

Competition in Transformational Processes: Polanyi & Schumpeter

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In exceptional situations or times of crisis, even democratic states are sometimes overseen by a government that has not been elected – so-called technocratic governments. Nevertheless, the resulting design of such technocratic governments can be quite different depending on the circumstances and reasons they emerged from. Some empirical examples of such transitions from democratic to technocratic governments include Austria as a consequence of the Ibiza affair (where technocrats and high government officials took up office in June 2019 after the prior government had dissolved) or, although in a different manner, Greece in the course of the financial crisis 2008 (where the state affairs of the democratically elected government of Greece were strongly guided by the so-called European troika as a quasi-government to which the democratically elected government had to report).

Theoretically, both non-elected governments were to act upon the principles of efficiency and rationalisation; however, their effective governing style differed severely. While the former could be seen in the tradition of Schumpeterian socialism, the latter may seem closer to a more neoliberal version of Polanyi’s rather pessimistic scenarios. Both writers closely observed the characteristics of capitalism and the mechanisms with which it functions in very similar ways. Both look at the economic system as interdependent with the cultural, political and social sphere. The mechanisms mentioned are based on dynamic and evolutionary principles. In a way, Schumpeter’s idea that evolving bourgeois values eventually lead to an evolution towards socialism is a double movement as presented by Polanyi. However, the mechanism results in quite different scenarios: in Schumpeter’s case, it leads to a socialism-like utopia (although Schumpeter’s socialism has a very specific meaning), while in the Polanyian case, it leads to fascism.

Inspired by the example of technocratic governments mentioned above, we want to explore the similarities of the mechanisms described by Schumpeter and Polanyi, present their different notions of capitalism and the reasons for the different results in spite of such similar mechanisms. We also want to study in which qualities the results are different when considering the premises and prerequisites. Moreover, we will try to define more thoroughly the influence of the capitalist economy on the political sphere according to both theories.

In order to consider our research questions appropriately, we will deal with a concept that both authors have described as central in the economic and the political process: competition. In Schumpeter’s work, the “constant threat” in oligopolistic competition is essential for his famous process of creative destruction. This constant

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threat does not only ensure progress in the economy, but makes the competition between political parties productive and efficient while preventing fascist surges. With competition as the defining force of capitalism's social order, it is perceived as something positive and desirable since it enables evolution. Only when capitalism has evolved into socialism does Schumpeter deem it necessary to keep competition between political parties alive in order to guarantee a benevolent technocratic government. In contrast, Polanyi describes competition as something that was created with intention in the economic sphere in the early days of capitalism as a result of the liberal utopia. The concept is not perceived as a natural social order but characterised as designed by humans and intentionally created by society, or rather those in power. Polanyi regards fascism as a consequence of this designed social order, i.e. society resists which results in a so-called double movement. The notion of competition is therefore rather negative and perceived as an ideologically connoted design.

As mentioned above, the mechanisms of development are quite similar, we want to explore whether the different notions of competition and the distinctive premises and preconditions can explain the difference in outcomes of both authors' theories. First, we will consider the basic common ground of Schumpeter and Polanyi, especially the mechanism of social development. We will then critically analyse the respective author's epistemological approach of regarding capitalism and its consequences. This results in an analysis of social norms and notions of competition as an ideological or non-ideological concept. As a last step, we will analyse the meaning of regulations in the capitalist evolutionary process. This analysis should allow us to investigate how the interpretation of competition as a concept impacts societal development and how to explain the governments described above with Schumpeterian and Polanyian theories.