

Schumpeter, Creative Destruction and the American Economy

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ABSTRACT

The world is experiencing the age of Schumpeter² and the American economy remains the premier example of a Schumpeterian economy. Despite its many naysayers and the doom and gloom professors that never stop predicting its demise, the American economy continues to show a remarkable capacity to rejuvenate. Orwell once commented that “England is perhaps the only great country whose intellectuals are ashamed of their nationality.”³ Left-wing intellectuals, he argued, hastened the divorce between intelligence and patriotism, which weakened the country’s morale and emboldened its enemies. Left-wing intellectuals, he argued, hastened the divorce between intelligence and patriotism, which weakened the country’s morale and emboldened its enemies. If he were alive today, it would be interesting to hear his opinion about the relentless barrage of criticism against everything American. One thing seems sure, though, America, not England, is the country most hated by its intellectual class. Any talk about Schumpeter’s “gale of creative destruction” is anathema to these “critical critics.” After all, when it comes to everything American, these individuals believe that they must criticize for the sake of criticism. The thought that capitalism has an internal mechanism akin to a fountain of youth must be disheartening to those whose blinders prevent them from accepting opposing facts. Frightenedly, these same intellectuals are apologists for every dictatorship the world over.⁴

KEYWORDS: Schumpeter, Ford, capitalism, creative destruction

INTRODUCTION

How strange it is that the mythical fountain of youth that eluded Ponce de Leon capitalism has it as a reality in the form of an internal process that Schumpeter referred to as “creative destruction.” For Schumpeter, capitalism is not a static system characterized by a “perennial lull.” On the contrary, its existence depends on a force that “incessantly revolutionizes the economic structure from within.”⁵ This endogenous energy functions as the purgative that prevents capitalism from becoming senile and eventually collapsing. During the past 50 years, the American economy has experienced dramatic technological changes at an accelerated pace, and consequently, many new consumer goods have entered during this time. The transformation of the American economy, and those of many other nations for that matter, show that Schumpeter’s “perennial gale of creative destruction” is performing its function of relentlessly doing away with the obsolete and continually bringing in the new as it revolutionizes society in the process.⁶ For Schumpeter, Marx, better than most economists of his time, understood the dynamic and revolutionary aspects of capitalism.⁷ In the *Manifesto*, Marx expressed the transformative powers of capitalism when he proclaimed that “the bourgeoisie cannot exist without constantly revolutionizing the instruments of production, and thereby the relations of production, and with them the whole relations of society.”⁸

Marx recognized that the revolutionary process that capitalism is “does not simply consist in the increase of capital...,” nor by adding mail-coaches to the existing stock of mail-coaches, but in their elimination by railroads.”⁹ The difference between their analysis of the revolutionary aspect of capitalism is that where Marx saw the bourgeoisie or the capitalist class in general as the most revolutionary in history, Schumpeter concentrated on a particular group of individuals within this class as the actual agents of change in the system. For him, an entrepreneur is a particular kind of capitalist. These are the ones that are constantly bringing new products to market, introducing new technologies, or simply finding better ways of doing things. Their new methods bring the disequilibrium that, in many instances, bring the revolutionary changes that capitalism needs to remain vibrant. Entrepreneurs are the embodiment of the “perennial gale of creative destruction.” The Schumpeterian entrepreneur is anathema to the owners of

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² Giersch, Herbert. “The Age of Schumpeter.” *The American Economic Review*, pp. 103-109.

³ Orwell, George. *Facing Unpleasant Facts: Narrative Essays*. “England Your England.”

⁴ Hanson Davies, Victor. “We’re Becoming More Like China Than China Is Like Us.” *The Daily Signal*, October 17, 2019. <https://www.dailysignal.com/2019/10/17/ambivalence-to-chinas-rise-threatens-american-culture/>

⁵ Schumpeter, Joseph A. *Capitalism, Socialism, and Democracy*. Part II: Can Capitalism Survive? Chapter V: The Process of Creative Destruction.

⁶ *Capitalism, Socialism, and Democracy*. Part II: Can Capitalism Survive? Chapter V: The Process of Creative Destruction.

⁷ Schumpeter, Joseph A. “The Communist Manifesto in Sociology and Economics.” *The Journal of Political Economy*, pp. 209-212.

⁸ Marx, Karl. Friedrich Engels. *The Communist Manifesto*. “Bourgeois and Proletariat.”

⁹ “The Communist Manifesto in Sociology and Economics,” p. 210.

established businesses because they can threaten their existence. However, without individuals performing the entrepreneurial function, capitalism would become rigid and succumb under its own inertia.¹⁰

Understanding what Schumpeter means by creative destruction requires recognizing that price competition is not the only form of competition in a capitalist economy. As he argues, competition rooted in product quality and that created by the sales effort is also critical parts of the equation. Ultimately, in the process of creative destruction, the competition that counts is the one that “commands a decisive cost or quality advantage” and aims at the destruction of existing firms.¹¹ It is well known that in the American auto industry Ford did not only send to their graves those automakers that failed to keep pace with his innovations in mass production but the also the “horse and equestrian transportation industry.”¹² Not long after that, cars and buses did away with trolleys.¹³ A look at the American economy for an extended period, for example, the past 120 years, shows the remarkable effects of the workings of creative destruction. However, it would be very naïve to assume that the future is likely to resemble the past. There are factors capable of thwarting Schumpeter’s creative destruction. An interventionist state, envisioned by collectivists and social engineers of every stripe, represents the greatest threat to capitalism and the individual liberty and initiative that it fosters.

The experiences with economic planning during both world wars and those of communism, and fascism, led many in the West to argue that capitalism’s chaotic nature required increasing state involvement. Although, as Hayek argues, it became common for the devotees of planning in American to deny that their ideas were influenced by the experiences with state planning in the Soviet Union, Germany, Italy, and Japan.¹⁴ Keynes considered fascism and communism as emblematic of what is wrong with government intervention. The question for modern liberals like Keynes was how much control the government could exercise as capitalism made its “transition from economic anarchy” under *laissez-faire* to a “regime which deliberately aims at controlling and directing economic forces in the interests of social justice and social stability...”¹⁵ For Keynes, this new system where the state plays a larger role in the control of the economy would be a genuine “alternative to Marx’s communism.”¹⁶ Keynes sounds like one of the members of the German Historical School. Their advice led the conservative Bismarck to introduce welfare reforms to counteract the growing power of the socialists in Germany.¹⁷ Keynes had no qualms with throwing *laissez-faire* to the wayside and advocating for more government control of the economy.

Like many other modern liberals, he genuinely believed that these interventionist policies were necessary to save capitalism from itself without thwarting the efficiency of free markets or impeding the individual initiative that is so vital to the system.¹⁸ Without the intervention of an ever-growing “benevolent” state, capitalism’s alienated masses would revolt and overthrow the system. The “visible hand” of an ever-growing state must be at the controls. Capitalism’s very survival requires an increasingly more powerful state to smooth its sharp edges. New Deal supporters employed this rationale to rebuke those who opposed the considerable powers the state was gaining during this period. The problem is that progressives today have little in common with modern liberals like Keynes. As Hayek argues, “the advocacy of almost every kind of government control” has nothing to do with liberalism.¹⁹ With the muddling of terms and definitions, people no longer know that “socialism meant unambiguously the nationalization of the means of production and the central economic planning which this made possible and necessary.” Today, “socialism has come to mean chiefly the extensive redistribution of incomes through taxation and the institutions of the welfare state.”²⁰

The welfare state is here to stay, and in the United States, the continuous growing power of the state over the country’s economy takes place under the auspices of the welfare state. As Hayek argues, the “Welfare State has largely replaced socialism as the goal of the reformers.” What needs closer scrutiny is whether its results do not become ever closer to “full-fledged socialism.” What he likes to remind those that worry about the increasing power of the state and its effects on liberty is to keep questioning whether the goals and practicality of welfare policies “are compatible with the preservation of a free society.”²¹

The ever-present “specter” is that unscrupulous, power-hungry politicians or well-intentioned ones turned demagogues can use a period of crisis and instability to fuel mass support and cross the Rubicon with the imposition of overbearing regulations and too many government controls. This can extinguish the energy that capitalism constantly needs to revitalize itself. If this event were to take place, it can bring to fruition Marx’s argument that in some countries it is possible to achieve socialism via the ballot box rather than through a full-blown revolution.²² If government action were to considerably inhibit the process of creative destruction, capitalism’s elixir would be unable to rejuvenate its aging patient any longer.

Made in America: Ford Motor Company

The history of the American auto industry shows creative destruction at work in the country’s economy. There have been more than 2,000 thousand American-based carmakers in the history of the country’s automobile industry, and only a handful are

¹⁰ *Capitalism, Socialism, and Democracy*. Part II: Can Capitalism Survive? Chapter XII: Crumbling Walls.

¹¹ *Capitalism, Socialism, and Democracy*. Part II: Can Capitalism Survive? Chapter VII: The Process of Creative Destruction.

¹² Hayes, Adam. “20 Industries Threatened by Tech Disruption.” *Investopedia*, May 9, 2019. <https://www.investopedia.com/articles/investing/020615/20-industries-threatened-tech-disruption.asp>

¹³ Henricks, Mark. “The GM Trolley Conspiracy: What Really Happened.” *CBS News*, September 2, 2010. <https://www.cbsnews.com/news/the-gm-trolley-conspiracy-what-really-happened/>

¹⁴ Hayek, F. A. *The Road to Serfdom*. Foreword to the 1956 American Paperback Edition.

¹⁵ Keynes, John Maynard. *The Essential Keynes*. Part Two: The Social Philosopher, “Am I a Liberal?”

¹⁶ *The Essential Keynes*. Part Two: The Social Philosopher, “Am I a Liberal?”

¹⁷ *The Road to Serfdom*. Introduction (Caldwell).

¹⁸ *The Essential Keynes*. Part Two: The Social Philosopher, “The End of Laissez-faire.”

¹⁹ *The Road to Serfdom*. Foreword to the 1956 American Paperback Edition.

²⁰ *The Road to Serfdom*. Preface to the 1976 Edition.

²¹ *The Road to Serfdom*. Foreword to the 1956 American Paperback Edition.

²² Marx, Karl, Friedrich Engels. *The Marx-Engels Reader*. Second Edition. Part III: Revolutionary Program and Strategy, “The Possibility of Non-Violent Revolution.”

still in business.²³ This industry is highly competitive, even if this did not appear to be so, as was the case during the post-WWII period when the Big Three (GM, Ford, and Chrysler) solidified their positions against their competitors. However, Detroit's control of the United States market during this period resulted from the years it took the economies of Europe and Japan to recover. The last decades of the 20th century and the industry's turmoil during 2008 bear fruit to this assertion. If creative destruction were not part of this industry, it would be hard to explain why American car companies could not prevent foreign automakers from taking away substantial market share for them. In 2000, GM and Ford had a combined market share of almost 50 percent. By 2016, their combined share of the market had fallen to about 32 percent.²⁴ To show that creative destruction has always been part of this industry, a brief recount of the constant changes that have taken place over its history is in order.

During the infant days of the automobile industry, craft production dominated the industry. Craft producers build products tailored to the specifications of individual buyers. Therefore, craft production is a low-output, high-price business model. Under this business model, automobiles are luxury products that only the wealthy can afford. Very few can purchase an automobile from any craft producers still in existence today because their price does not drop as volume increases, as is the case with mass production.²⁵ Besides the affordability limitation, craft producers could not build identical cars and interchangeable parts because each vehicle they produced was unique. The industry suffered from the lack of product quality and the inability of its small producers to introduce new technologies. Therefore, because craft producers only served a niche market, a vastly untapped market awaited anyone that could devise a way of making better and cheaper automobiles.²⁶ The ability to tap this market rested with the force of creative destruction as entrepreneurs introduce new products, technologies, and innovations, or device newer ways for producing old things cheaper. As Schumpeter explains, capitalism is in constant flux as the ways of doing business are changing before they have time to settle. In capitalism, economic progress means perpetual unrest.²⁷ Ford could produce a better and cheaper product than his competitors because he devised a better way of doing things. Mass production is a series of new technologies and innovations that revolutionized the auto industry and society in general. As entrepreneurs copied, improved, and applied his method in other industries, American consumers and countless others worldwide have become much wealthier as a result. However, in this process of creative destruction, Ford struck a fatal blow to craft producers in the industry and all those others that adopted mass production but failed to achieve his productivity gains.

In 1913, Ford introduced the moving assembly line. This new technology revolutionized the production of automobiles. Ford was able to produce cars in high volume and thus reaped the benefits of economies of scale. By noticeably increasing volume, cost per unit fell dramatically. The result was that the moving assembly line allowed Ford to reduce the labor time required to assemble a car substantially. Because Ford was a relentless cost-cutter, the average consumer benefited from his mass production system. From being a product that only the wealthy could afford, Ford's mass production techniques made the automobile cheap enough for everyone to afford. Ford's innovations, e.g., moving assembly lines, interchangeable parts, and ease of use and repair, not only gave his company a tremendous advantage over his competitors but also changed the auto industry forever. Ford's mass production system became a seriously disruptive technology in the auto industry. While Ford thrived, those who held on to the old craft method became extinct in the United States while European craft producers were able to hang on for longer.²⁸ Most European craft producers that endured the onslaught of mass production now survive as part of the larger auto companies: BMW owns Rolls Royce; Fiat (Stellantis) owns Maserati; Volkswagen AG owns Bentley, Bugatti, and Lamborghini.²⁹ The new technologies required in automobiles became prohibitively expensive for these companies to develop on their own. They had to partner with the much larger mass producers if they expected to survive.³⁰

During this period, future entrepreneurs were not simply becoming aware of the impressive achievements of this new method of producing things in the auto industry. Their eyes were focused on applying these new techniques in other industries. Those that did it first stood to make tremendous gains. To put mass production output into perspective, a few simple comparisons between the United States and the rest of the world during this period would suffice. By the late 1930s, despite the effects of the Great Depression, the United States was the home of the world's automobile market. Of the 40 million or so vehicles in the world at that time, 70 percent of them were in America. Affordability also played a big part in the growth of the American car market. But the affordability of automobiles was one of the byproducts of mass production because prices tend to go down as production increases. During this period, the United States had one car for every 4.5 Americans while Germany averaged one car for every 49 Germans.³¹ It is possible to hypothesize that with the application of mass-production methods to other areas of the American economy during WWII, the Allies would have been hard-pressed to succeed in the different fronts of the conflict. According to Sloan, by 1955, the domestic automakers were supplying 98 percent of the cars in the American market. The other two percent of the market, about 150,000 automobiles, was the domain of forty-five foreign and smaller domestic producers.³² A tiny share of the United States market considering that in that year, there were about 65.6 million motor vehicles registered in the United

²³ "The Time Machine." *Forbes*, December 9, 2002. https://www.forbes.com/2002/12/09/cx_if_1209flint.html?sh=3751b1575582

²⁴ "Top Vehicle Manufacturers in the US Market, 1961-2016." *Knoema*, May 21, 2020. <https://knoema.com/infographics/flsile/top-vehicle-manufacturers-in-us>

²⁵ Womack, James P., et al. *The Machine That Changed the World*. Chapter 2: The Rise and Fall of Mass Production.

²⁶ Womack, James P., et al. *The Machine That Changed the World*. Chapter 2.

²⁷ *Capitalism, Socialism, and Democracy*. Part I: The Marxian Doctrine, Chapter III: Marx the Economist.

²⁸ Womack, James P., et al. *The Machine That Changed the World*. Chapter 2.

²⁹ Gorzelany, Jim. "Who Owns Which Car Brands?" *Forbes*, July 12, 2019. <https://www.forbes.com/sites/jimgorzelany/2019/07/12/who-owns-which-car-brands/?sh=26852fbc5ea7>

³⁰ Womack, James P., et al. *The Machine That Changed the World*. Chapter 2.

³¹ Kiley, David. *Getting the Bugs Out: The Rise, Fall, and Comeback of Volkswagen in America*. p. 39.

³² Sloan Jr., Alfred P. *My Years With General Motors*. Chapter 24: Change and Progress.

States.³³ American automobiles became the emblematic products of the country's prodigious economic growth after WWII. The phenomenal growth of the American middle-class during the twentieth century is the effect of the close relationship between capitalism, Schumpeterian entrepreneurs, and science and technology. As Schumpeter argues, Marx recognized that the bourgeoisie needs science and technology to keep revolutionizing the "means of production" and maintain its economic dominance. According to him, in the *Manifesto*, "Marx launched out on a panegyric upon bourgeois achievement that has no equal in economic literature."³⁴

The American Big Three contributed to and reaped the benefits of this remarkable economic prosperity. On the downside, during the post-WWII period the total number of American-based motor vehicle companies continued to precipitously shrink. The 1950s saw the disappearance of some of the most recognizable American independent carmakers. Companies like "Nash, Hudson, Studebaker, Packard, Willys, Kaiser-Frazer, and Crosley" were on their last days.³⁵ In 1953, Kaiser-Frazer merged with Willis-Overland to form what eventually became Kaiser-Jeep. In 1954, Hudson and Nash had no option but to merge if they expected any chance of surviving the onslaught of the Big Three. Their merger led to the creation of American Motors. In 1970, American Motors acquired Kaiser Jeep. In turn, American Motors survived until it was acquired by Chrysler in 1988. Ford recovered some of the market shares it had lost to its competitors when Henry Ford failed to recognize that the American consumer was no longer satisfied with the basic transportation that his Model T provided.³⁶ In 1953, Ford surpassed Chrysler,³⁷ but it has never recovered the market leadership it once enjoyed.

With the extinction of the last independent American motor vehicle companies during the 1950s, GM, Ford, Chrysler were now in a position to slay the few remaining smaller companies that remained in the American motor vehicle market. Without question, the decade of the 1950s exemplified the power of the Big Three. However, during this decade, European competitors were gathering the capital and technology that would help them enter the American market successfully erode Detroit's dominance. During the 1950s, the more prominent European brands, such as Volkswagen, Daimler-Benz, Renault, and Fiat, had made a complete transition to high-volume mass production methods or were in the final stages. Product variation, new features, and innovations like disk brakes, fuel injection, and unibody construction led European carmakers to make significant gains in foreign markets³⁸ and the American market where the Big Three were decimating their competitors. However, the European companies have never challenged the existence of the Big Three in the manner that the Japanese carmakers began doing in the 1970s.

Ford Struggles

After suffering staggering losses during the previous three years, Ford embarked in the early 1980s on developing a new mid-size sedan to compete with GM and the Japanese companies. Ford was facing a do-or-die situation. Suppose the Taurus had been dead on arrival when it arrived on dealer showrooms in late 1985 after the company had spent about \$3 billion in its development. In that case, that could have meant bankruptcy for the company or following on Chrysler's steps and asking the federal government for a bailout. Fortunately for Ford, its \$3 billion investment in the program paid off big for the company and saved it from bankruptcy, much like minivan had done for Chrysler a year before. The success of Ford's new stylish car was such that in 1992, the second-generation Taurus surpassed in sales the Honda Accord, the number one mid-size selling car in the United States for three years running.³⁹ Remarkable as this achievement was for an American auto company, Ford was incapable of replicating this feat. Honda and Toyota understood better than anyone never to rely on past successes but continued to improve their products if they wanted to remain competitive.

In a highly competitive industry, those that remain standing still are most likely to perish. However, the Taurus and its twin, the Mercury Sable, made it possible for Ford to challenge GM's decades-long dominance of the mid-size segment of the market. Like GM and Chrysler, Ford was enjoying a respite from the turmoil in gasoline prices caused by the oil crises of 1973 and 1979. With gasoline prices no longer a big concern for American consumers, Ford saw an increase in sales for its larger model sedans like the Lincoln Continental, Town Car, Crown Victoria, and Grand Marquis. Although smaller than GM, by the late 1980s, Ford was posting record earnings and surpassing its rival in profits.⁴⁰ The company brought a line of SUVs to market, starting in 1991 with the Explorer, which made the automaker one of the most profitable in the world. However, the great years of the 1990s when Ford was making record profits gave way to gloom during the first years of the new century. Between 1999 and 2001, Ford spent \$13 billion in acquisitions alone, including its purchase of Volvo for \$6.5 billion. Ford also paid \$3.5 billion for two massive recalls of Firestone tires used in the Explorer, the company's flagship SUV.⁴¹ In 2001, the company lost \$5.5 billion, only to establish in 2006 a record loss of \$12.7 billion.⁴²

The financial crisis of 2008 or the "Great Recession" led to the federal government's takeover of GM and Chrysler in March 2009 as new the sale of new vehicles went down by almost 40%. Chrysler declared bankruptcy on April 30, 2009, and GM followed on June 1, 2009. By the end of July 2009, both companies came out of bankruptcy reorganization. Italy's Fiat bought

³³ Federal Highway Administration. "State Motor Vehicle Registrations, by Years, 1900-1995." <https://www.fhwa.dot.gov/ohim/summary95/my200.pdf>

³⁴ "The Communist Manifesto in Sociology and Economics," p. 209.

³⁵ "The Time Machine." *Forbes*, December 9, 2002. https://www.forbes.com/2002/12/09/cx_if_1209flint.html?sh=3751b1575582

³⁶ Sloan Jr., Alfred P. *My Years With General Motors*. Chapter 9: Transformation of the Automobile Market.

³⁷ Levin, Doron P. *Behind the Wheel at Chrysler: The Iacocca Legacy*, p. 14.

³⁸ Womack, James P., et al. *The Machine That Changed the World*. Chapter 2.

³⁹ Walton, Mary. *Car: A Drama of the American Workplace*, pp. xvi, 18, 39.

⁴⁰ Ingrassia, Paul. Joseph B White. *Comeback: The Fall and Rise of the American Automobile Industry*, pp. 123, 132-133, 136.

⁴¹ Taylor III, Alex. "What's Behind Ford's Fall? Late products, lousy sales, low morale--and it doesn't help that the top guys have different agendas." *Fortune*, October 29, 2001. https://archive.fortune.com/magazines/fortune/fortune_archive/2001/10/29/312418/index.htm

⁴² Warner, Fara. "How Ford Lost Focus." *Mother Jones*, November/December 2008. <https://www.motherjones.com/environment/2008/11/how-ford-lost-focus/>

Chrysler and GM emerged as the new GM. Although the economic conditions did not force Ford to enter bankruptcy, and it did not need a bailout from the federal government, the company received a \$5.9 billion loan.⁴³ Along with Ford, the foreign automakers that have plants mostly across the South of the country would have been the great beneficiaries if no bailout had taken place. However, in 2018, GM and Ford announced their plans to stop making sedans in the United States due to declining sales. As the American brands abandon the sedan market, there is no indication that Japanese, European, and Korean automakers plan to stop making them because American consumers continue to buy their sedans.

Conclusion

Capitalism continues to survive because it continues to endure in the world's largest economy. America is fertile ground for the growth of the Schumpeterian entrepreneur, and this is America's comparative advantage over its competitors. Rockefeller, Edison, Ford, Sloan, Noyce, Jobs, Gates, and Zuckerman are just a tiny sample of that rare breed of individuals that inject new life into capitalism and whose innovations constantly revolutionize society. Without a special environment that nurtures and promotes the growth of the Schumpeterian entrepreneur, capitalism would oxidize and crumble. America's distinguishing characteristic has been its relatively freer markets due to comparatively less government intrusion and a culture that continues to encourage freedom and individual initiative. The growth of government intervention in the economy and its heavy-handed policies suffocate the Schumpeterian entrepreneur. Capitalism survives by constantly revolutionizing itself as it destroys the old and brings in the new. The Schumpeterian entrepreneur is the guerilla warrior that constantly challenges the status quo. The innovations that they bring to the market revolutionize the economy and keep rejuvenating capitalism. These individuals are the ones preventing capitalism from growing old and rusty. Moore's Law is a clear example of creative destruction at its best. In 1965, Gordon Moore predicted that the power of microprocessors would roughly double every two years while falling in cost.⁴⁴ One only must compare a computer or a smartphone from ten years ago to the ones in the market today to see the tremendous differences that make these goods today vastly superior to their predecessors from a decade ago. After more than five decades of Moore's Law, it is hard to argue against the benefits to society from its implementation.

Schumpeter sees the successful innovations entrepreneurs bring to the market and the revolutions resulting from these as the primary contributors to economic development. Schumpeterian development is not that change brought about by economic and non-economic factors as they occur in the regular order of things; nor is development the continuous adaptation to these changes. Schumpeterian development represents those changes that disrupt and alter what currently exists.⁴⁵ As he aptly described it, development does not "consist in adding mail coaches to the existing stock of mail coaches, but in their elimination by railroads."⁴⁶ Creative destruction is endogenous to the system. If capitalism has a "law of motion," this is the one. The Schumpeterian entrepreneur is the igniter of this process. The entrepreneur is responsible for the introduction of new combinations, products, supplies, markets, etc. As he explains, those firms producing stagecoaches were not responsible for the introduction of railroads.⁴⁷ Creative destruction is capitalism's disciplining force. Without this discipline, it would be impossible for companies to become more efficient and for capitalism to survive.

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⁴⁵ Schumpeter, Joseph A. *The Theory of Economic Development*. Chapter II: The Fundamental Phenomenon of Economic Development, pp. 62-63.

⁴⁶ "The Communist Manifesto in Sociology and Economics." *The Journal of Political Economy*, p. 210.

⁴⁷ *The Theory of Economic Development*. Chapter II: The Fundamental Phenomenon of Economic Development, p. 66.



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