

The competition's positive influence on a country's socioeconomic status

[Economics](#)



In Max Weber's 'The Protestant Ethic and the Spirit of Capitalism', he analyses the link between the Protestant Ethic and its cultivation of capitalism. Unlike the Catholics of the time, the Protestants were said to "develop economic rationalism" (Weber, p. 3), and not involve their religious beliefs in their business decisions, but relied solely on what would be most profitable. Once the church stopped its interference with the Protestants' professional lives, they were allowed to embrace the capitalist agenda, pursue the Protestant Ethic and participate in competition against others and one another. Weber continues to analyze that "the capitalism of today... dominates and selects the economic subjects which it needs through a process of economic survival of the fittest" (p. 11). The Protestant Ethic was steered by "the pursuit of selfish interests by the making of money" (p. 12). Since Catholics believe in a strict regime of asceticism, they did not engage in competition and other self-serving endeavors. This contrast between the principles of the two prominent religious groups is what resulted in "prominent economic development" (p. 3) for the Protestants, and none for the Catholics. Georg Simmel analyses "the third who enjoys" (Simmel, p. 169) from the competition of two other parties/firms in his study of 'The Triad'. In his first classification, 'The Non-Partisan and the Mediator', Simmel talks about the influence of an impartial mediator on the conflict between two separate parties.

The mediator has an influence on the rivals' decisions and promotes rectification. This third party does not have to have direct interference in the conflict: this could be observed between two parties with similar beliefs and interests that form an alliance. For example, the two parties' individual

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devotion to the “invisible church” (Simmel, p. 145) could bring about agreement. This mediation gives the firms space for improvement, however, restricts them from harming the economy, and to a certain extent promotes harmony and cooperation. In the modern free market economy, this role is played by the government that must protect its citizens from exploitation. The State aims to control the fluctuation in the market while still leaving space for economic growth. One of the most renowned analyses of capitalism is Adam Smith’s ‘Invisible Hand’. The invisible hand can be defined as a force that guides market activity towards desirable market outcomes. This illustration of the self-serving action in capitalism has received a lot of criticism as people believe that it requires a certain extent of regulation, as mentioned above. Simmel’s audit of ‘Tertius Gaudens’ (p. 156) is observed in the triangular relationship between two competing firms and the “buying public”. The consumers’ relationship with the two firms is dependent on the firms’ rivalry and their “totality”. The contest between the firms to ‘one-up’ each other in terms of quality and cheaper prices allows the consumer to choose the most suitable option. This conflict not only encourages market efficiency, as both firms strive to achieve maximum productivity but also discourages monopolistic development, shielding consumers from exploitation and providing them with the privilege of choice. Finally, in Simmel’s third division of the Triad, he analyses ‘Divide et Impera’- Divide and Conquer. This relationship is observed when the third party benefits from (and therefore, encourages) the conflict between the other two parties.

This type of competition and mediation was observed in the imperial times. In the modern market, it benefits the labor force. The wedge driven between the two parties and the threat of labor unification against them urges the firms to expand, and increase their employment and wage rates. As has been discussed, Simmel's analysis of the Triad demonstrates how mediation can encourage 'healthy competition' between firms and benefit the economy, as well as the society and its people. Thorstein Veblen's satire on the 'leisure class' delivers an understanding of why and how the leisure class functions. The paper is based on the idea that the greed to accumulate as much of the limited wealth possible, results in the maximization of efficiency and competition between the proprietors. Veblen explains that in a society that endorses privatization, it is only natural for people to engage in the fight to individual success: "...the necessity of earning a livelihood is a powerful and ever-present incentive for the poorer members of the community (Veblen, p. 862). The distinction in motives between the rich and the poor is that the rich want to continue their life of comfort and gratification, whereas the poor need to survive.

The possibility of leisure has a flawed positive psychological effect as the "esteem is awarded" and the person is given a "sense of importance" (p. 865). Veblen did not appreciate the association of the projection of wealth with honor. He detected that the leisure class participated in the "conspicuous consumption" of the limited resources which often led to the "conspicuous waste". He mocked the concept of people that engage in leisure having more esteem than the working class with people that work harder. In an ideal economy, the consumers should consume based on their needs;

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self-interest; rational decision-making; and reliable information. However, as markets grow and rely on profit maximization, they begin catering to irrational consumer wants. The leisure class' expenditure on such goods as a projection of their wealth promotes "commodity fetishism" and disregards real participation in society. Further delving into the leisure class' glorification of the act of leisure, "the leisure rendered by the wife" (p. 867) was perceived as a sign of great luxury. Even though the society did not show bias against working women, their involvement in the economy was purely need-based. In older times, the leisure class rejoiced if the wife was exempted from participating in any form of work or household duties because it establishes the presence of true wealth and comfort. This arrangement can often also be observed in modern society.

Pierre Bourdieu conveys the development in the livelihoods with the progress of classes in his 'Social Critique of the Judgement of Taste'. The leisure class distinction is partial to a person's economic well-being, therefore, a change in the person's capital ownership and economic progress also results in the change of the person's standing and society, and in turn their habitus. The habitus is said to be a representation of the people's wealth and cultural values. A society with a majority of the working class is more likely to have a less qualitative habitus as opposed to a society where the majority of class segregation is that of the leisure class. For example, in modern society, the habitus of people in the working class would involve activities such as going to a bar or watching a movie, whereas the habitus of the leisure class would involve more refined activities such as going to the Opera. The concept of capitalism results in the segregation of classes which

further influences everyday activity. In Karl Polanyi's 'The Self-Regulating Market and the Fictitious Commodities', he talks about how the greed that drives the market mechanism would be fatal to the people without regulations: "To allow the market mechanism to be the sole director of the fate of human beings and their natural environment indeed... would result in the demolition of society" (Polanyi, p. 76). People would go to any extent in order to receive profits and achieve their goals. It would result in unlawful behavior and the exploitation of the labor. There would be no regard for other humans or the environment as people would be solely concerned with their personal gain. In such a society, competition would be far too dangerous. In Chase-Dunn and Hall's comparison of the world systems, they fundamentally define capitalist countries such as the United States and Japan as "core countries." These countries are said to be more developed than and usually in control of the semi-periphery and periphery countries. Since their research on the division of the world systems is largely based on the type of political systems, Chase-Dunn suggests that capitalist countries are in the lead as "[they] prefer a multicentric international political system" (Chase-Dunn and Hall, p. 33).

The capitalist agenda is promoted by globalization and international trade. This global political outlook allows capitalist countries to have socioeconomic power over other countries. Globalisation and capitalism go hand in hand as they encourage one another. Globalisation emerged when capitalists were geographically restricted in a "spatial fix" (Harvey, p. 2). In order to gain access to more resources, the nations began globalization. This gave birth to international trade and allowed the exchange of information. Globalisation, <https://assignbuster.com/the-competitions-positive-influence-on-a-countrys-socioeconomic-status/>

in turn, promoted capitalism as the firms had access to more resources and capital. However, since the firms from multiple nations began trading with one another and citizens had access to domestic goods, it resulted in the increase of competition, and therefore the increase in consumer sovereignty, choice and quality. Apart from the economic gain, globalization also encouraged cultural tolerance and integration. In archaic times, business relations would differ according to race, religious beliefs and other such distinctions. Since there was no globalization and people were not aware of the world outside their community, they had the ability to discriminate within the societies. However, globalization allowed producers to begin associating identity with consumption and promoted harmony. Since the capitalist theory encourages tolerance in order to benefit from the labor force, globalization further augments the tolerance, understanding, and respect for people with different backgrounds: “ Globalization means both integration and polarisation. It promotes both social movements that fight for the respect of human rights and social movements that further racism, ethnic divisions, and fundamentalism.” (Lechner and Boli, p. 27) The desire for efficiency causes people to overlook their personal biases and agendas, such as racial differences and nepotism, and employ people and firms that are going to receive the most benefits and returns. This social advancement is very important for the development of a modern society as it shows that discrimination can be overcome: “ Today, capitalism, once in the saddle, can recruit its laboring force in all industrial countries with comparative ease” (Weber, p. 14).

Even though many believe that globalization played a large role in propagating equality some argue that “ globalization is merely a new guise for old-fashioned cultural imperialism.” (p. 29). A disadvantage of globalization is that only the countries with the means, resources, and geographical outreach can successfully expand and share information benefit. Countries with the capitalist agenda try to seek maximum profits and are more likely to cohere with equally affluent capitalist countries. While the rich countries will be getting richer, poor countries are likely to get poorer. The rich countries are presumably going to exploit the poorer countries resources. In his paper, ‘ Globalisation in Question’, David Harvey refers to “ imperialism,” “ colonialism” and “ neocolonialism” as historical evidence for the aforementioned statement. Lechner and Boli dispute this claim as they believe that “ the poor who participate in trade and exchange are mostly getting richer” (p. 22) and that it is unfair to make such a generalized assumption. Even though the authors show an overall support for globalization and its impact on capitalism, they discuss the differences in opportunities that may be the result of the differences in financial backgrounds. In ‘ The Division of Labour’ Emile Durkheim observes the differences in labor across societies and expresses their dependence on one another. He talks about the structural and demographic differences in the societies that are the result of the division of labor. His study shows that capitalism and competition resulted in organic solidarity. Organic solidarity is usually preferred since it brings people together based on their differences. The individual workers work in different aspects but are bring the society together. In Granovetter’s ‘ The Strength of Weak Ties’ he discusses the

benefits of both strong and weak ties between societies. He understands the importance of cohesion in terms of social development but also talks about the benefits of keeping distance. Since capitalists try to maximize the information and resources they have access to, in Granovetter's theory, keeping loose links will allow them to expand the number of links that they have. This can allow effective cohesion over multiple platforms and give firms or societies competitive advantage. The purity of capitalism is in the fact that it is run by self-interest and gain, instead of passion. This egoistic approach allows people to alter their passions and desires to make rational and calculative decisions: " La Rochefoucauld dissolved the passions and almost all virtues into self-interest" (Hirschman, p. 42).

Daniel Bell's ' The Coming of the Post-Industrial Society' highlights the importance of developments in the fields of manufacturing, education, labor, technology, communication and information, and their impacts on capitalism and vice versa. In Gaetano Mosca's The Ruling Class he also talks about the importance of constant competition between elites, wherein one elite group repeatedly replaces another. This competition is observed in democratic societies. It is important in order to prevent totalitarianism. While the majority of the world believes in the capitalist spirit, there are many people that argue against it. They believe that it causes an unequal divide and discourages success; they believe that the greed that drives classes such as the bourgeoisie, deters others that lose hope of acquiring the limited resources. A political theory that is based on this opposition of capitalism and promotes equality, is communism. Karl Marx, the father of Marxist Communism presents the idea that people should not work for their personal

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gain but instead for the benefit of society as a whole. He visualized a world with a single market that would live equally without the segregation of classes and differences in wealth. Marx correctly expressed that capitalism will probably result into the exhaustion of the limited resources out of personal greed. He believed that people should work out of their own biological need to do so. While capitalism encourages the privatization of firms and competition in order to achieve the maximum efficiency as a consumer and the maximum choice and benefit as a consumer, communism believes that everything should be state-owned.

Communism aims to overcome the corruption in capitalism as pointed out by Veblen and cater only to the objective needs of the citizens. The unification of the proletariat would mean that there would be no incentive to work hard rather than the welfare of the state as a whole, as everybody will be rewarded equally, regardless of their individual participation. It would also cause the oppression of creativity and innovation. Many people believe that capitalism is a sort of expression that will be oppressed by communism. Since there will be no self-serving incentive to be better than another individual or firm, it is unlikely that the advancements in technologies and new discoveries will continue. Competition drives people to be better and do more. Studies prove that competition has a positive psychological effect and motivates people. Even though greed as a concept has been antagonized, it is what gives people purpose. The greed for achieving goals is what results in success. People may consider social stratification to be unfair but capitalism promotes social fluidity. The movement through the classes is encouraged

by productivity in the society. Social stratification can also be glorified through the concept of homophily.

The United States of America is an example of a capitalist country that is currently the leading country in the world. Countries all over the world are adapting to the American culture. The competition encouraged by the policies resulted in major successes such as Fordism. The capitalist drive resulted in the most technological innovations in the world. The United States is also known for having one of the highest GDP per capita in the world, and one of the best healthcare systems. The argument of whether a cooperative society is better than a competitive society is usually justified by the reasoning that a competitive society will overlook the welfare of the people and environment, and cause destruction as was discussed by Karl Polanyi. However, with government intervention and impartial mediation, it has been proven that capitalism can be beneficial for a country's socioeconomic status. As can be expected the country's economy is destined to grow. Additionally, with government regulation such as minimum wages, people can be delivered with fair opportunities. Furthermore, capitalism also encourages usefulness and efficiency and discourages sloth. The competition does not leave space for monopolies to exploit the consumers. Everybody has an equal opportunity to succeed if their concepts are innovative enough.