

Schumpeter and the Great Depression

Abstract :

Joseph A. Schumpeter's theory of economic development analyzes how growth and cycle dynamics intertwine. The process of Creative Destruction plays an essential role in that dynamics: embodying a cleaning effect, it has a clear beneficial impact on long-run development. For that reason, and also for some of his famous (and provocative) noninterventionists statements, Schumpeter is generally interpreted as a pure *liquidationist*. This paper contests this rather simplistic view and shows that Schumpeter not only expressed much more nuanced positions as far as practical economic issues were concerned but also that his views on economic policy were rooted in his earlier contributions before the Great Depression, attesting to a stronger time-consistency of his contributions.

Keywords: business cycles, growth, short run, long run, creative destruction, cleansing effect, productive recessions, economic policy, Schumpeter.

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