

# Capitalism

[History](#)



GLOBAL CAPITALISM: ITS ORIGIN, CAREER AND SUCCESS Simply put, capitalism is a system of putting money to work to make more money. It involves private property, profit motive, free enterprise and individual initiative, hiring labor and lending money at interest. There is no such thing as a perfectly or completely capitalistic state. Government plays a role in forcing companies to compete and control price fixing, gouging and other problems.

Although most people tend to think of capitalism as a modern invention, its roots actually lay in ancient Greece and Rome where it reached a fairly high level of development. Trading, banking and the production of certain goods was done on a capitalistic basis and thrived in and amongst the Ancient Greek city-states. During the era of Roman supremacy, capitalist methods developed further. The Roman government protected trade, interest rates came down and the standard of living improved. With the collapse of the Roman Empire capitalism practically disappeared. After a long period of stagnation, a revival of trade began and commercial and capitalist activity gradually increased as early as the 11th century. The Crusades contributed significantly to this revival due to the large scale movement of men and supplies from Europe to the Holy Land. This transport enriched merchants and ship-owners of several Italian cities. Italy, especially Venice, became the leader of this revival of commerce, industry and capitalism. Besides Italy, the Hanseatic League in northern Europe, and numerous other regions, such as the Netherlands, also shared in the revival of capitalism by the end of the 15th century.

At this point further development was hindered by three obstacles; 1. The expense of overland travel, 2. An inadequate supply of gold and silver to  
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serve as a medium of exchange and, 3. The restrictive practices of the guilds. All of these obstacles were to be overcome within the next centuries. The rise of the modern nation state was also closely associated with the rise of the modern capitalistic economy. The royal monarchs who created the national states after the Middle Ages made great use of the rising middle class in overcoming the feudal nobility. The strength of this middle class lay in its wealth gained through capitalistic enterprises.

It was the great voyages of discovery made by mariners in the late 15th and early 16th centuries that opened up the era of capitalist economy on a scale more vast than anything dreamed of began the era of the global economy. So great was this expansion and so significant were the changes it brought about that the term " Commercial Revolution" is applied to it. Another feature of the Commercial Revolution was the introduction of commodities in both quantity and variety. Spices, coffee, tea, sugar, dyes, tropical fruits, fine textiles, tapestries and precious metals and stones, though long known in Europe, had hitherto been relatively scarce and too expensive for most people. Now they were made available in increasing quantity such that they became affordable for large numbers of people.

This expansion involved a great exchange of goods and cultural features between the Old World and the New. From the Americas came tobacco, potatoes, corn and chocolate, previously unknown to Europeans. The European explorers also brought with them a variety of novelties to the Western Hemisphere that had a huge impact on tribal cultures, such as the horse.

Tragically, a different type of product, Negro slaves, also helped to expand the rising tide of commerce. When Spain discovered that the native peoples

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of the Americas were an unsatisfactory labor force, they looked to Africa for their labor supply. Negroes were captured or bought from local rulers or slave traders. Many died during the crossing of the Atlantic to the Americas where they were sold like cattle.

By the 18th century, a number of thinkers began to argue in favor of free enterprise. Chief among them was British economist Adam Smith. In 1776 Smith's book *The Wealth of Nations* argued persuasively that a nation could increase its wealth by permitting free trade. His ideas became very influential. Partially as a result of Smith's book, during the 1800's Britain removed its mercantilist controls and became truly capitalist. Capitalist practices also spread to many other nations.

Has capitalism been successful? There is incontrovertible evidence that the spread of capitalism in recent decades has lowered poverty rates and created opportunities for individuals all over the world. There are plenty of statistics to demonstrate that living standards and life expectancy rates have risen rapidly in most regions. World hunger, infant mortality and inequity have been reduced. This has been the result of economic and technological developments that are in turn at least partly the result of free market policies. Poor countries that have liberalized their economies have shown impressive results, while those that continue to cling to restrictive policies are often mired in poverty and stagnation.

What accounts for overwhelming and global success of capitalism? One argument is the 'common sense' argument or the observation of human nature. The chief feature of this argument is that capitalism has succeeded because people want to be rewarded for their efforts. In a comparison of East and West Germany, North and South Korea, or Taiwan versus mainland

China before the 1970's, the contrast between the successes of capitalism as opposed to communism is startling. Communism assumes that everyone cares that all people must be equal. Also, in free markets, there is a built in feedback mechanism that helps the system correct itself. If the customer doesn't like your product or service you'll know it and hopefully make improvements. In contrast, communist or command economies often ignore or discourage feedback. The main difference between communism and capitalism is that capitalism is based on how people actually are whereas communism is based on how people should be. Trying to make people behave the way you think they should be is much more difficult than simply recognizing how they are and trying to work with that knowledge. Capitalism is thus seen as operating by the laws of natural selection; the 'weak' or unwanted will go by the wayside to be replaced by something better. Whereas in communist or command economies, failed practices often are maintained simply to comply with a theory that sounds fine on paper or to obey the whims of whoever is in control of policy. In other words, capitalism is based on reality; communism is based artificiality or an unrealistic expectation.

Additionally, in capitalism people are free to choose how to earn and spend their income and companies are free to make decisions regarding what products to make, how much to make and what prices to charge for them. Such freedom energizes people because it gives them a sense of ownership and control over their destiny.

The question of whether capitalism has been successful almost seems self-evident. The fact that this essay is titled "Global Capitalism" demonstrates that it has been adopted all over the world. Common sense dictates that for <https://assignbuster.com/capitalism-essay-samples-2/>

it to be that widely adopted there must be something good about it. To answer the question of has capitalism been successful also begs the question of, successful at what? at becoming the dominant system around the globe? By that definition capitalism has indeed been successful. If the question is: has capitalism improved the quality of life, then the answer is again yes, assuming that the quality of life equals the standard of living.