (Senghaas, 1991: 456, emphases ours). He proposed different types and degrees of state intervention at different stages of development, considering time- and space-bound institutional specificities. Indeed, "List was by no means in favor of protective tariffs under all circumstances" (Senghaas, 1991: 457). In other words, "[p]rotectionist measures were no panacea for List. Depending on the level of development, they might be beneficial or obstructive" (Senghaas, 1991: 458). And secondly, List saw 'protectionism' merely as a transient developmental phase, leading to 'free trade' ultimately. Interestingly enough, Schumpeter was also well aware of this fact:

List saw a nation that struggled in the fetters imposed by a miserable immediate past, but he also saw all its economic potentialities. The national feature, therefore, was the real object of his thought, *the present was nothing but a state of transition*. He realized that, in an *essentially transitional state* of this kind, policies lose their meaning when they are geared to the task of administering an existing set of conditions that is visualized as substantially permanent" (Schumpeter, 1954: 505).

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<sup>8</sup> Contrary to the conventional wisdom that prevails in the liberal establishment, List was quite a 'liberal' thinker, especially when he emphasized the effect of institutions on productive powers: "In order duly to estimate the influence which liberty of thought and conscience has on the productive forces of nations, we need only read the history of England and then that of Spain. The publicity of the administration of justice, trial by jury, parliamentary legislation, public control of State administration, self-administration of the commonalities and municipalities, liberty of the press, liberty of association for useful purposes, impart to the citizens of constitutional states, as also to their public functionaries, a degree of energy and power which can hardly be produced by other means. We can scarcely conceive of any law or any public legal decision which would not exercise a greater or smaller influence on the increase and decrease of the productive power of the nation" (List, 1841: 139). Here, the reader is invited to recognize the interesting analogy between List's 'liberal' tendency, whereby he implicitly accentuates the positive influence of 'good institutions' on development, and the World Bank's recent 'good governance' model as a developmental agenda.

<sup>9</sup> 'Cautiousness' can be regarded as the key-word in List's attitude towards state-led protectionism and development. Once, List even argued in quite liberal terms that "it is bad policy to regulate everything and promote everything by employing social powers, where things may better regulate themselves and can be better promoted by private exertions" (List, 1827: 213). But he did not forget to add that "it is no less bad policy to let those things alone which can only be promoted by interfering social power" (List, 1827: 213).

The implication here is that Listian development is essentially a matter of changing the “existing set of conditions” – i.e., creating a *new* set of pro-developmental conditions for a nation ‘locked in’ anti-developmental circumstances. As soon as the creation of such new conditions is accomplished by the primary means of human-capital accumulation, the nation will embark upon free trade. Schumpeter insisted that:

... List’s argument about protection issues into the free-trade argument: if this is not obvious, we can convince ourselves of it by noticing the fact that J. S. Mill accepted the infant-industry theory, evidently realizing that it ran within the free-trade logic... (Schumpeter, 1954: 505).

To be sure, Mill’s confirmation of List’s infant-industry argument – in accordance with the Listian proviso that it should be temporary – played an important role in drawing the attention of liberal-minded economists towards List’s work. However, Mill’s confirmation “also served to obscure List’s central message” by resulting in shallow interpretations, according to which Listian protectionism was “nothing more than mere ‘exceptions’ to conventional doctrine”. It was due to such superficial commentaries that List’s “call for *a radically new approach* to the problems of economic development could be studiously ignored” (Gomes, 1987: 276, emphases ours).

In fact, List’s vision of development was so broad and sophisticated that it involved a great diversity of pro-developmental methods – full of cases for export-led development and warnings against protracted protectionism. Following the relevant part of the literature review that we find in Ho (2005), we are indeed in a secure position to defend the thesis that List’s pivotal contribution to developmental thought was *not* trade protectionism *per se*, but the improvement of productive powers (Gomes, 1987: 269-70), the most important of which is human (‘mental’) capital that brings about innovativeness. Indeed, “[t]he end-product of List’s vision, for which protection would act as a midwife, was the creation of a modern, urbanized society with the associated cultural and geographical characteristics” (Maneschi, 1998: 94). Thus, List’s conception of development goes well beyond the infant-industry argument. In his analysis, “the long-term position of each country depends jointly on its degrees of capital accumulation, its global, technical and learning capabilities, and a set of institutional factors (social consensus, factory discipline, political conditions)” (Dosi *et al.*, 1990: 28). And most importantly, List can be considered as one of the major forerunners of the now-famous idea of ‘national systems of innovation’ (Freeman, 1995), which is so prevalent in the recent literature on economics of technology-and-development. Upon these remarks, if Levi-Faur’s (1997) analysis of the Listian notion of ‘globalization’ is adapted as a Listian notion of ‘capitalist development’, one can discern that

‘innovativeness’ formed the very basis of List’s developmental approach: “[Listian] notion stresses that the forces of globalization [read as ‘forces of capitalist development’] are products of the augmentation of mental capital, a learning process which includes *the creation of new forms of knowledge* as well as the products of *new forms political organization*” (Levi-Faur, 1997: 160, emphases ours).

In the light of all these profound interpretations of List’s work, one can assert that, for List, ‘innovativeness’ (i.e., creation of new forms of knowledge and new forms of political organization) implies ‘development’ *per se*. Like in the case of Schumpeter’s entrepreneur-led evolution of capitalism, development in List’s work is also a matter of introducing novelties in both the economic and political domains. For List, introduction of novelties principally requires an institutional setup conducive to politico-economic entrepreneurship, which can be established and maintained by pro-developmental policies designed specifically for continuous accumulation of human capital. To be sure, in List’s approach, there is a decisive role to be played by the state in the process of accumulating human capital.

Schumpeter’s entrepreneur-led evolution of capitalism as a generalized form of ‘development’ befits the developed world, as it presupposes the existence of an institutional setup conducive to politico-economic entrepreneurship. On the other side, List’s state-led national development, which should be cautiously carried out, befits the developing world, which is in need of constructing such a setup in the first place. Let us elaborate this idea further to argue more clearly that List’s institutional notion of economic development is a necessary complement to Schumpeter’s evolutionary conception.

In Schumpeter’s analysis, the main actor that ignites change is the entrepreneur, which is ‘endogenous’ to the Schumpeterian system of evolution. Schumpeter’s entrepreneur is an extra-ordinary agent in that he runs after making a difference in the form of innovations. Preoccupied with innovative success, he has a distinct tendency to violate routine ways of doing things, and thus takes risks in the ‘uncertain’ capitalist environment of fierce competition. The essential dynamism of capitalism arises mainly from within such innovative efforts on the part of the ‘endogenous’ entrepreneur. Thus, capitalist evolution in Schumpeter’s work implies an entrepreneur-led development, which relies dynamically on new production processes, new products, new ways of organizing the market, etc. However, Schumpeter’s mind was not crystal-clear about the degree of the evolutionary role to be played by the entrepreneur in bringing about dynamic ‘endogenous’ development. Indeed, he revised considerably his conception of the entrepreneur throughout his life.

In the first German edition (i.e., in the 1911-version) of the *Theory of Economic Development*, Schumpeter’s entrepreneur was like a ‘universal hero’,

which was responsible from not only changing but also sustaining the politico-economic system. It was not only the motor force of change, but also the protector of the system from the potentially destructive effects of change. It was like a blessed leader sent to earth from heaven to fulfill the holy mission of maintaining “creative construction” in all spheres of social life. However, in the second and revised German edition (i.e., in the 1926-version) as well as in the first English translation (i.e., in the 1934-version), the evolutionary role of the entrepreneur was curtailed to a great extent by Schumpeter. To sum up the whole story:

In the first edition [of the *Theory of Economic Development*] the entrepreneur is a leader characterized by the “energy to act” (Schumpeter, 1911: 544)... In addition to his power and energy to carry out the new combinations, the leader is also characterized by creativity (Stolper, 1988). The leader personifies one of the two possible types of behaviour, “creative construction”, which is opposed to passive adaptive behaviour (Schumpeter, 1911: 153)... Compared to the first edition... there is a systematic shift of emphasis in the subsequent editions, downplaying the importance of the attributes of leadership formerly associated with the early Schumpeterian entrepreneur of 1911... In line with these developments, from the second edition onwards Schumpeter shifts the emphasis from the individual entrepreneur and his person to the entrepreneurial *function*. This shift of emphasis is associated with a “de-personification” of the entrepreneurial function, and inspires Schumpeter to add new passages to the text of the 1926 edition, a tendency that continues in his later work, leading to a “complete reversal” of Schumpeter’s position (Scherer, 1988; see also März, 1991; Stolper, 1994; Swedberg, 1991). Finally, the theoretical role of the leader as the “linchpin” between the various sectors of social life (economics, politics, arts, etc.) is also downplayed in the second edition of 1926... (Becker and Knudsen, 2002: 393-394).

Indeed, the idea of ‘creative construction’ was replaced by ‘creative destruction’ in Schumpeter’s later work, most notably in *Capitalism, Socialism and Democracy* (1942 [2010]), implying that he was an ‘optimistic’ theoretician of capitalism before World War I but he turned out to be a ‘pessimistic’ one during World War II as well as in the interwar period. But what is the implication of this drastic change of mind in terms of the ‘strange’ affinity between List and Schumpeter?

From an institutionalist point of view, actions of ‘agents’ – including those of the entrepreneurs – not only shape the evolution of the institutional ‘structure’ of capitalism, but they are also conditioned by the systemic constituents of the same structure. In the very original 1911-version of the *Theory of Economic Development*, it seems that Schumpeter overemphasized the developmental role of

the entrepreneur-as-an-agent.<sup>10</sup> In that version, entrepreneurship under capitalism was a kind of super-agency, which acted very successfully in both the economic and non-economic domains. As a Schumpeterian construct, the entrepreneur under capitalism was a super-agent in the sense that he was able to do two important things at the same time: i) change the economic structure dynamically and internally thanks to its relentless innovativeness, and ii) preserve the unity of the system by creating a new and compatible non-economic (politico-cultural) institutional structure in lieu of the old one. However, the change of mind in his later work can be regarded as the consequence of Schumpeter's recognition of the fact that entrepreneurship-as-an-agency is not able to act equally successfully in both the economic and non-economic domains of capitalism. In fact, structural complexity and institutional heterogeneity of capitalism restricted the entrepreneur-as-an-agent in its ability-to-change, especially in the context of the non-economic domain.

In his later work, Schumpeter's shift from the idea of 'creative construction' to 'creative destruction' culminated eventually in his famous question-and-answer about the fate of the evolution of capitalism: "Can capitalism survive? No. I do not think it can" (Schumpeter, 1942 [2010]: 53). In the maturity phase of his intellectual life, Schumpeter had started to think that capitalism was too dynamic in economic terms, and such dynamism was destroying its non-economic institutional structure, without which capitalism could not survive. That is to say, economic entrepreneurship under capitalism worked too well, whereas non-economic (politico-cultural) entrepreneurship did not. Capitalism was 'creatively destructive' only in its economic domain, and a process of "uncreative destruction" characterized its politico-cultural domain (Özveren, 2000). Hence, capitalism would collapse due to excessive economic dynamism and success, which destroyed its non-economic "protecting strata" and "institutional framework" (Schumpeter, 1942 [2010]: 120-7).

If the young Schumpeter of 1911 overemphasized the role of the entrepreneur by conceptualizing it as a super-agent, we can well argue that the mature Schumpeter of 1942 might have underestimated the institution-building capacity of capitalism in its non-economic domain. The post-World War II period witnessed the revival and survival of capitalist evolution thanks mainly to the institutional resurgence of the state as a major agent of policy-making and institution-building

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<sup>10</sup> In this regard, it is interesting to note that a previously unpublished article, which Schumpeter wrote in the early 1930s, was discovered in 1993. It was published posthumously (Schumpeter, 2005). The title of the article is: "Development" – or "Entwicklung" in the German original. This piece by Schumpeter, coming from the early 1930s, focuses mainly upon the theoretical and scientific difficulties in accounting for 'real novelties' that lead to 'development'. While he attempted to explain novelties, and hence development, by referring to the 'entrepreneurial function' in his earlier works (such as in the *Theory of Economic Development*); he argues, in this article, that the entrepreneur provides us merely with a description of novelty, and not with a deterministic explanation of it.

at national and international levels. Welfare states in the First World, socialist states in the Second World, and developmental states in the Third World assumed such dominant institutional/structural roles that capitalist evolution was saved from an eventual halt. Retrospectively, Schumpeter's evolutionary-theoretical construct, which essentially involves endogenous-systemic dynamics as the sole explanatory factor, seems to be an inadequate exposition of the capitalist reality. Such inadequacy on the part of Schumpeter's construct can be revealed especially when capitalism is scrutinized from an institutionalist perspective. Evolution of capitalism involves much more complex and heterogeneous dynamics. The distinctive feature of capitalist evolution can be found in the vital historical role played by what may be called the 'extra-systemic' factors, which were apparently overlooked by Schumpeter. It is in List's 'institutionalist' conception of capitalist development that we find such 'extra-systemic' factors as integral parts of his broader and more open-ended analyses.

#### 4. By way of conclusion: Schumpeter's economic evolutionism as a 'subset' of List's institutionalism

The institutionalist approach can be identified to have certain connections with the so-called 'open-system perspective'<sup>11</sup> (e.g., Hodgson, 1988, 2000; Mearman, 2000), within which many ('economic' and 'institutional') factors can be analyzed in terms of their historical interaction with each other. On the other hand, seemingly more theoretical and analytical economic approaches may choose a higher degree of historical and institutional abstraction, focusing mainly upon a limited number of (non-political and non-sociological) factors that pertain directly to the economic system. Such approaches tend to involve what may be called a relatively 'closed-system perspective'; whereas institutional economics, especially the version that developed in the tradition of Thorstein Veblen, Gunnar Myrdal, Geoffrey Hodgson, etc., is more compatible with an open-system view.<sup>12</sup>

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<sup>11</sup> In simple methodological terms, this perspective in the context of institutional economics relies on the underlying idea that the relationship between 'the individual' and 'the social' (or parts of a whole and the whole itself) involves a two-sided causation. That is to say, an open-system perspective is compatible with: i) neither methodological individualism, whereby 'the individual' primarily causes 'the social', ii) nor methodological holism, whereby 'the social' primarily causes 'the individual'. An open-system perspective insists that 'the individual' and 'the social' are mutually causative on each other. At a higher level of analysis, the economy is considered to be functioning in dynamic interaction with politico-cultural and sociological institutions.

<sup>12</sup> To be sure, 'open-system analysis' is a sophisticated subject-matter in social sciences, which entails quite complicated methodological, ontological and philosophical dimensions. For example, it has been elaborated especially within the context of critical-realist philosophy. The ontological and philosophical aspects of this subject-matter have been analyzed by Roy Bhaskar, Sheila Dow, Tony Lawson, and others. However, such an ontological and philosophical elaboration of this subject-matter is beyond the scope of this article. What we attempt to do in this last part of the article is merely confined to mapping

From an institutionalist political-economy viewpoint, it can be argued that ‘economic agents’ and the ‘politico-institutional structure’ determine the behaviors of each other in a reciprocal way, leading to a complex evolutionary process characterized by the diversity of agents and heterogeneity of institutional linkages as the constituents of the system as a whole. There exist complex mutual dependencies between economic and non-economic factors in such a system. In this regard, Schumpeter’s endogenization of entrepreneur-and-innovation as an integral part and motor-force of capitalist evolution can be considered a step taken towards an institutionalist perspective. However, it is an incomplete attempt in that direction, because Schumpeter had a tendency to treat the state as if it were an ‘extra-systemic’ agent with no significant role to influence ‘creative construction’ or ‘creative destruction’.

In contradistinction, List conceptualized the state as an integral part of the capitalist system:

... a statesman will know and must know ... how the productive powers of a whole *nation* can be awakened, increased, and protected and how on the other hand they are weakened, laid to sleep, or utterly destroyed; and how by means of those national productive powers the national resources can be utilised in the wisest and best manner... (List, 1841: 356).

Here, List seems to make a realistic ‘division of labor’ between: i) the Schumpeterian ‘heroic’ entrepreneur, who is – in an unrealistic way – the sole or principal agent that drives the process of ‘creative construction’ or ‘creative destruction’, and ii) ‘the statesman’, who is as endogenous and vital to the system as the entrepreneur. It is the statesman who is mainly responsible from improving the productive powers, the most important of which is human capital and thus, in a sense, entrepreneurship. Hence, it is the statesman who is principally responsible from creating and sustaining an innovation-friendly institutional environment, within which the entrepreneur can act dynamically and successfully in the Schumpeterian sense. Without the innovation-friendly institutional environment to be provided by the statesman, the Schumpeterian entrepreneur remains a would-be ‘hero’ that is not able to move at all. Therefore, one can argue that List, in fact, internalizes the state as a ‘systemic’ agent, which is the guarantor of the institutional preconditions for Schumpeterian entrepreneur’s capability to innovate.

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List (and his followers) vis-à-vis Schumpeter (and his followers) across the poles of open-system and closed-system perspectives, being aware of the sophisticated nature of those views. We believe that the present article can serve as a background work for future research that aims at combining such ontological and philosophical dimensions with Listian and Schumpeterian versions of ‘developmental thought’. In the present article, our joint treatment of these important figures has the primary purpose of demonstrating that List and Schumpeter had certain important complementary views on ‘development’, despite their seemingly discordant approaches.

We have set forth the affinity of List's work to institutional economics to some extent in the preceding pages. A closer look at List's approach can also reveal that, for List, theories are bounded by time and space, and the historical and institutional parameters help define their applicability. Besides, List's sophisticated attitude towards state-led development, which is to be identified with cautious protectionism for the principal purpose of augmenting 'mental' (and human) capital and entrepreneurial spirit, can be argued to entail an institutionalist perspective. List's institutionalist conception of development could be best summarized as follows:

List's reflections on the underlying conditions for successful development or blockages to development anticipated a discussion of considerable significance, particularly in the 1950's and 1960's. What distinguishes his reflections from the later discussion is their configurative orientation. *List never formulated individual development-promoting or development-inhibiting factors as separate entities, but saw development as a broad set of interactions among them. Economistic thinking, in particular, was foreign to him.*<sup>13</sup> His thought revealed an empirically-substantiated line of argumentation oriented toward statements of probability. This is also the backdrop for occasionally counterfactual reflections with which List argumentatively tried out *the possibilities of alternative paths to development* (Senghaas, 1991: 456, emphases ours).

In this regard, for instance, List did not treat the state, mental capital, material capital, and entrepreneurial spirit as separate dimensions of development. Instead, interaction among these factors *as a whole* formed the basis of development in an institutional context, which is characterized by mutual dependencies between economic and non-economic factors.<sup>14</sup> Moreover, in List's analysis, what is

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<sup>13</sup> Indeed, for List, 'economistic thinking' was an inconvenient way to understand the nature of development, insofar as such thinking would ignore the non-economic institutional dimensions of development. List (1838: 39) insisted that "[a] nation should not regard the progress of industries from a purely economic point of view. Manufacturing becomes a very important part of the nation's political and cultural heritage".

<sup>14</sup> The institutionalist nature of List's approach is revealed most obviously in the following quotation: "The whole social state of a nation will be chiefly determined by the principle of the variety and division of occupations and the co-operation of its productive powers... The most important division of occupations in the nation is that between the mental and material ones. Both are mutually dependent on one another. The more the mental producers succeed in promoting morality, religion, enlightenment, increase of knowledge, extension of liberty and perfection of political institutions – security of persons and property within the State, and the independence and power of the nation externally – so much greater will be the production of material wealth. On the other hand, the more goods that the material producers produce, the more will *mental production be capable of being promoted*" (List, 1841: 159).

essentially needed for successful development “is a proportionate and broadly effective linkage between agriculture, industry, and trade”<sup>15</sup> (Senghaas, 1991: 462).

As such, different constituents of the politico-economic system are closely inter-connected with each other in List’s analysis of development<sup>16</sup>. Listian ‘reciprocal effects’ among the variety of constituents of his ‘open system’ are analogous to Gunnar Myrdal’s well-known notion of ‘cumulative causation’ (Ho, 2006). It goes without saying that Myrdal’s ‘cumulative causation’ typically involves an institutionalist perspective, relying essentially on the mutual dependence of economic and non-economic/institutional units of analysis.

In his political-economic construct, characterized by ‘reciprocal effects’, List internalized the state as a special type of entrepreneur.<sup>17</sup> Rather than suggesting the establishment of ‘state economic enterprises’ in the conventional sense of ‘state entrepreneurship’ in which the state produces and sells goods, List conceptualized the state as an innovator of new organizational structures conducive to the accumulation of human capital and enhancement of entrepreneurial spirit in the private sphere<sup>18</sup>. As new organizational structures not only imply ‘development’ but

<sup>15</sup> For instance, as to the ‘reciprocal effects’ among different branches of the industry, List referred to the developmental case of England in order to underscore that industrial development is an holistic task: “The English have ... given a striking confirmation of the opinions ... that all individual branches of industry have the closest reciprocal effect on one another; that the perfecting of one branch prepares and promotes the perfecting of all others; that no one of them can be neglected without the effects of that neglect being felt by all; that, in short, the whole manufacturing power of a nation constitutes an inseparable whole” (List, 1841: 387).

<sup>16</sup> As Ho (2005: 734) documents extensively, Listian reciprocal effects “do not just prevail among the various branches of industries. They also exist between manufactures and science and the arts...; between manufactures and municipal liberty, intelligence, internal and external commerce, navigation, improvements in transport, civilisation and political power...; between material wealth and political power...; between mental production and material production...; between national material capital and national mental capital...; and especially between manufactures and agriculture...”. See Ho (2005: 734) for the details of direct references to List’s works.

<sup>17</sup> It can also be argued that List favored the state as a special type of ‘institutional entrepreneur’ whose major task was to create a new and ‘open’ society that embraces pro-developmental politico-cultural institutions. The following quotation can support this important point about List’s institutionalist conception of development: “Among the most potent stimulants are those afforded by the civil and political institutions of the country. Where it is not possible to raise oneself by honest exertions and by prosperity from one class of society to another, from the lowest to the highest; where the possessor necessarily hesitates to show his property publicly or to enjoy the fruits of it because it would expose his property of risk, or lest he should be accused of arrogance or impropriety; where persons engaged in trade are excluded from public honour, from taking part in administration, legislation, and juries; where distinguished achievements in agriculture, industry, and commerce do not lead also to public esteem and to social and civil distinction, there the most important motives for consumption as well as for production are wanting” (List, 1841: 306-7).

<sup>18</sup> For not doing injustice to Schumpeter, we should note that he was not foreign to the idea that the state can act as a special type of entrepreneur. For example, in the case of agricultural development in the US, Schumpeter did not hesitate to consider the state as an entrepreneur: “[T]he entrepreneurial function need not be embodied in a physical person and in particular in a single physical person. Every social

also trigger conflict of interests among various segments of society, the state should also have assumed the important role of mitigating and coordinating such conflict:

A developed economy implies therefore new forms of social conflict, and this should be taken into account in the formation of national political institutions. Moreover, those institutions should structure the national economy to promote the national interests and to overcome obstacles and constraints on the operation of those economic sectors that are most beneficial to the national interests. Here, List demonstrates his awareness of the importance of the state to the process of development by overcoming societal opposition in the same vein that was one century later presented by Karl Polanyi's classic *The Great Transformation* (1944). Markets and industrialization in this approach are to a large extent state-created institutions rather than an autonomous sphere of human action (Levi-Faur, 1997: 163-4).

Therefore, what is missing in Schumpeter's entrepreneur-led evolution/development of capitalism is the potential ability of the state to act as a special entrepreneur in both the economic and non-economic domains. Put differently, the state is potentially capable of both: i) enhancing the entrepreneurial-innovative spirit in the private sphere, and ii) protecting the society institutionally from the destructive effects of the over-dynamism created by such entrepreneurial innovativeness. In other words, Schumpeter was right to change his mind about the exaggerated role he reserved for the 'heroic' entrepreneur, as history has taught us that 'entrepreneurship' could become a motor-force of capitalist development thanks to deliberate policies designed and implemented by the state, which is in fact *not* an extra-systemic agent. On the other hand, Schumpeter's eventual prognosis that capitalist evolution will come to a halt due to the relentless process of 'uncreative destruction' in the non-economic/institutional domain involved an underestimation as to the state's institution-building capacity, which served to mitigate and coordinate the conflict of interests as well as to preserve the social unity of the system.

When history and institutions matter in the 'institutionalist' sense of an open-system perspective, mere 'internal' dynamics, which may somewhat befit an 'evolutionary' perspective, cannot be taken as the sole or principal motor-force of change. In other words, Schumpeterian evolutionary dynamics, which are carried out merely by either a 'creatively-constructive' or a 'creatively-destructive' entrepreneur *within* the politico-economic system, can be considered a theoretical

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environment has its own ways of filling the entrepreneurial function. For instance, the practice of farmers in this country [i.e., the US] has been revolutionized again and again by the introduction of methods worked out in the Department of Agriculture and by the Department of Agriculture's success in teaching these methods. In this case then it was the Department of Agriculture that acted as an entrepreneur" (Schumpeter, 1951: 255).

exaggeration. Schumpeterian-evolutionary explanation of capitalist development seems to be somewhat inadequate insofar as it doesn't pay due attention to the structural complexity and institutional heterogeneity to be provided by the state as an integral part of the capitalist system, which, in turn, befits the institutionalist perspective.

Indeed, when Schumpeter disdained Hamiltonian-Listian analysis as merely forming a 'quasi-system' (as distinguished from a full-fledged theoretical/analytical system), he might have underestimated the historical complexity and institutional heterogeneity of the determinants of capitalist-evolutionary dynamics. It seems that, for the sake of theory-making, Schumpeter tended to prefer a simplified conception of the evolution of the system *from within*, overlooking the open-systemic properties of an institutionalist perspective. In doing so, he seems to have belittled 'extra-systemic' institutional factors that also contributed significantly to the progression of *systemic* evolution. While Schumpeterian 'evolutionary' conception of capitalist development can be argued to represent a *quasi-system*, List's institutionalist contributions can be interpreted as constituting a broader theoretical framework, which is indispensable for and complementary to a Schumpeterian analysis of capitalist development and economic evolution. To engage oneself in genuine development analysis today, a contemporary scholar can and should have one foot in the Listian and the other in the Schumpeterian legacy. Otherwise, she or he will be dealing with less than the whole truth. This is not only a pragmatic position, but also a useful point of departure for a synthesis of the two seemingly rival approaches.

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## Özet

### Friedrich List ve Joseph Schumpeter: Gelişme iktisadının soyağacında zıt görünümlü yol arkadaşları

Friedrich List gelişme iktisadının sınırlı bir kapsamı olduğunu düşünmüş; Joseph Schumpeter ise gelişme iktisadını genelleştirmiştir. Bu saptamadan yola çıkarak bu yazıda List’in yaklaşımı ayrıntılı olarak incelenmektedir. List’e göre, kuramlar zamana ve mekâna bağlıdır ve tarihsel/kurumsal parametreler kuramların uygulanabilirliğini belirlemeye yarar. Tarihin ve kurumların belirleyici öneme sahip olduğu bir çerçevede, iktisadi iç dinamikler gelişmenin ve değişimin tek itici gücü olarak ele alınamaz. Schumpeter’in yaklaşımı evrimsel iktisat, List’in yaklaşımı ise kurumsal iktisat ile daha yakından bağlantılıdır. Evrimsel iktisat ve kurumsal iktisat arasında belirli farklar vardır ama bu iki yaklaşım yine de birbirinden uzak sayılamaz. Bu yakınlık, List ve Schumpeter’in bir araya getirilmesi güç ama gerekli olan katkıları 'gelişme'ye elverişli, çağdaş bir iktisat bağlamında anlayabilmenin anahtarlarıdır. Bu yazıda, List ve Schumpeter kapitalist gelişmeyi ve iktisadi evrimi kavrayışları bakımından karşılaştırılmakta ve bu iki iktisatçının yaklaşımları arasında belirli bir bireşim oluşturulmaktadır.

*Anahtar kelimeler:* Friedrich List, Joseph Schumpeter, kurumsal iktisat, evrimsel iktisat, gelişme iktisadı.

*JEL kodları:* B15, B25, B31, B52, O10.