State capitalism assignment

That employs over half of the country’s workforce does not benefit the economy and defeats a main objective of the state capitalism model. With reference to the course pack reading, “ The Ethics of Drug Patents”, we notice how government regulations of patents are encouraging pharmaceutical firms to allocate a large amount of capital on research and development, minimizing risk of sunk costs by other competitors while creating Jobs for their citizens (ref: “ The Ethics of Drug Patents” – Case 6, Case Pack).

Similarly, in a competitive and free market capitalism, all organizations, sugarless of size, will look towards ways to innovate, providing better quality and service to grow their organization. In free market capitalism, no one company is at a disadvantage due to selective government funding for large corporations. It has been proven that the companies that strive to deliver a competitive advantage hold the highest level of Job growth and investments in research and development, thus being able to provide more Jobs in the market (ref: International Labor Conference Report, 2008).

In a state capitalism model, state involvement in an economy has traditionally deed to bureaucratic waste leading to systematic inefficiencies from a profit minimization standpoint. The reasons behind the inefficiencies are due to both the expertise and motivation of state officials due to mix of political gain versus economic benefits. Based from Mr.. Ian Breeder’s book – “ End of the Free Market”, through a state capitalism model, motives are not economic, but rather political, maximizing the state’s power and leadership (ref: “ The End of The Free Market, Ian Bremen – p. 1). Essentially through state capitalism, investments are not optimal for the economy and will provide the greater political gain for the state. Free market capitalism mitigates this risk, allowing private investors to make economically optimal investment decisions that not only benefit them, but also the economy as a whole. Lastly we must focus on the effects of one key stakeholder, company management. In the past we have seen how managers in particular organizations have held unethical practices that have negatively affected the economy.

Through a state investment, organizations are less likely to perform unethical practices due to the even larger negative public relations risks (ref: International Labor Conference Report, 2008). However, in a free market capitalism model, these risks can still be mitigated as well. The solution is not from government investments but rather towards government regulation, combining the efforts of board of directors, government policies and Nags to work against the development of unethical management practices.

Due to recent tragic events, such as the collapse of the factory complex in Bangladesh, management understands the importance of following these ethical guidelines and the negative effects it can have on their firm’s profits if breached. With a free market fatalism model, organizations will be closer aligned to an “ economic rationalist model”, recognizing the importance of embracing multiple goals, a tradeoff against a standard of enlightened self-interest (ref: Business Ethics, Peter Sick – p. 143) (ref: Addicted to profit – Stuart Simi – p. 55). Ethical business practices in free market capitalism are steps towards a strategic advantage, benefiting not only for its shareholders but also other key stakeholders including employees, customers and the environment. Serious financial and ethical risks combines the discipline of the market with intelligent state guidance. Through a free market capitalism model, organizations will be able to compete on a level playing field against their competitors, exercise efficient practices while striving to grow as an organization.