# CREATIVE DESTRUCTION OR THE SELF-DESTRUCTION OF CAPITALISM?

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**Abstract**

Contemporary debates increasingly focus on the broader social crisis of the West and the challenges confronting Western civilization. These discussions address the perceived crisis of liberal democracy, cultural transformation, the growing influence of political correctness, and the weakening of traditional institutions and social norms. Since around 2020, many observers have argued that such destabilizing tendencies have intensified. Related debates also concern the evolving spirit of capitalism, including the effects of financialization and new theories of capitalist transformation. Against this background, an important question emerges: is twenty-first-century post-global capitalism better understood through creative destruction or self-destruction? This issue has gained renewed relevance in the context of Industry 4.0 and 5.0, the global coronavirus crisis, and recent political developments associated with Trump 2.0. The paper argues that creative destruction and self-destruction are dialectically interconnected and constitute two dimensions of the same process. Revisiting J. A. Schumpeter's concept of creative destruction, it reinterprets selected aspects of his thought in a neo-Schumpeterian framework that extends beyond the standard economic paradigm. Schumpeter's insights remain highly relevant for understanding the contradictions of contemporary capitalism.

**Key words:** innovation, creative destruction, new theories of the transformation of capitalism

**JEL Code:** B25, O31, O33

## Introduction

Among the recipients of the 2025 Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel are P. M. Aghion and P. W. Howitt, recognized for their contributions to the theory of sustained economic growth driven by creative destruction. Their work enriches traditional growth theory by emphasizing the central role of innovation and entrepreneurship. Building on J. A. Schumpeter's concept of creative destruction, they seek to revive and further develop aspects of his legacy within a neo-Schumpeterian framework that, at least in part, extends beyond the boundaries of the conventional economic paradigm.

In addition to the significance of creative destruction within capitalist development, considerable attention has also been paid to the role of inclusive institutions. This perspective is closely associated with the recipients of the 2024 Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel, D. Acemoglu, S. H. R. Johnson, and J. A. Robinson, who were honored for their research on the formation of institutions and their impact on prosperity. According to these scholars, differences in long-term economic performance and wealth across nations are primarily explained by the nature of social institutions and the historical trajectories through which they emerged.

Alongside more optimistic interpretations of capitalist development, including those based on creative destruction, a range of more pessimistic visions has also emerged, focusing on various forms of capitalism's self-destruction. Some of these approaches draw on Schumpeter's thought, particularly in the form of theories emphasizing the self-liquidation of capitalism. Such perspectives associate capitalism's potential decline with processes of institutional and social disintegration, often linked to the growing dematerialization of ownership.

The question of whether the evolution of twenty-first-century (post-)global capitalism is better understood through the lens of creative destruction or self-destruction has acquired renewed relevance in the context of the so-called Fourth Industrial Revolution, the global coronavirus pandemic, and the emergence of Trump 2.0 politics. At the same time, broader debates continue regarding the social crisis of the contemporary West and the challenges confronting Western civilization. These debates address issues such as the perceived hypertrophy of liberalism, the crisis of liberal democracy, profound cultural transformations, the growing influence of political correctness, and the weakening of traditional institutions and social norms. Since around 2020, many observers have argued that these self-destructive tendencies have intensified, accompanied by the acceleration of potentially destabilizing trends. Related discussions also concern the old and new spirit of capitalism, the consequences of financialization, and emerging theories of capitalist transformation.

The article is an original historical and conceptual study drawing on primary sources and relevant scholarly literature. It employs description, comparison, contextualization, and deduction, together with critical literature review and historical-comparative analysis. These methods are used to reassess Schumpeter's concept of creative destruction and its applicability to contemporary transformations of capitalism.

## 1 Nobel and other inspirations regarding creative destruction

The awarding of the so-called Nobel Prize in Economics (The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel) for 2025 may lead to a revival of some of J. A. Schumpeter's ideas. Among the laureates are P. M. Aghion and P. W. Howitt, honored "for the theory of sustained growth through creative destruction" (Sirůček & Džbánková, 2026). These scholars—in the so-called neo-Schumpeterian spirit, which at least partially transcends the standard economic paradigm (Hanusch & Pyka, 2007)—enrich growth models with innovation and entrepreneurship, thereby updating J. A. Schumpeter's concept of creative destruction (Aghion & Howitt, 1992).

Innovation is creative because it brings something new. At the same time, it is destructive because the actor whose technology becomes obsolete is forced out of the market. Resolving the conflict created by creative destruction cannot be done without regulation. For example, the state should support investment in research and development, regulate monopolies, collaborate with schools, create a flexible social security system, and so on. Growth requires the cooperation of the entire society, and good policy is inseparable from growth.

J. A. Schumpeter saw innovation as the dynamic driving force of the market-capitalist socio-economic system. From the perspective of the activities of entrepreneurial innovators (Sirůček & Džbánková, 2022), virtually all key economic categories are viewed dynamically: entrepreneurial profit, monopoly, credit and interest, and the functions of banks. Last but not least, competition is viewed as creative destruction. Unlike the neoclassical static conception, competitive processes are viewed dynamically here. The neoclassical entrepreneur-allocator merely allocates resources among given alternative uses. According to Schumpeter, real firms do not merely maximize short-term profit and do not treat prices or technologies as given parameters. Firms adopt innovative long-term strategies; they not only accept technological conditions but also change them and compete with others. Competitive processes drive growth through the continuous destruction of the old and the creation of the new. Competition—linked to innovation—revolutionizes the entire system from within, lowers prices, eliminates the weak and unsuccessful, and so on. Reflections on entrepreneurial profit, etc., or more broadly, Schumpeter's entire theory of innovation, are subsequently elaborated upon by F. Valenta (Sirůček, 2005b, 2025).

The main pillars of J. A. Schumpeter's concept of development are the evolutionary nature and the principle *of "technical-technological determinism"* in the realm of productive forces and innovation, generated by the entrepreneur. Capitalist economic development, driven by innovative processes, does not proceed smoothly and evenly, but rather in periodically

recurring economic cycles in which endogenously generated innovations play a central role. There are three key elements of the theory of economic development: it has the character of an evolutionary process in which equilibrium is unknown and whose time is historical; the object of change is innovation; and the initiator is the entrepreneur. J. A. Schumpeter himself is considered one of the fathers of modern innovation theory (Sirůček, 2005b, 2015, 2025b, et al.).

The importance of inclusive institutions is highlighted not only in the context of the historical role of capitalist creative destruction. This is linked to the laureates of the so-called Nobel Prize in Economics (The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel) for the year 2024. K. D. Acemoğlu, S. H. R. Johnson, and J. A. Robinson were honored "for studies of how institutions are formed and affect prosperity" (Sirůček & Džbánková, 2025). The key to explaining why some countries are rich and others remain poor, and why these differences persist, lies in social institutions, and more broadly, in historical development.

The distinction between extractive and inclusive institutions is emphasized. Extractive institutions are characterized by the concentration of power in the hands of a narrow elite. These allow one group to redistribute wealth from others to their own advantage. Inclusive institutions, on the other hand, are intended to enable broad participation in the creation and use of wealth and in political processes. They are characterized by a certain degree of centralization combined with the opportunity for broad segments of society to participate in political and economic decision-making. It is precisely these inclusive institutions that are said to have contributed to economic prosperity over the past two centuries.

Alongside optimistic concepts—which often include liberal interpretations of the ideas of creative destruction—pessimistic visions are also being developed, including various forms of capitalism's self-destruction. Sometimes, again, with reference to J. A. Schumpeter.

## 2 Schumpeter's vision of capitalism's self-destruction

J. A. Schumpeter employs the idea that the capitalist economic system is based on processes of creative destruction when outlining the prospects for capitalism in his book *Capitalism, Socialism, and Democracy* (Schumpeter, 2004). The culmination of these reflections on the dynamics of development is a comprehensive evolutionary theory of the self-destruction of capitalism, in which, based on the development of internal forces, the demise of the private-enterprise nature of economic activities—and thus of the capitalist mode of organization of

production and society—inevitably approaches. Capitalism is destined to destroy the very foundations of its own existence. In this sense, Schumpeter's concept precedes numerous theories of the transformation of capitalism (Sirůček, 2025b), (Sirůček & Džbánková, 2021). However, he is virtually the only one who agrees with Marx in the conclusion regarding the inevitability of capitalism's demise and its replacement by a higher stage, socialism. Schumpeter's entire body of work, however, is a defense of the capitalist system, particularly competitive capitalism, in which the innovative activity of individual private entrepreneurs is celebrated.

According to Schumpeter, capitalism must perish because it has achieved great successes that have destroyed the necessary institutions and the necessary mindset. The decay of capitalism manifests in a range of economic and non-economic ways, such as the control of business by a small number of bureaucratic units, the slowing of the pace of progress—or rather, its planning and mechanization—the disappearance of investment opportunities, and the critical rise of a hostile atmosphere toward the socio-economic structure, capitalist values, and morality.

The fundamental building blocks of self-destruction are linked to the disintegration of capitalism and the dematerialization of property. The core of disintegration lies in the transfer of the innovation-entrepreneurial function to collective bodies (but with a range of related economic and non-economic manifestations in the form of control over business by a small number of bureaucratic units, a slowing of the pace of progress—or rather, its planning and *"mechanization"*— the disappearance of investment opportunities, and the key growth of a hostile atmosphere toward the socio-economic structure, values, and capitalist morality). This is closely linked to the depersonalization of ownership. The real substance of ownership is disappearing, and the owners themselves are losing faith in their mission, losing their entrepreneurial spirit, and becoming incapable of *"heroic deeds"* to preserve private property or capitalism. While these processes are already underway in *"big business"* capitalism—that is, *"monopolistic"* (or, according to Schumpeter*, "trustified"*) capitalism—the transition from *"competitive"* capitalism to this form, according to J. A. Schumpeter, is not associated with a significant decline in the intensity or quality of economic development. The pessimistic vision concerns the future fate of capitalism in the form of its inevitable self-destruction, or the advent of a socialist regime.

Schumpeter documents the gradual and long-term evolutionary processes of the capitalist system's self-destruction through a series of actual processes occurring within capitalism's transition to its monopolistic stage. He cites, for example, the gradual loss of

significance of the role of individual entrepreneurs, the shift from private ownership to shareholding (more *"alienated"* in the form of securities), and the growing hostile atmosphere, driven primarily by the intelligentsia, etc. This gradual decay is also said to affect the value system of capitalist society—that is, the "business civilization"—with its fundamental principles, such as the pursuit of profit and market-based criteria of value.

The disintegration of capitalism is linked to the gradual transfer of the entrepreneurial (i.e., innovative) function to collective bodies. Innovation itself—or scientific and technological progress—is increasingly ceasing to be a matter of the intuition or courage of individuals (individual entrepreneurs of the type of the isolated Edison, *"swimming against the tide"* and driving the capitalist system forward). The entrepreneur as an autonomous, independent figure is increasingly being replaced by groups of specialists or other institutions (and development thus takes on an impersonal, routine character, becoming depersonalized and automated); eventually, the entrepreneurial function will be taken over by a society-wide body. Material progress is linked to the obsolescence, or *"mechanization,"* of individual entrepreneurial functions. The implementation of innovations passes into the hands of often bureaucratic administrative bodies, which begin to resemble *"well-organized socialism*." Capitalism is gradually transforming into socialism through a natural evolutionary path.

Alongside an analysis of the objective and inevitable trajectory of the capitalist system toward extinction, it is necessary to highlight an analysis of socialism that can function. Socialism, according to Schumpeter, however, represents a highly vague concept (a sort of ideal compatible with democracy, yet often standing in contrast to the methods of its establishment), which is by no means identical to the practice of so-called real socialism established prematurely through revolutionary means under immature objective and subjective conditions. On the other hand, under mature conditions and after the difficulties of the transitional period have been resolved, the socialist system can, according to Schumpeter, exhibit certain advantages—not only economic ones—compared to capitalism. The inspiration drawn from reflections on *"mature"* and *"premature"* socialization, or on how the capitalist process *"shapes things and people for socialism,"* was reinforced by developments not only in the second half of the 20th century. Nevertheless, capitalism is not supposed to transform itself into socialism. The final step, in the extreme case of perfectly prepared conditions, may be linked, for example, to a constitutional amendment in the sense of the official adoption of socialism.

Schumpeter derives his theory of the demise of capitalism from theoretical and methodological premises that differ from Marxist visions. Schumpeter understands socialism as a developmental tendency toward which capitalism is gradually moving through its

evolutionary development. Capitalism also undermines the skeptical and critical way of thinking that arises and is supported by the fact that capitalism requires rational calculations and logical choices from all participants.

The book *"Capitalism, Socialism, and Democracy"*, in all three editions (1942, 1947, and 1950), which the author himself managed to oversee, generated considerable interest. Many mainstream and other Western social science theorists considered the concept too much of a concession to socialist ideas and rejected it. Only over time did Schumpeter become an inspiration in Western Europe for certain social-democratic and socialist currents, or parties (usually labeled as right-wing revisionism by official Marxism), and other authors.

J. A. Schumpeter, however, thanks to his uniqueness and versatility, significantly influenced many authors and schools of thought and undoubtedly ranks among the greatest social science thinkers of the 20th century, with an interest not only in the core of his thinking—economics (including a strong emphasis on knowledge of the history of economic doctrines)—but also in sociology, political science, history, and law. The emphasis on innovation and flexibility as keys to capitalist success in the context of internally generated technological progress (and economic cycles of varying lengths), as well as an interdisciplinary approach, methodological tolerance, and the consistent blending *of the "economic"* and *"social,"* proves to be highly relevant precisely in today's chaotic times (Džbánková et al., 2021).

## Conclusion - The self-destruction of the liberal West as a transformation of capitalism?

To this day, there is debate over whether Schumpeter's pessimistic scenario is coming to pass. Many—especially liberals—reject this, arguing, for example, that: *"Capitalism has proven itself viable, and in those countries where it has operated without significant restrictions or barriers, it has also brought about an incomparable rise in living standards"* (Skopeček, 2013, p. 4). However, Schumpeter did not deny the viability or adaptability of capitalism. According to (Hudík, 2004), there are two main causes of Schumpeter's error: *"... first, he overestimated the growth of the influence of utilitarian reason—its spread into all spheres of human activity is not a necessary process that follows from the very logic of capitalist civilization. The second mistake is his conviction that (democratic) socialism can actually work*."

However, even Schumpeter's critics generally do not deny that J. A. Schumpeter identified certain tendencies that could undermine the capitalist system. Furthermore, regarding the frequent argument about the demise of so-called real socialism, there are numerous

counterarguments that tend to confirm the fulfillment of at least some aspects of Schumpeter's vision of self-destruction (Sirůček, 2005a, 2015, 2025b, etc.). For example, one might mention plans to dissolve property through a "Great Reset" or the turning of capitalists themselves (led by the servile managerial class—corporate bureaucracy) against capitalism. Meanwhile, anti-social attitudes in the progressive spirit of so-called left-wing liberalism merge with the lifestyle of the wealthy, etc.

The trends outlined may result in self-destructive behavior, reminiscent of suicide. Klaus et al. (2020) draw attention to the self-harming policies of progressive elites. In the context of the broader framework of the West's social crisis, he warns against a frontal assault on Western civilization. He highlights the hypertrophy of liberalism, the crisis of so-called liberal democracy, a new cultural revolution, the dictatorship of political correctness and minorities, the destruction of institutions and normal life, the erasure of identity, traditions, and roots, the apologizing for alleged past injustices as a distraction from inequalities and dysfunctional multiculturalism, and the neglect of the victims of unemployment, social decline, mass migration, and so on. According to (Klaus et al., 2023), during the period 2020–23, the West's self-destructive tendencies intensified, and dangerous developmental trends, including civilizational regression, accelerated sharply. The Green Deal plays a significant role. That is, the worldview, or rather the political ideology of the fight against climate change, which has become the state ideology in the EU (Břicháček, 2024).

Related to this are also discussions about civilizational crossroads (Džbánková et al., 2021). This can be more broadly framed by concepts of new theories of the transformation of capitalism. Projects such as the so-called Revolution 4.0 or 5.0, concepts of the sharing economy, the Great Reset, stakeholder capitalism, inclusive capitalism, and "Green Deals" can be interpreted as utopias or dystopias of their kind. These can be situated within the context of (post)modern forms of theories of the transformation of capitalism, which can be divided into old and new. The new ones reflect the collapse of the socialist world system and the contradictions of the 21st century, including shifts toward further socialization of capital. The chaotic development, the synergy of crises in the post-COVID world, and the reshaping of the world and globalism (with trends toward deglobalization and reglobalization) can also be viewed through the prism of the (non)fulfillment of the predictions of convergence theories, albeit in the opposite direction. A hybrid has emerged that did not take the best of capitalism and socialism—as was originally predicted—but rather the opposite (Sirůček, 2025b).

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