

Capitalism and ethics assignment

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Relations11 7. Conclusion12 References13 1. Introduction Capitalism, as a form of government has a long and complicated history. Many have tried to define one single form of capitalism; however there are a number of different variations depending on things such as, geography, politics and culture.

There are a number of different strengths and weaknesses associated with the ‘generic’ form of capitalism and this essay will discuss all of the major points of each. The economic, social and industrial relations system in Australia will also be discussed, in reference to whether or not the current capitalist arrangements are just and ethical. 2. What is Capitalism Capitalism, according to the Collins English Dictionary (1999), ‘is an economic system based on the private ownership of industry’. Dainanu and Vranceanu (2005, p 5) state that ‘capitalism’s main purpose is maximization of profit’.

Capitalism has the underpinning of a normative ethical theory such as ethical egoism. Shaw and Barry (2004, p 57) state that ‘Ethical egoism is the normative theory that the promotion of one’s own good is in accordance with morality. Shaw and Barry (2004, p 57) also state ‘egoism contends that an act is morally right if and only if it best promotes an agent’s (person, group or organisation) long term interests. In this case the long term interests are for those wishing to make a profit and continue to do so.

Daianu and Vranceanu (2005, p 5) state ‘ Capitalism consists not only of the private appropriation of consumption and production resources, but also of the assumption that complete control over the conditions of any action is both desirable and possible’. This relates to the economic assumption that decision making is completed by people who are perfectly rational.

Government intervention is not accepted in a capitalist society, within the operating of the industry unless it is in the form of governing and ensuring rules and laws are being followed.

The government is only introduced when markets fail and the assumptions of competitive equilibrium do not hold (Dainanu & Vranceanu, 2005, p 25).

These assumptions are; increasing returns to scale, externalities and public goods. 3. History of Capitalism Osborne (2001) states that the underlying theme of capitalism is the use of wealth to create more wealth, the simplest form of this is lending money at interest, which began in the middle ages. Capitalism began to be widely used during the 18th and 19th Century in England. Peasants were often forced off their land to work in factories, and the farm land was replaced with new factories.

Examples of this are still present today in China, where peasants are forced off their land to work in factories for little wages (World Revolution, n. d.). Also in Australia from 1940’s onwards, immigrants were offered great jobs and conditions if they came to Australia, however upon arrival they often found their jobs to be menial or very dangerous and the wages were very low (Catley, 1996, p 57). Over the centuries capitalism has evolved and changed. Gough Whitlam was the first Australian Prime Minister to

acknowledge that by using capitalist principles Australia could benefit greatly (Catley, 1996, p 61).

Capitalism was present in Australia, but most chose not to recognise this. Other ministers had been exposed to the policies and ideas earlier in their political careers; however none worked to implement the strategies until Whitlam was elected in 1972. ' The initial, strategic objective of the Whitlam government was to make Australian capitalism work more efficiently and to integrate it more closely with the world market more efficiently and to integrate it more closely with the world market, particularly Asia' (Catley, 1996, p 61).

By Whitlam recognising the potential of Asian markets he was looking towards to future for Australia and potential trade partners. Gough Whitlam took a massive blow in 1974 when the economy went into recession, his capitalist policy was blamed for the recession even though he had attempted to use capitalism as a way to internationalise the economy and make it more competitive (Catley, 1996, p 62).

When discussing the strengths and weaknesses of capitalism it must be acknowledged that many different perspectives and opinions form the basis of the list. 3. 1. Strengths Strengths of capitalism vary depending on the opinion of the authors; however most are made up of the same elements. Trade agreements were formed in the early days which also led to alliances being formed, during the times of international tension, resulting in wars (Catley, 1996, p 55).

Following this period of war and unrest, the Australian government began to encourage workers to immigrate to Australia. This helped to boost the skilled and unskilled worker numbers, and set the foundation for the multicultural society that Australia has developed into. Some economists' credit capitalism with decreasing the hours worked per week (Catley, 1996, p 68). Catley (1996, p 68) also states that ' a capitalist economy has far more opportunities for individuals to raise their income through new professions and business ventures'.

The potential for profits gives people the opportunity and motivation to use their knowledge and skills and satisfy their needs by establishing businesses (Catley, 1996, p 71). Economic growth, measured by GDP has been credited to capitalism and when GDP increases it flows down into things such as improved standards of living, better availability of resources, housing, health care and food. Keynes (Phelps, 2006) believed that capitalism was vital for freedom to survive and thrive. He also states that capitalism can organise itself and does not need any external intervention.

Keynes (Phelps, 2006) also states that the decentralisation of power within the country is the biggest strength of capitalism, as it enables different strategies to be tried, rather than having a government overseeing and implementing their plans and ideas without proper knowledge and consultation with others. An example is The Reserve Bank of Australia. They are made up of non-governmental members and they determine the interest rate and cash rate, relative to the inflation rate and health of the economy. The government, especially opposition leaders often criticise the RBA's decisions, however they are unable to influence the decision, and they can
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only suggest and ask for things, they have no power to demand the RBA do something. Ayn Rand (The Ayn Rand Institute home page, n. d.) endorses capitalism on the basis that ‘ it is the only morally valid socio-political system because it allows people to be free to act in their rational self interest’. This rational self interest comment reinforces the theory that capitalism is similar to egoism in that it is about one’s self interest and benefit.

Daianu and Vranceanu (2005, p 106) state that ‘ capitalism is morally worthy because it gives best expression to the materiality and finiteness of human condition: human action is economic action, and the role of economic activity is to allow humans to survive and to pursue happiness and freedom in this life, since there exists no other’. It must be noted that some strengths also come with weaknesses, 3. 2. Weaknesses As with strengths, there are a vast number of people who have critiqued capitalism, however, once more there are recurring weaknesses, which makes them seem more realistic and credible.

Karl Marx has a number of criticisms of capitalism and what its weaknesses may be. The first is that capitalism can not be reformed to any basic degree, it is too rigid, and to achieve any form of rationalisation and reform, it required a violent overthrow by the working class and political opposition parties (Weeks, 1981, p 4) Marx also states that capitalism exploits the working class and that inflationary pressures are a characteristic of capitalism (Weeks, 1981, p 6).

A consequence of competition, and weakness of capitalism, is that technical change results in economic crises, leading to inflationary pressures as well

as depressions, unemployment, monetary instability, inflation, deflation and stagflation (Catley, 1981, pp 6, 7). Another weakness of capitalism is that technical changes generate uneven development among capitalist producers which results in movement of relative prices, increasing the cost of living and reducing the value of income and wages (Catley, 1981, p 7).

Weeks (1998, p 8) states that in a strong capitalist economy the strong eliminate the weak, so for example a small business providing solar power panels will be run out of business when a larger firm dealing in solar panels enters the region. As there is no government intervention there is no-one to govern and oversee the influence and ‘bullying power’ used by big businesses. Capitalism is similar to Ethical Egoism, meaning that everything is in the interest of the greatest good for an agent, although this agent may be a single person, an organisation or a group of people.

If the agent is all for themselves then not only could the organisation suffer, but so to could the stakeholders and local community. Another weakness, in my opinion, is that there is no-one group to ensure that a capitalist economy is run according to the main principles and adheres to these guidelines. The capitalist government may take advantage of the people and there is no single organisation who can investigate breaches that don’t conform to capitalism guidelines. 4. Greatest Strength In my opinion the greatest strength of capitalism is the decentralisation of power.

This eliminates almost any potential risk of corruption, as well as keeping politics out of the running of the industry. By this I mean that around election time politicians search for any possible thing that may give them an

advantage and they may decide that by injecting a certain amount of money into an industry or introducing new policies, they can gain the upper hand. I don't think it is appropriate for governments to manipulate an industry simply to benefit them. Also I think that by an industry being run privately it allows the public to feel more in control and that they have a say in what occurs.

The public can feel secure that the government is not manipulating the prices to boost government surplus funds or balance sheets. I also believe that the money can be redirected back into the public economy, through such things as infrastructure improvements, improved facilities and technology as well as maintaining the current facilities. If a problem were to occur a privately owned industry can react quicker than one owned by the government, as they do not need to gain approval through the Senate and House of representatives.

The CEO and other top management position holders have an obligation and responsibility to their stakeholders which includes the public, leaving the organisation and its leaders accountable rather than the government. 5.

Greatest Weakness In my opinion the greatest weakness of capitalism is the exploitation of people, for the benefit of profit. People are used as a means to an end. There has been a history of people being exploited from the beginning of European settlement (Klempner, 2008) The Aborigines were killed, used, abused and forced off their land so that settlers could clear the land to build farms.

This exploitation continued when ethnic groups began to immigrate to Australia to work. They were offered well paying jobs and good conditions, but upon arrival, more often than not, the workers were paid very small wages and made to do all of the dangerous work. This has continued for decades and according to Klempner (2008) it is still continuing today with refugees being forced to stay in camps, because the government will have to invest too much money in training them.

This means that although these people are looking for a new life and willing to work hard, because they need training and other things such as accommodation, health care facilities and support, the government believes it to be too expensive. Klempner (2008) also states that capitalism is responsible for the racist feelings that Australians have towards Asians, by saying ‘ capitalism developed a system of nationalism based on fear of Asiatic hoarders invading Australia’. Therefore in my opinion capitalism exploits people, however racism is not a goal of capitalism, rather it is a result from the quest for profits.

The economic, social and industrial relations system has been affected by the influence of capitalism in Australia. 6. Ethical in Australia? 6. 1. Economic
Economically Australia is quite ethical and morally just, however there are elements that have been affected by capitalism and are bordering on being unjust. At present there is a huge financial crisis worldwide, banks are going broke, investors are losing money, superannuation funds are losing money and the tax payer is footing the bill.

In the United States banks and mortgage brokers were lending money to almost anyone, when pressure was placed upon home buyers through interest rates, inflation and higher costs of living, these home buyers were unable to make payments. Following the large number of banks and brokers going broke, there were massive losses on the stock market. This has not just affected Americans but also Australians, Europeans and even some countries in the Middle East. The unethical element, in my opinion is tax payers being left to foot the bill of government bailout schemes. Not only have they got the threat of losing their homes, but also they are under extra pressure to stretch their income further and further, to cover simple things such as food, fuel and other essentials. It must be noted that the government is being proactive and attempting to salvage the markets, however there has been no consultation with the public. Also the government has only stepped in to help once they realised that they themselves were at risk. It all relates back to the prospect of profit at the end.

The second element of the economy that I believe is unjust interrelates with the social and industrial relation factors. It concerns the wage variations that occur between men and women. This has been around for a long time, since the very beginning of Australia as a series of colonies. Women were not paid as much as men because their fields of work were regarded as things that come natural to women, such as cooking, nursing and teaching (Sappy, Burgess, Lyons & Buultjens, 2006).

Today women are faced with the ‘glass ceiling’, where women are working below, yet unable to attain top positions, dominated by males. There are a <https://assignbuster.com/capitalism-and-ethics-assignment/>

few women who have broken the ‘ glass ceiling’. Women are fighting for the right for reasonable paid maternity leave and to be treated as equals. The element of the economy that relates to this issue concerns the paid maternity leave, baby bonuses and child care subsidies. If the government cannot see a financial benefit for themselves, then they will often disregard such issues, except during election time.

As stated previously the economic, social and industrial relations are all interrelated. 6. 2. Social Women have begun to record lower fertility rates in the last few years, ‘ this is due to cuts to child care subsidies, casualisation of the workforce which undermines financial security needed to plan a family and more expensive health care and education’ (Phelps, 2006). These social issues are becoming more important as the focus is beginning to change to be more focused on Work Life Balance (Stone & Raymond, 2006).

Lower fertility rates mean more than less babies born each year, it also means that in years to come there will be generational gaps leading to a potential shortage of workers, both skilled and unskilled, which may lead to a greater demand for immigrants and foreign workers. This may prove costly to the government and result in tensions between unions and employers when foreign workers are brought in. The second issue in Australia that is unjust is the environmental degradation occurring, at present by large companies, especially in the mining and power industries.

Global warming and greenhouse gas emissions are the biggest threat to humanity at present and yet many large companies believe themselves exempt from cutting emissions. The government has stated a lot of things

however nothing is legislated. If it were legislated, smaller operations would find it hard to fund the moves, possibly forcing them out and leaving a monopoly, as the larger companies can afford to make the changes. The water mismanagement is another issue that affects economic and social factors of Australia. Governments have attempted to privatise the water industry, yet still want some control (Phelps, 2006).

Both parties are not managing the resource correctly, partly due to the lack of understanding. The government are not willing enough to inject funds into the water industry to try and fund some form of research and development. With a drought present in Australia, food prices and other costs of living are affected, putting excess pressure upon stretched households.

6. 3. Industrial Relations

The industrial relations system in Australia has been affected by capitalism for a long period of time. Trade unions placed a great deal of pressure on governments to implement changes due to workers being unfairly paid or treated.

This however still occurs. Women in particular are unfairly paid, even in top management positions, as difficult as they are to obtain, women are still paid less than men (Sappy, et al. , 2006). Women have received lower incomes for a long period of time. It began with the notion that women who worked in nursing, teaching, cooking or sewing were simply doing what comes naturally and had no skills to learn, whereas a man in construction had to learn things before he could work (Stone & Raymond, 2006). Women are also struggling to receive paid maternity leave.

The majority of casual and part time positions are held by women and this is due to their home lives, including children, who need to be accommodated (Sappy, et al. , 2006). As states previously women are having less children and this is leading to a potential generational gap in the future where labour will be difficult to source. Industrial Relations can vary depending on what government is in power and what their strategies are. In John Howard's time he attempted to implement a strategy that gave more power to the employer and took power from the employee (Sappy, et al. 2006.). Whereas Kevin Rudd has attempted to settle things down by providing an equal balance. The Work choices strategy was faced by much criticism and many small businesses believed it could ruin them, which is an underlying factor of capitalism, that the smaller firms are forced out of business. Therefore I believe that all of the factors mentioned above are interrelated and vary depending upon the government in power and those who have the ability to implement and change strategies. . Conclusion Capitalism is a good form of government in theory, however in today's rapidly changing society it's not adaptable enough to be implemented fully, as well as the fact that there is no governing body who can observe how governments are working. As shown there are a number of different strengths and weaknesses associated with capitalism. The greatest strength being the decentralisation of power and the greatest weakness was the exploitation of people for profit.

Therefore after examining the history, strengths and weaknesses and the situation in Australia, it has been shown that capitalism can change over time and in different situations, as well as influencing factors in different ways. It may or may not survive as a form of government into the future, but

it has made it this far despite it having unethical and unjust elements.

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