

# Chapter 12

## Polanyi and Schumpeter vs. Neoliberalism: Can Neoliberal World Be Explained by Schumpeter in the Context of Innovation and Polanyi in the Context of the Market?

**Ilkben Akansel**  
*Bartın University, Turkey*

### ABSTRACT

*Neoliberalism means “new liberalism.” It could be dated back to 18<sup>th</sup> century, but it is a term that belongs today. Since 1990, neoliberal rules gave many harmful effects, especially to developing countries, and those harmful effects have proceeded for labor class. As capitalism stands on its own feet, it can find solutions to regain profits. However, the concern may well be gaining too much profit gives harmful effects on a wide range of social classes. Neoliberalism is accepted as the tool of these effects by the majority of the economists. In this chapter, the authors scrutinize the consequences of neoliberalism by the mediation of two great philosophers who criticized capitalism in different ideas. Karl Polanyi’s and Joseph A. Schumpeter’s different opinions about capitalism will be scrutinized in order to understand the connection between capitalism and neoliberalism. So, in this study, starting with its name, neoliberalism’s implementations will be scrutinized by two great philosophers.*

### INTRODUCTION

The most effecting era of capitalism which threw since 18<sup>th</sup> century of human life is neoliberalism era started since 1980’s. Neoliberalism which also called “new liberalism” refers to a different term than classical liberalism. The difference occurred between liberalism and neoliberalism in mind, in theory and the application is far beyond the good news *laissez faire-laissez passer* of Adam Smith. Economics conditions were formed especially after the World War II has caused to occur completely different economics world in 1980’s. Of course, however, the real debates have started in the 18<sup>th</sup> century. Actually,

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scientists can be separated as the absolute defiers to capitalism and the rest. In this context, there are two eminent philosophers who can be remembered: J.A. Schumpeter and Karl Polanyi. Although his deep obedience to capitalism, Schumpeter is not a scientist who sees the future of capitalism bright. On the reverse side, Polanyi is famous for his considerable criticism to capitalism.

One cannot remember, innovation is the working engine of capitalism. Without innovation, production cannot be proceeded in capitalism. But whether this innovation will help the vast amount of *middle classes* good or bad, will be determined by neoliberal politics. This study aims to a comparative look at starting with Schumpeter's innovation and Polanyi's market economics. Both scientists are very important because of their aspects of capitalism today by the mediation of their related notions. In many cases, Schumpeter and Polanyi are investigated separately. However, this study will be the first one scrutinizing Karl Polanyi and Schumpeter by the mediation of capitalism. Thereby, this study will follow a path as such: Firstly, neoliberalism will be investigated both as description and ideologically. Secondly, three important notions which pushed Polanyi to understand market capitalism *reciprocity, redistribution, the exchange* will be scrutinized. Because these three terms have led to Polanyi's approach to capitalism utterly. With these terms, the kind of criticism to neoliberalism by Polanyi would have been discussed. Lastly, the kind of criticism to neoliberalism era by two great philosophers if they lived will be investigated mutually. Thirdly, Schumpeter will be investigated by his notions like *innovation, entrepreneurship* etc. to understand his way of look at capitalism. The issues can be seen or not seen by him will be argued by these concepts. Thus, the way he looks to capitalism will help to understand what kind of critics he might have been discussed about neoliberalism which hasn't existed in his time at least as a notion.

This study is not only important by the mediation of investigating comparatively two scientists, but also it will help us to understand neoliberal politics affecting peoples' lives negatively. Either of them is very important scientists. Schumpeter is important in terms of his approach to capitalism inside. Polanyi is as important as Schumpeter in terms of his opponent ideas to capitalism. This study will make to help people to understand what kind of benediction and malediction are brought by the implementations by neoliberalism.

### **WHAT DOES NEOLIBERALISM MEAN?**

Capitalism proceeds in the mediation of depression and expansion. This depression and expansion generally called 'conjuncture'. Economies have thrown into collapses especially in 1920's and 1930's. Although the two World Wars brought terrible destructions, their conclusions are economically reverse. The first war was the result of the disputes of all economic, political, global in the world. The second has happened that there would be no solution but warfare. The USA, glorious after the war, has created two world economies. The first is under the effect of the World War II and the Cold War between 1950-1970. The second is a world which becomes 'financialized'. It has started in 1980's and come 1990's. Economies have always been debating science. Yet, economics is sometimes inquired whether it is a science or not. This is caused by laying down what economics approaches all economic events in one way prescription. More specifically, it is the dilemma of accepting economics as only neoclassical economics. Because neoliberalism set the road off by giving good news about world development not only in economics but also in politics, cultural etc. Of course, the world has witnessed reversed implementations of all. Because the logic of neoclassical economics proceeds like in above: It starts with such assumptions, by the mediation of these assumptions what it isn't just helping of the logic, and it goes on

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