

# A discussion of the economic system essays example

[Technology](#), [Development](#)



The economy of the modern world reflects the two prominent theories of Adam Smith and Karl Marx. The world economy currently marked with free trade which Adam Smith theorizes in his book, the Wealth of the Nation. A small part of the world, however, is in the close trade applying the principle of communism. The western part, for example, engages in a free trade or capitalism form of economy, while a minor part of the world is in communist/socialist state.

According to an online encyclopaedia, communist/socialist states include People Republic of China, Republic of Cuba, Lao People's Democratic Republic, Socialist Republic of Vietnam, and Democratic People's Republic of Korea (Wikipedia Online). Determining which form of the economy is better for economic progress, acquisition of wealth, and social welfare depends on the thorough and critical analysis of the said theories.

Karl Marx and Friedrich Engel discussed their views on history, the emergence of capitalism, the historical stages of the capitalist class's economic and social advance, as well as the revolutionary consequences of such advance in their book, the Communist Manifesto. The first part of the book talked about the history of the social class. According to them, social class has been existing even from the ancient times such as the existence of the knight and slaves during the Roman Empire and the existence of feudal lord and peasants during feudalism (Marx and Engels, Online).

The discovery of the Americas and the colonisation of it, the existence of East Indians and the Chinese as the markets, the trade among the colonies, and the higher demand or various and new commodities gave rise to the need for industrial production in which steam and machinery are important

tools for manufacturing large volume of products. Such gave birth to the modern industry which established the world market through the development of the commerce, navigation, and development by land feudalism (Marx and Engels, Online).

The modern industry eliminated the classes that existed during the Middle Age and formed the bourgeoisie whose development was a result of the stages of political advances of unprivileged class such as the oppressed under the feudal nobility, the association of the medieval commune, the independent urban republic, and the third estate of monarchy. According to Marx and Engels, the modern industry has just changed the name of the slaves and the lords but class struggle continue to exist. The proletariat or the working class continued to receive a small pie of economic gains while the bourgeoisie or the owners of the enterprise continue amass huge wealth resulting to disparity in the social and economic condition between the two classes (Marx and Engels, Online).

. Marx and Engels noted that bourgeoisie has exploited the nature and changed self interest to cash payments. It removed the ecstasies of the religious fervour, chivalrous enthusiasm, and philistine sentimentalism and changed them to egotism. Marx and Engels expressed that the bourgeoisie unveiled the shameless, direct and brutal exploitation, turned the professionals to paid labourers, and reduced family relations to mere money relations (Marx and Engels, Online).

History has showed that the economic system that exploits people are often doomed to downfall as what happened in the barbaric times, feudalism and mercantilism. In capitalism, private ownership makes the bourgeoisie claim a

larger part of wealth or economic gains of an enterprise/production while the concept of division of labour among the proletariat entitles them low wages making them struggle for a living. Marx and Engel said that the proletariats are exploited gaining very few in proportion to the profit of the bourgeoisie. Such condition leads to social and economic struggle and oppression. They also noted that in the process of oppression, the number of middle class people shrinks and the number of proletariat or poor class of the society increases, and hence widens the gap between the rich and the poor widens. Such results to labour unions and drives revolution at a point in time. The middle class becomes the non revolutionary but the conservatives and reactionary (Marx and Engels, Online).

Marx and Engel proposed ways the betterment of the society and among them are public ownership as in the private settings labourers create capital for the owners but could not own a capital, abolition of the family to stop influencing children from striving to be a ruling class, removal of nation and nationalities for the equal distribution of remove education about ruling class, free love to encourage cross class marriages, and abolition of country and nationality for equal political power. They also proposed progressive income tax, abolition of rights of inheritance, centralization of credit in the state bank, cultivation of waste lands, combination of agriculture with manufacturing industries, abolition of child labour, and free education for all children in the public schools (Marx and Engels, Online).

The analysis of Marx and Engel displays the truth about capitalism. Many of his points, mainly the widening gap between the rich and the poor and the oppression of the labourers through low wages and unfair labour practices

and policies, are evident in the older and the current times. The bourgeoisie developed economic and political power that made them control not only their lives but also the lives of those who work for them. Due to their economic power, they could dictate prices relative to their satisfaction. They could increase the prices of commodities without being liable to the law as their economic and social status can pay government authorities to act in favour of them.

Only few percentage of the population enjoys the benefit of a huge wealth and the capitalistic economy. In the United States, for example, only 1% of the population are considered wealthy while the vast majority are middle and lower income citizen (Wisemen, Online). Adam Smith argued that the rich pays more taxes particularly in the real estate. However, tax payment rates vary from one country to another. Most often than not, the rich tax proportion in comparison to their income is lower than that of the middle class. The corporate taxes are even shouldered by the consumers through the implementation of the value added tax. The US President Barrack Obama was aware of such reality; hence, he recently implemented tax incentives for the middle class (Whitehouse, Online).

The percentage of the middle class citizens also shrinks due to the greediness of the capitalist/entrepreneurs. The prices of commodities in the Philippines, for example, had massive hikes of up to 25% since May 2014, but the employees' salaries remained the same (Bureau of Agricultural Statistics, Online). This signals the gradual sinking of the middle class to the proletariat class in the capitalist economy as what Marx and Engels pointed out.

The social difficulties stressed by Marx and Engels are also evident today.

The bourgeoisie or the rich economic class managed to retain the social and economic power through marrying people belonging to the same social economic status. They also manage to have high positions in the government. As a result, the laws that are created are often in favour of them resulting to negligence on the middle class and the lower income group's rights and, most of the time, justice.

The idea of abolition of countries and nationalities is ideal as this will create equal political and economic power. Such will help other nations; particularly the ones on Africa, to recover from poverty and to have its citizens enjoy a decent life.

Capitalism exploits not only the people but also the nature. The process of the development of various industries opens ways on exploiting minerals, trees, and bodies of water. Marx and Engels' concept and proposal of combination of agriculture with manufacturing industries gives a sense of balance of nature and material progress.

Of all the things that Marx and Engels emphasized in the book Communist Manifesto, it is the idea of public ownership that Adam Smith will reject as private ownership is the heart of capitalism. Adam Smith will also reject the idea of heavy and progressive tax to be imposed as capitalist tries as much as they can to do away from taxes (Smith, Online).

Although Marx and Engels noted many good points in the Communist Manifesto, the two authors failed to account corruption and idleness. A Marxist inspired labour union in Mexico is always involved in the corruption controversies particularly its leaders. The labour union leaders were

allegedly gaining millions and billions of contracts from employers using labour advocacies and litigation or by implementing measures favourable to employers (Wikipedia, Online). People tend to be less diligent and motivation in the socialist/communist society due to the economic sustainability or less changes in the economic status of the people resulting to slower progress. Such is what happened to North Korea.

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