

# Capitalism as a global problem critical thinking example

[Business](#), [Company](#)



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## Introduction

Capitalism refers to a form of political and economic system where country's trade and industry is manned by the private sector, rather the government. Every society is characterized by an uneven distribution of wealth and income. The speculated thoughts help a small percentage of the people in the society to gain control over the majority in the country. Therefore, the minority must, be able to find ways in which they sustain their status quo within the society. The majority group uses myriad ways to battle and be at the top of the prestige minority class. For instance, they convince the majority to pinpoint and back the current system of rewards instead of objecting. Therefore, they emphasize on living in respective dominations as freedom. The minority, the capitalist class, are few in number even though they have the majority of wealth. As a result, they possess the majority of power and control in a country and are described to be the owners of the means of production.

## Problems

As a form of government, it plays an important role in economic growth and development. On the contrary, capitalism has resulted in the exploitation of the poor by the rich minority group in the country. The existing gap between the rich and the poor has widened and is expected to grow wider as the inefficiency in the market persists. This creates a situation where the poor are incapable of acquiring wealth while the rich become richer. This situation is, usually, evident because the poor are exposed to exploitation practices by the rich. The government is obliged to embark on privatizing most of its public firms and enterprises. The process of liberalization and privatization leads to massive layoffs of workers in the public sector leading to increased rates of unemployment. Most women victims of these layoffs have remained unemployed.

The capitalist class constitutes of a small percentage of a country's population with the largest proportion of income and wealth. For instance, the capitalist class is stated to be comprised of only 2 percent of the United States population. The 2 percent minority of the United States population are renowned to be in control of the US economy. According to statistics, 32.7 percent of the wealth in the United States is controlled by just 1 percent of the top wealthy population in the states. On the contrary, 28 percent of wealth is controlled by the bottom poor 25 percent of the population.

Majority of wealth, of minorities is not earned income, but rather unearned income. The unearned income comes from capital assets such as stocks, bonds and trusts. Most of the capitalist class began their life within circles of their class. As a result, the wealthy continue to be wealthier as the poor

remain poor.

Apart from income and inheritance, the capitalists have been using some other strategies within their network to manage their wealth and income. For instance, the capitalist has a way of tying themselves together in the form of interlocking directorates, corporate interest groups and trade associations.

First, the ties are usually in the form of interlocking directorates or in financial ties. Therefore, the capitalist ally themselves in group corporations like in stock ownership in order to gain political and economic power within the society. Besides, capitalists carry on board their own to be directors of some large corporations and firms. The capitalist gain power over various firms due to their diversified directors' positions, in various firms. Through this network in high level leadership positions, the capitalist has an influence on political and economic aspect of a country.

As a result of shared interests among the capitalists and their strategy to interlock directorates, they usually have a great influence on the media. The capitalists, on the other hand, are influential in the energy sector through which they distort the policies in order to boost the fossil fuel industry. Most of the capitalist are representatives and board of directors of the largest oil companies in the region. Therefore, the members of the board are able to alter energy policies in order to improve their companies' net profits. The defense sector also exhibits the form of interlocking directorates and also through ownership. For instance, in the United States, general electric is renowned to have a quite considerable amount of stake in NBC.

The capitalists own large multinational companies around the globe. These established multinational corporations have significant influence on the

political and economic decisions within a country. Multinational corporations enjoy a lot of privileges, especially in the third world countries since they try to maximize their revenues and profits from the available cheap resources. As a result, corporations gain power to influence some major government decisions of the respective country. Their position in the country to make numerous profits and thus contribute to the economic growth of that country guarantees them of a stake in contribution of some major decisions involving the state. The establishment of such companies can thus lead to interference of economic and political decisions of a country through multinational corporation effect. The issue of tax avoidance is also associated with multinational corporations. These corporations establish their offices in other countries with low rates of corporate taxes in order to pay relative less tax. The government encourages private investors through a series of policies and changes in the market structure. For instance, governments initiate tax reforms in broadening of the tax base, reduced deficit spending, imposed limitation on subsidies, withdrawal of fixed exchange regime, and encouraged privatization. Power, on the other hand, can be translated from one aspect to the in any society. For instance, according to a research study organizational power could be turned into political power, and religious power can produce military power. This means that power can be created and passed into another aspect within the society. The most powerful and controlling class in the economy are referred as the ruling class or dominant class. The ruling class forms social networks within the capitalist class, such that they protect their general interests.

## **Theoretical framework**

Privatization of public enterprises translates inadequate provision of public goods to the community. This is because private business entities and foreign investors aim at increasing business sales and profits. The financially disadvantaged communities in the rural areas are adversely affected by these policies since public provision of services like education, health, and society welfare in general is limited. As a result, capitalism has led to division of individuals into classes. This has mainly been evident from the fact that the rich get richer while the poor remain poor. The richest individuals in the Middle East regions have separated themselves from the rural poor people leading to what is referred to as the gated community in the urban areas. This separation has led to adverse effects, leading to high economic risks such as inequality in wealth and income. There has been a widened gap between the rich and the poor because of capitalism policy in Egypt.

## **Recommendations**

Privately owned companies hike their prices, posing a challenge to the poor. As a result, government intervention is usually necessary in order to avoid exploitative nature of privately owned business entities. There are systems put in place by governments to help the poor. For instance, the government can implement regulations such that the rich pay more taxes so as to help the poor with extra the revenue. According to Keynes, the government must intervene in such bad economic situations in order to stabilize the economy. As a result, the government can lower interest rates and tax on essential goods. A reduction in interest rates will allow the public to borrow money at

a reduced cost thus be able to invest. Investment will thus increase economic growth through the multiplier effect.

## **Conclusion**

In the recent times, Keynes theory is widely used in various countries. The theory postulates that capitalism works effectively with some form of government intervention to stabilize the economy. Adoption of a nationalism ideology can, therefore, help in recovering equal distribution and allocation of resources. The government should, therefore, intervene in a free market economy in order to prevent market failures from occurring. It is crucial for the government to stay at a close watch over the economy.

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