

**Michael Peneder and Andreas Resch, *Schumpeter's Venture Money* (Oxford: Oxford University Press, 2021).**

*Janek Wassermann*

In this meticulously researched and comprehensive study, Michael Peneder and Andreas Resch explore a relatively neglected aspect of Joseph Schumpeter's economic oeuvre: his "venture theory" of money and economic development. Drawing widely from lesser-known articles and unpublished manuscripts as well as previously unavailable archival and biographical materials, the authors argue that Schumpeter's endogenous monetary theory "deliberately embraced historical evolution and growing speciation of money and finance into increasingly complex social institutions that are malleable to the various needs of entrepreneurial finance." Money, therefore, becomes "the indispensable *alter ego* of entrepreneurial initiative" (5), situated at the very heart of Schumpeter's grander understanding of economic development. With the increasing importance of the nexus of finance and economic growth in the current moment, the authors assert that Schumpeter's monetary theory has greater relevance than ever before. Part economics textbook, part history of economic ideas, part intellectual biography, and part economic history, *Schumpeter's Venture Money* ranges widely and cements Peneder and Resch's status as the foremost contemporary Schumpeter scholars. The product of more than twenty years of work, the book unlocks an invaluable dimension of Schumpeter's thought.

In organizing their ambitious project of contextualizing, reconstructing, analyzing, and applying Schumpeter's monetary theory, the authors divide their monograph into four sections. Although meant to be read together and reinforce one another, these parts are not fully integrated and can be read as standalone essays. Part I presents a fairly conventional monetary and financial history. It begins with an early history of the origins of money as a social institution before looking at the emergence of credit-driven financial and industrial capitalism. It highlights Schumpeter's interest in the role of credit in entrepreneurial activities and economic development. This section tidily summarizes our current understanding of the origins of money, credit, banking, commercial exchange, etc. (chapters 2 and 3) and introduces major milestones in monetary thought and financial innovation (chapters 3 and 4). However, it diverts the monograph away from its main objectives. The exposition on the importance of heterodox thinkers like William Potter,

John Law, and Henry Thornton serves a vital function, yet the rest does not advance the reader's understanding of Schumpeter's own monetary ideas.

If Part I leaves something to be desired, Part II—on Schumpeter's monetary theory of development—is a triumph of historical contextualization and economic analysis. Each chapter breaks considerable new ground not just in the literature on Schumpeter but also in the history of economic thought. Chapter 5 elaborates on Schumpeter's relationship to the marginalist revolution and the Austrian School of Economics. The authors elegantly cover the ideas of Carl Menger, Eugen von Böhm-Bawerk, and Friedrich von Wieser on money, capital, and interest, indicating points of convergence and—more importantly—divergence. This discussion (95–99) is the finest brief treatment of the founding generation's ideas. The incorporation of Knut Wicksell and George Friedrich Knapp into this exciting process of economic ideation provides great insight into Schumpeter's ideas about money as a social institution. The consideration of Schumpeter's place within the Austrian School, *vis-à-vis* Ludwig von Mises and Friedrich Hayek (106–18) in particular, is also welcome coming from scholars outside the orbit of the contemporary Austrian School.

Chapters 6 and 7 synthesize the insights of the preceding chapters and offer a full account of Schumpeter's theory. They are the centerpiece of the entire monograph and validate the ambitions of this project. Schumpeter's writings on money are scattered across a handful of essays from the 1910s and an unfinished (and posthumously published) manuscript on money. The analysis herein is the first attempt at a comprehensive reconstruction of Schumpeter's ideas. Chapter 6 discusses Schumpeter's rejection of neutral money theories, which maintained that money merely determines nominal values of transactions but does not affect real magnitudes in the economy. Instead of a "veil" over the "real" economy, Schumpeter argued that money was like a "skin," an organ of the economy vital to its existence and functioning. He believed that money's function as a unit of account was essential to the operation of an efficient economy. He prioritized this dimension over others, e.g., money as a medium of exchange or a store of value. Money could therefore serve as an effective means of clearing accounts and as a "claim ticket" for goods. The authors then situate these ideas in broader monetary discussions and the history of economic thought, drawing important connections to Friedrich Bendixen and the early Austrians and distinctions from quantity theorists like Irving Fisher. The authors demonstrate that Schumpeter "lift[ed] the veil of money and rebutt[ed] the postulate of its neutrality, his main assertion was that the endogenous supply of credit renders changes in the price structure an important driver

of economic development” (137). Chapter 6 is a tour de force of research and exposition.

In Chapter 7, Peneder and Resch reintegrate Schumpeter’s monetary theory into his theory of economic development, highlighting the central role money plays in entrepreneurial creative destruction and the capitalist growth process. Because money was at the nexus of financial innovation and the real economy, it facilitated the “creation and reallocation of purchasing power” (139). Entrepreneurial ventures navigate economic uncertainty and exploit opportunities with the financial assistance of venture investors. Venture capitalists, therefore, get a promoter’s profit for their early support of innovation, which results in a brief period of monopoly proceeds. When imitation overtakes innovation, the benefits diffuse outward, prices drop, and real income rises. On its own, this chapter does not offer much more than a summary of Schumpeter’s *Theory of Economic Development*, a work that is the subject of extensive literature. However, when combined dialectically with Schumpeter’s monetary theory, his major monograph gains far greater clarity and coherence. A digression that examines Schumpeter’s theory of entrepreneurship vis-à-vis other Austrians’ also offers a welcome illumination of these distinctive approaches.

Like a Schumpeterian business cycle, there is a downturn after the heights of Part II. Part III lacks analytic incisiveness and intellectual innovations, but the archival work on Schumpeter’s career as a banker and financier is a major historical accomplishment. The authors reveal themselves to be outstanding historians, adding crucial new details to our understanding of Schumpeter’s non-academic career. In painstaking detail, they reconstruct the history of the Biedermann Bank (Chapter 8), of which Schumpeter served as president from 1921 to 1924, and the Braun-Stammfest Industrial Group (Chapter 9), an industrial investor group with which Schumpeter partnered. While neither of these ventures succeeded—for reasons elaborately detailed within these pages—the authors contend these experiences offer meaningful case studies of Schumpeter’s monetary vision in practice. This point is debatable, but these studies do enrich our understanding of Schumpeter’s biography and the economic and business histories of the First Austrian Republic. The rich archival work at the Austrian State Archives, the Municipal and Provincial Archives of Vienna, and especially the Private Archive of Ulrich Hedtke will undoubtedly influence future Schumpeter scholars and serve as a starting point for all subsequent research. Schumpeter’s non-academic period remains somewhat neglected by English-language biographers; the authors show why this omission requires correction. They have done a major service for

Central Europeanists with their comprehensive research on this corner of First Republic history.

The real dénouement of *Schumpeter's Venture Money* is Part IV. Like Part I, the section on Schumpeter's legacy does not fit seamlessly with the central sections. Chapter 11 explores why there has never been anything resembling a "Schumpeter school." Chapter 12 evaluates areas where quasi-Schumpeterian ideas continue to have a foothold in contemporary economic discourse. Chapter 13 concludes with a consideration of where Schumpeterian monetary insights may yield valuable interpretations by examining the rise of venture capitalism, the recurrent instances of financial crises (especially the Great Recession), and the digitalization of money. The first of these chapters acknowledges that the piecemeal nature of Schumpeter's monetary theory and his preference for disequilibrium views prevented a wider adoption of his ideas. His tendency to avoid policy prescriptions also left him in the shadow of Keynes. This chapter and the next read more like economic textbooks as the exposition shifts entirely away from Schumpeter. While the latter chapter attempts to reintegrate Schumpeter's thought into contemporary economic discussions, it does not appear that Schumpeter's ideas deserve so central a position. The introduction of more recent innovations in Schumpeterian economic theory and Agent-Based Models is informative, yet the chapter does not fit well with the preceding sections. The final chapter likewise suffers a lack of coherence. The three subsections have quite different purposes: the first endeavors to show a connection between Schumpeter's thought and early venture capital firms; the second establishes the relevance of Schumpeter's understanding of crises to contemporary economic downturns; the third looks at how Schumpeter's view of money as a unit of social accounts can help to grasp the digitalization of money. While the authors' plea for "biodiversity" in economic thought has a value in and of itself, it is unclear whether that justification will suffice for the book's intended readers (18). "Schumpeterian economists" and historians of economic thought will find this book indispensable, creative, and instructive. As for "non specialists [sic] with a curious mind," it is less certain.

Peneder and Resch have performed an unparalleled service in *Schumpeter's Venture Money*. They have produced a major contribution to the history of economic thought, Austrian history, and the intellectual biography of Joseph Schumpeter. Their work will be a standard reference for scholars for years to come. They have successfully shown that "focusing on the venture aspects . . . one finds a fascinating, visionary, highly original combination of his theory of creative entrepreneurship and neglected

heterodox views” (346). In no way do the aforementioned minor objections detract from the brilliance of the book—they merely limit its reach. One hopes that generalist readers will nonetheless dip their toes into the streams of Schumpeter’s thought and thereby gain a newfound appreciation of his insights on perpetual change and Heraclitus’s mantra, *panta rhei* (“everything flows,” 1).

