

Counterpoint Between Schumpeter's Democratic Method and Veblen's Thought for a Welfare State^a


Contraponto entre o método democrático de Schumpeter e o pensamento de Veblen para um Estado de Bem-Estar Social

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Abstract: The paper seeks to build a trilateral counterpoint among the typologies of the welfare state, Schumpeter's democratic method, and Veblen's thought. After a detailed presentation of these three thematic axes in the scenario of "Schumpeterian" democracy, characterized by a market-like competition for votes, as well as the social mechanisms elaborated by Veblen (leisure class, emulation, vested interests, and sabotage), connections were established with the typologies of the welfare state presented by Fiori (1997).

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These connections point towards a conservative and corporatist Welfare State, indicating a tendency of Schumpeter's democratic method to, through public policies, promote the maintenance of the predatory habits of the leisure class and social inequality.

Keywords: Democracy. Schumpeter. Veblen. Welfare State.

Resumo: O artigo busca construir um contraponto trilateral entre as tipologias de Estado de bem-estar social, o método democrático de Schumpeter e o pensamento de Veblen. Após a apresentação detalhada desses três eixos temáticos tendo como cenário a democracia “schumpeteriana”, que em resumo é similar a um “mercado” caracterizando-se pela disputa de votos, e os mecanismos sociais elaborados por Veblen (classe ociosa, emulação, interesses escusos e sabotagem), foram feitas suas conexões com as tipologias de Estado de bem-estar social apresentadas por Fiori (1997). Essas conexões apontam para um Welfare State conservador e corporativista sinalizando uma tendência do método democrático de Schumpeter em promover, por meio das políticas públicas, a manutenção dos hábitos predatórios da classe ociosa e a desigualdade social.

Palavras-chave: Democracia. Schumpeter. Veblen. Estado de Bem-Estar Social.

JEL: B25. K16. I3.

1. Introduction

The intersections and differences in the contributions of Joseph Schumpeter and Thorstein Veblen as central theorists of the evolutionary and institutionalist currents in economic thought have long been discussed. Studies that aim to delineate these relationships typically focus on three analytical frameworks: first, the investigation of the meaning of the term "evolutionism" and its place in the history of economic thought (Hodgson, 1994; Conceição, 2007; Peres and Azevedo, 2018; Bögenhold *et al.*, 2021); second, the understanding of the concept of the individual and, in particular, the role of the entrepreneur as the protagonist of economic dynamics (Ferrarotti, 1999; Wunder, 2007; Cruz, 2011); and third, the emphasis on the importance of technology and innovation in the process of economic change and development (Gürkan, 2005; Raines; Leathers, 2008; Aguiar, 2012; Castelli; Conceição, 2014; Lopes, 2015, 2016).

However, Schumpeter and Veblen's contribution goes beyond these thematic sections, mainly regarding the configuration of society in different classes, groups, and political processes. In *Capitalism, Socialism and Democracy*, a work originally published in 1943, Schumpeter presented his definition of democracy. According to the author: "Democracy is a political method, that is, a certain type of institutional arrangement for reaching political decisions, not being an end in itself, independent of the decisions it produces in certain historical conditions." (Schumpeter, 2016, p. 363). From this perspective, Schumpeter seeks to demystify what he calls the "classical theory of democracy", defined by the jargon of "government by the people" and supported by a fundamentally rationalist, hedonist and individualist philosophy.

The theory of democracy introduced by Schumpeter highlights competition for votes as a central element in the construction of government by an electorate. However, as the author himself recognizes, the vote "market" is not perfectly competitive. Some individuals or groups have greater power to influence voters and garner votes. This distortion, at first glance, inserts an element of imbalance into the democratic process and raises questions related to social stratification, since individuals belonging to social classes with greater economic or political power are more likely to be elected and, thus, maintain a rigidity in the state of things. This may imply a rigidity in decisions that seek to build a more inclusive welfare state. In this sense, Veblen's thought seems to provide some analytical

elements capable of complementing or even contradicting Schumpeter's conception of democracy. The analytical elements elaborated by Veblen are leisure class, emulation, conspicuous consumption, sabotage, and vested interests. Considering these analytical elements and Schumpeter's democratic method, we present the idea of welfare state typologies and how these three thematic axes can dialogue and corroborate the hypothesis of social rigidity provided by Schumpeter's democratic method.

The socioeconomic rigidity to which the democratic system is regimented poses challenges to the implementation of a Welfare State and the search for social justice in its modern sense, that is, the guarantee - rationally justified - given by the State to all individuals in relation to the provision of a portion of material goods that are understood as rights that deserve to be widely respected (Fleischacker, 2006). And, although the notion of the Welfare State has changed over time (Nogueira, 2001) and is incorporated into a scheme of typologies (Fiori, 1997), it is necessary to understand how Schumpeter's democratic method and Veblen's thought dialogue to provide possibilities and challenges for providing this general well-being to an entire community.

Therefore, the objective of this paper is to present Schumpeter's contribution and specificities on democracy and then, to verify to what extent Veblen's contributions meet or oppose Schumpeter's theory on democracy for the construction of a Welfare State.

In addition to this brief introduction, the paper has 5 more sections. Section 2 presents some concepts of democracy, highlighting the particularities of Schumpeter's democratic method. Section 3 addresses Veblen's thought with a focus on the theory of the leisure class. Section 4 presents some typologies of welfare states. Section 5 builds a trilateral dialogue between the ideas exposed in sections 2, 3 and 4. Finally, section 6 concludes the paper.

2. Schumpeter's democratic method and other definitions

Joseph Schumpeter, an Austrian-American economist, and political scientist, presented his concept of democracy in the work "Capitalism, Socialism and Democracy", published in 1943. The Schumpeterian conception of democracy is framed as "democratic elitism" as highlighted by Avritzer (2000). Its democratic

method points to an organization like a market in which candidates compete for the votes available in society. His perspective departs from the classical understanding of democracy and offers a distinct point of view on how democracy operates and functions (Schumpeter, 2016).

The classical definition of democracy dates to ancient Greece, particularly Athens. In its purest form, democracy was understood as a system where all citizens could participate directly in decision-making and governance. Citizens met in assemblies to debate and vote on policies and laws. This model of direct democracy was limited to a small group of free male citizens, excluding women, slaves, and non-citizens from the decision-making process (Baptista, 2014).

This vision establishes that the purpose of the State is to seek the greatest happiness for the greatest number of people and that this must be done through the ethical autonomy of the individual, with the State being responsible for educating them and letting them vote freely. Thus, this classical theory establishes a democratic method that is an institutional arrangement for reaching political decisions that achieves the common good by having the people themselves decide issues through the election of individuals who come together to satisfy their will, as if there was a common good which is always easy to define and could be perceived by every normal person through rational argumentation. Therefore, there would be also a common will of the people that coincides exactly with the common good, the interest common or common well-being (Schumpeter, 2016).

Representative democracy, also known as indirect democracy, is the predominant form of democracy in most modern nations. In representative democracies, citizens elect representatives to make decisions and pass laws on their behalf. These elected officials are accountable to the electorate and must represent the interests and preferences of their constituents. This conception has its origins in thinkers such as Jean-Jacques Rousseau, John Locke, Thomas Hobbes, and Max Weber, presenting what, according to Avrtizer (2000), would be a decision-making conception of deliberation.

Participatory democracy emphasizes the active involvement of citizens in the decision-making process. It seeks to empower ordinary citizens to become directly involved in the formulation, implementation, and evaluation of policies. Participatory democracy generally involves mechanisms such as citizens' assemblies, participatory budgeting, and referendums to allow citizens to have a

more direct impact on governance. According to Bonavides (2001), participatory democracy comes to save the people from representative democracy and combat the disintegrating conspiracy of neoliberalism.

Schumpeter's (2016) concept of democracy revolves around the idea that, in modern, large-scale societies, direct democracy is impractical due to the complexity of the issues and the large number of citizens. Instead, he argued that real-world democracies operate as "competitive elites" or "political entrepreneurs". Additionally, democracy is not about the direct participation of the masses, but a method of selecting and replacing political leaders. In Schumpeter's view, democratic competition is like a market where political leaders (elites) compete for the approval and votes of the electorate (masses). Citizens mainly participate by choosing between competing leaders and parties during elections. This electoral competition, according to Schumpeter, is what drives the functioning of democracy.

Schumpeter sees problems with the classical doctrine of democracy, as he denies the existence of a single common good that can be achieved through rational argumentation and states that, even if the existence of this common good were assumed, this would not presuppose equally defined answers to social problems (for example, everyone could agree on building a good healthcare system, but disagree on how to do it). Consequently, Schumpeter denies that it is possible to speak of a "will of the people", arguing that, for this to be a political factor worthy of respect, this will must exist and not merely represent "an indeterminate handful of vague impulses to revolve loosely around given slogans and mistaken impressions" (Schumpeter, 2016, p.381). Additionally, Schumpeter also does not believe in the possibility of full rationality of individuals regarding political deliberations, since their preferences, inclinations and wills suffer external influences, so that the will of the people is the product of the process political, not its driving force.

In response to these problems, Schumpeter (2016, p. 405-409) introduces another definition of democracy, described as follows: "the democratic method is the institutional system for reaching political decisions, in which individuals acquire the power to decide through a competitive fight for the people's vote." And further: "The principle of democracy then simply means that the reins of government must be handed over to those who have more support than any of the

individuals or teams participating in the competition.”. In this new conception, Schumpeter gives prominence to a competition between individuals for political leadership, which will allow the construction of a government in its different spheres (e.g. local/national, legislative/executive) to make practical decisions. He states that, just as competition in the economic sphere can be hampered by asymmetric market powers, the same occurs in the competition of individuals for the population's votes, which results in different types of democracy.

For Schumpeter, the “purity” of the democratic process and the competition of ideas is not so clear or fair:

What must be said is that some deviations from the principle of democracy are linked to the presence of organized capitalist interests. But, thus corrected, the statement is true both from the point of view of classical theory and from the point of view of our theory of democracy. From the first point of view, the result means that the means available to private interests are frequently used to frustrate the will of the people. From the second point of view, the result means that these private resources are often used to interfere with the functioning of the competitive leadership mechanism. (Schumpeter, 2016, p. 410, our translation)

In summary, Schumpeter's concept of democracy differs from the classic model of direct democracy and differs marginally from representative democracy and considerably from participatory democracy. While recognizing the importance of elections, it places more emphasis on the role of political elites and the competition between them as a driving force of democratic governance. Avritzer (2000) points out that, like Max Weber and Anthony Downs, Schumpeter does not believe in a democratic model that considers cultural differences and the rupture of ideas through public forms of discussion and argumentation, thus reinforcing a democratic model of deliberative decisionism, bringing its democratic method closer to the representative model.

3. Institutions, emulation process and the leisure class

Thorstein Veblen, an American economist, and sociologist made significant contributions to the understanding of economics, society, and politics. His ideas about emulation, vested interests, sabotage, and the leisure class bring to light central aspects about the dynamics of a democratic political organization. In his work *The Theory of the Leisure Class*, Veblen (2018) argues that, as society moves

from a peaceful structure to a predatory and, later, pecuniary structure, where work is seen as something essentially derogatory, a leisure class that, by custom, is exempt and excluded from industrial occupations, employing itself in activities in which some degree of honor is present, such as political positions.

In this sense, a tradition also begins to emerge that gains consistency over time and that gives respect to the man who carries out exploratory activities, that is, activities that involve prowess, force, or fraud, such as the destruction of competitors in the economic sphere (and therefore in politics?), which come to be seen as accredited by the community. It is this same leisure class that drives the process of accumulation and acquisition of property to obtain esteem and social reputation, thereby establishing a process of pecuniary emulation throughout society.

The result of this process established in capitalism is that the members of each social stratum accept the scheme of life in vogue in the next higher stratum, as an ideal of decency that must be sought. Consequently, it takes a long time for any change to permeate the masses and change people's habitual attitude. Thus, if honorific positions - as are political positions - are largely composed of individuals who are part of the leisure class and who do not seek significant changes in the conduct of public policies and in socially shared habits of thought and behavior, it is to be expected that the Schumpeterian understanding of democracy as a process of competition for political leadership is based on a rigid social structure without much room for change.

Veblen (2018) analyzed the leisure class, which he viewed as the wealthy, non-productive elite, whose status, and prestige were demonstrated through conspicuous consumption rather than productive work. To remain in the leisure class, the individual is required to behave like that of successful men from what Veblen calls the barbaric period of civilization. In other words, a "cold" behavior, removed from values such as fraternity, equity and the like. In a democratic political organization, the existence of an idle class can have implications for income inequality and social cohesion, based on a principle known as emulation.

Dugger (1989) conceptualizes emulation as competition for status. More than that, a kind of personal rivalry based on envy. Such rivalry, in turn, would be represented by an individual (or group) seeking to overcome the honorific respectability of another competing individual (group). This competition would

manifest itself through the acquisition of symbols that carry high social value and showing them to their rivals, while at the same time preventing access to these symbols to other people.

Emulation affects individuals' emotions and rationality through positive stimuli. In *Theory of the Leisure Class*, Thorstein Veblen (2018) presents a set of examples for emulative behavior, based on the consumption habits and lifestyle of American society at the end of the 19th and beginning of the 20th centuries. According to Veblen (2018), the standards of respectability that are created as the basis of social status fulfill the role of maintaining the prestige of aptitudes that serve only the purpose of pecuniary emulation. While every lifestyle considered decent for the leisure class promotes the continuity of predatory behaviors and characteristics.

In a democratic political organization, the principle of emulation can have both positive and negative effects. On the positive side, it can promote a sense of upward mobility and aspiration among citizens, leading to social progress and a drive for material improvement. However, there is a risk that the emulation of conspicuous consumption could lead to excessive consumerism and the formation of preferences that lead to the indebtedness of the lower classes, as the individual belonging to the leisure class, when purchasing goods of luxury, can lead a worker who is not in this “caste” to spend his savings to emulate this pattern of consumption. However, for the member of the leisure class, acquiring the luxury good does not involve a great material sacrifice. For the worker, the cost of obtaining this luxury good is proportionally higher in relation to the balance of his savings.

In a democratic society model, this can become a concern as it can exacerbate divisions between different socioeconomic groups. For the democracy model, addressing these issues through policies that promote social mobility, equal opportunities, a more equitable distribution of wealth and the updating of predatory institutions and habits can be positive.

An obstacle to achieving this end is what Veblen calls vested interests, that is, a “legitimate right to get something in exchange for nothing”. In other words, a vested interest would be a legitimate claim to gain more access to income, through intangible wealth and intangible assets, than would be achieved through tangible performance in productive work. This, in turn, implies that some individuals and

groups from higher strata benefit from the current socioeconomic order through political action, being able to resist changes that threaten their privileges and power. Within a democratic political organization, vested interests can pose a challenge to the implementation of policies aimed at the common good or social progress.

This deference shows itself in two basic ways. In the social and economic realms, the system of absentee ownership transformed traditional forms of class deference and subordination into a few ethos of opportunism, an often-cynical opportunism at that whose effect is to underpin popular faith and hope in the system. But even as capitalism encourages dreams of personal success through free markets and private property, democracy also reinforces traditional habits of political deference and civic subordination; not only in the way that underlying population looks up to the rich as models of success, glamour and Celebrity, but in the more ominous way that the democratic state remain a warfare state, with all that implies for the willingness of people to trust their leaders, honor their claims to secrecy and to look with loyal suspicion upon those who question the sanity of official policy. (Plotkin, 2007, p. 171-172)

It is noteworthy that Veblen (1997 [1923]) did not consider democracy as a mere imposition of the elite's will, as he considered the political consequences of this system to be based on the notion of popular sovereignty. In such a way that democratic political leaders should conceive of their power and influence as derived from popular power, that is, consented by the governed people. For this reason, the above deference is relevant, because in this author's view, the political power to say what could or could not be done resulted from being based on the state of mind of the common man (Veblen, 2008).

Thus, as presented in the previous section, Schumpeter highlights, without referring to Veblen's concept, the influence that organized capitalist interests can exert within the democratic process. To maintain a healthy democratic system, there must be mechanisms to prevent undue influence, such as transparency in political financing, robust conflict of interest regulations, and a strong and independent judiciary.

Another relevant concept for understanding the democratic game from a Veblenian perspective is sabotage, which Veblen (2001), in his work *The Engineers and the Price System*, defines as the deliberate act of abandoning productive efficiency. So, businesses would sabotage the industry to achieve greater profit. The efficiency of the production process becomes an obstacle to the

expansion of profit margins, even though it leads to greater labor productivity and an increase in the level of production on a scale that can be achieved with the same quantities of available resources and labor.

Therefore, considering the marked income inequality that characterizes capitalism, productivity gains are not necessarily reflected in wage gains, which implies that the growth in demand for industrial goods does not correspond to the same pace as the supply capacity. If companies produced with total efficiency, product prices would fall, as would their profit margins. Hunt (2005) asserts that, generally, the price reductions necessary for a higher level of production were so significant that it was more worthwhile, in terms of profit, to sell a smaller quantity at higher prices than a larger quantity at low prices.

Transporting this concept to the analysis of a democratic political organization, we can understand that it can elucidate some aspects of its functioning, as certain actors can intentionally obstruct political initiatives or political processes for ideological, personal, or partisan reasons. In other words, they would sabotage laws and public policies that aim for the common good, to serve their vested interests.

Veblen, in his work *The Theory of Business Enterprise* (1965 [1904]), points out that modern institutions are based on the principles of business and pecuniary interests, from politics, justice, military power, to diplomatic service. Furthermore, it emphasizes that a constitutional government is a business government, moving from the interests of kings and princes to achieving the interests of businessmen. And it is sold to society that the interests of business are the same as the interests of the people. Looking from this perspective in a democratic system, checks and balances are essential to prevent sabotage from hindering progress. A robust and independent media, an informed and engaged citizenry, and a separation between different branches of government can help mitigate the impact of sabotage on democratic governance.

Deepening the thoughts of Thorstein Veblen, in his work *The Vested Interests and the Common Man* (2008 [1919]), the author presents that the point of view is a habit that evolves according to the exposure of historical experiences in each time and in each group that lead to the predominance of a certain habit and state of mind. Within this spectrum, in his analysis, French and English-speaking people are seen as disseminating and solidifying centers of the modern point of

view in 1919 influenced by values linked to Christianity and thinkers such as John Locke, Montesquieu, Blackstone and Adam Smith.

The modern point of view is guided by the time-honored principles of individual self-direction, equal opportunities, security of income and belongings, free contract, and self-help. Therefore, this is one of the canons of decency, the author points to a rupture of these principles in the face of the acquired right to property (Veblen, 1978). As evidence, the following passage: “Circumstances have changed to such effect that provisions which were once framed to uphold a system of neighborly good-will have now begun to run counter to one another and are working mischief to the common good” (Veblen, 2008 [1919], p. 8). Furthermore, this example of the social dynamics that Veblen proposes also exposes a relationship with the right to vote, where the ideals that are presented to be elected suffer a rupture in the face of the public policies that are implemented, highlighting the use of the national establishment to maintain and promote the rights acquired from commercial and investment activities. As presented:

Representative government means, chiefly, representation of business interests. The government commonly works in the interest of the businessmen with a consistent singleness of purpose. Modern politics is business politics. (...) This is true both of foreign and domestic policy. Legislation, police surveillance, the administration of justice, the military and diplomatic service, all are chiefly concerned with business relations, pecuniary interests, and they have little more than an incidental bearing on other human interests. (Veblen, 1965 [1904], p. 286, p. 269)

In conclusion, Veblen's concepts offer valuable insights into the functioning of a democratic political organization. To ensure that these contributions positively align with democratic principles, a well-functioning democracy along the lines of participatory democracy would seek to address issues related to inequality, vested interests, and the influence of economic elites. Democratic institutions, public participation and policies aimed at promoting the common good are important elements for a possible successful democratic political organization in the face of these challenges.

4. Typologies of Welfare State

To better evaluate the dialogue between Schumpeter's democratic method and Veblen's thought for a welfare state, Fiori (1997) seeks to discuss the evolution

of what is known as a “social welfare state” and the conditions that enabled its implementation in its different forms. In addition to this information, the author presents a scheme of typologies and, based on this scheme, it is possible to construct a trilateral counterpoint between Schumpeterian democracy, Veblenian analytical elements and the structure of the Welfare State. Fiori presents two groups of typologies: the first, based on the contributions of Titmus and then Ascoli, in which it is possible to differentiate the “corporate meritocratic-particularist standard model”, the “clientelist meritocratic-particularist standard model” and the “standard institutional-redistributive model”; the second is based on the typology proposed by Esping-Andersen, containing the “liberal Welfare States”, the “conservative and corporatist Welfare States” and the “social-democratic regimes”.

In relation to the first group, in the meritocratic-particularist model or pattern, social policy intervenes only to correct market action, presenting a Welfare system complementary to market institutions. The difference between the corporate model and the clientelist model is that the weight of unions and corporations in the delimitation and distribution of benefits is greater in the first one, while in the second one the weight shifts to the party system and political-electoral cycles. Finally, the standard institutional-redistributive model is aimed at the production and distribution of extra-market goods and services, which are guaranteed to all citizens, universally covered, and protected. This model fits within the modern conception of social justice as defined by Fleischacker (2006).

Table 1 – Typology proposed by Esping-Andersen

Liberal Welfare States	Conservative and Corporatist Welfare States	Social Democratic Welfare States
<ul style="list-style-type: none"> • Assistance to the demonstrably poor predominates. • Universal transfers or modest social security plans reduced. • Rules for qualifying for benefits are strict. 	<ul style="list-style-type: none"> • The preservation of status differences predominates. • Rights appear linked to class and status. • Low impact in terms of redistribution. 	<ul style="list-style-type: none"> • Universalism predominates and de-commodification affects the middle class on a large scale; • All social segments are incorporated into a universal insurance system; • Everyone is simultaneously benefited, dependent and, in principle, payer.

Source: (Fiori, 1997) adapted by the authors.

Within the typologies shown in Table 1, we have a segregation between 3 models. The first model is the “liberal Welfare States”, characterized by the reduction of welfare and strict coverage of the demonstrably poor. Unlike it, the second model, called “conservative and corporatist Welfare States”, is characterized by the preservation of status differences and a low impact on income redistribution. This differs from the first model because it uses its power of influence to perpetuate inequality while the first still focuses on the neediest classes. The third model is the “social-democratic Welfare States”, characterized by the simultaneous benefit to “dependents” and “financiers”, incorporating all social segments into a universal insurance system. This third model differs strongly from the second and first, as it seeks social equity, not just assistance for the poorest social segment as in the first or the reservation of social rights to favored status and social position, as in the second.

Furthermore, it is possible to exemplify the relationship between welfare states and Veblen's analytical instruments through the New Deal. According to Henry (2018), the state aid program (New Deal) was limited/shaped to maintain

the interests/acquired rights of the leisure class. Thus, he saw liberal democracy and the power to dictate public policies as an instrument for maintaining interests established in line with Veblen's thinking. In his paper, he mentions the nature of policies biased toward maintaining the vested interests of working in the Civilian Conservation Corps (CCC), Civil Works Administration (CWA) and Work Project Administration (WPA) programs.

Having stated these ideas and typologies, they will allow us to have a characterization of welfare state models so that when analyzing the relationship between “Schumpeterian” democracy and Veblen’s thought, it would be possible to frame what these two lines of thought contribute in understanding welfare state policies and models.

5. Connections between Schumpeter and Veblen based on welfare state typologies

Schumpeter's conception of democracy and Veblen's contributions can interact in several ways to allow the construction of a welfare state. A contemporary welfare state is normally characterized by policies and programs that seek to guarantee the economic and social well-being of citizens, providing a social protection network and reducing inequality (Nogueira, 2001). However, as Fiori (1997) highlights, this formulation of the welfare state is based on the different cultural, political, and economic realities of different countries. Let’s see how these elements connect in this context.

Schumpeter's (2016) conception of democracy highlights competition between political elites through elections. This competition can lead to the presentation of different proposals and ideas for the improvement of society. Democratic participation allows citizens to express their preferences and demands, influencing the political agenda and public policies to be implemented. However, when this definition of the competition of ideas is put in line with the theory of emulation proposed by Veblen (2018), it can be said that there is a tendency for this competition for ideas to perpetuate the vices and habits of the leisure or predatory class, reducing the character of plural dispute of ideas proposed by Schumpeter's democratic method.

Veblen's (2018) contributions on vested interests highlight the importance of avoiding the excessive influence of privileged groups in democratic decision-

making. In the context of the welfare state, the action that the interests of economic elites can give to the political process of disputes for votes proposed by Schumpeter can lead to conservative and strongly corporatist welfare states. Thus, it can lead to impediments to the implementation of policies that promote equity and the guarantee of collective rights. Additionally, Veblen's notion of sabotage highlights the challenges for the effective implementation of social policies. In this sense, it is important to ensure that social welfare policies are not obstructed by opposing interests or sabotage actions. Through a democracy closer to the participatory model, with strong institutions and transparency, it is possible to confront sabotage and guarantee the implementation of social welfare policies like the typology of “social democratic regimes”.

Veblen (2018) addresses income and power inequality in society. To build an effective welfare state, it is essential to implement policies that aim to reduce inequality and promote social inclusion. This may include social assistance programs, accessible and quality education, health services, subsidized housing, and other measures that help improve the living conditions of the most vulnerable sections of the population. As Leathers (1989) explains, in the Veblenian framework, social welfare is understood as the highest possible level of production combined with a fair distribution of goods that serve real human needs. In contrast, monetary or market-based values – which can be distorted through practices Veblen described as “sabotage” – represent human well-being only in a vague, abstract sense that is fundamentally at odds with the scientific and technological realities of the modern age.

In summary, the interaction between Schumpeter's conception of democracy and Veblen's contributions based on the welfare state typologies presented highlights a possible perpetuation of habits and institutions with a predatory character that can provide a barrier to the construction of a Welfare state along the lines of “social democratic welfare states”. The democratic competition of ideas, combined with pecuniary emulation, vested interests and sabotage, would tend to present, within the framework of political representatives, ideals considered honorific that would lead to solidifying the adoption of a Welfare State of the meritocratic or conservative, precisely because these mechanisms identified by Veblen tend to block deeper social changes that would lead, for example, to the

reduction of inequality and the problems inherent in the reproduction of the habits of the leisure class.

6. Conclusion

The paper presented the definition of Schumpeter's democratic method as well as indications, in his work, regarding the method's departure from the “pure” definition of democracy (Government by the people). He also introduced the definition of classical, representative and participatory democracy with the purpose of comparison against Schumpeterian democracy, showing a high degree of differentiation between the latter in relation to the first and third and marginally in relation to the second. Furthermore, some essential concepts elaborated by Veblen were presented: leisure class, emulation, conspicuous consumption, sabotage, and vested interests. In view of these social mechanisms and the democratic method, the idea of welfare state typologies and how these three thematic axes can dialogue was introduced.

In conclusion, it points to a possible socioeconomic rigidity in a scenario in which the democratic method presented by Schumpeter, characterized by its similarity to a “market” of dispute for votes, is faced with the social mechanisms presented by Veblen, such as the leisure class and emulation, and the scheme of welfare state typologies, in which particular cultural, political and economic aspects of each nation can shape the conception of this Welfare State, which can lead to social acceptance and replication of inequality. Building the dialogue between Schumpeter's democratic method and Veblen's thinking for a social welfare state, these three axes lead us to believe in a conservative and corporatist Welfare State in which it would tend to block changes such as the reduction of inequality.

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