

Exploring visions of capitalism exits



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What is capitalism? Based on (Fulcher J 2004), capitalism is an essentially investment of money in the expectation of making profit. Thus, capitalism is a special social structure where both the selling and buying of commodities organized by capital dominate human economic activities. Capitalism has expanded in social relations of production, distribution and consumption. In this essay, I'm going to talk about the several visions and also the terms of capitalism, also not forget how has the global capitalist system evolved over the two centuries.

There are several types of visions of capitalism exits. Liberal vision means an economy with self-regulating market with free trade and no state will step in to interference. Marxian vision which expand global system but based on exploitation of workers by capitalists and liable to crisis as result of gap between total wages and value of goods and services. Schumpeterian vision stresses the role of entrepreneur investment and saving in order to gain profit and also over-investment in the market. Polanyian vision which stresses utopian nature of free market and dependence on state intervention, leading to social strains to generate demand for state regulation. Lastly, Keynesian vision which is try to reach equilibrium below full employment levels. In order to keep the full employment, state has to put money into the economy to restore confidence and boost demand.

According to (Makoto Itoh 1988) merchant capitalism has grown about two and half centuries until the middle of the eighteenth century for the explosive expansion of world trade with the invention of new continent and worldwide sea routes. It is a term described by economist that an earliest phase in the development of capitalism. Based on ((Randy Hodson, Teresa A.

Sullivan 2008), merchant capitalism grew not as a way to organized production but as a way to organize trade. (Fulcher J 2004) stated that merchant capitalism is the investment in order to generate huge profit by risk and long-distance trading ventures , and the profit is the result of scarcity and distance. Merchants have to made money by investing in goods that they sold at profit. According (Makoto Itoh1988) the beginning of seventeen century mercantilism appeared as bullionism, where silver and gold was treated as treasure. Thus, the growth of wealth was measured by accumulation of these metals which served as money. So, mercantilist known the importance of manufacturing industries and foreign trade was the source of national wealth and treasure. After that, based on (Makoto Itoh1988) mercantilism turned to a typical police” balance of trade system” where the total nation balance of trade rather than the balance of each individual bargain was underlined. There is argument about state should export more goods than imported in order to let foreigners pay the bullion, and only raw materials that can’t extract at home should be imported. Thus, subsidies for export and creation of monopolies among the trading companies in order to encourage home production of manufactured goods.

Capitalism production is specific in commercial supplied inputs and outputs of production through the market. The whole production process is restructured with the economic rationality of capitalism, which price is described the relationships between input and output. The profit depended ultimately on workers so production itself becomes directly a source of capital growth, based on the commercial exploitation of surplus labor.

According to(Fulcher J 2004), capitalist production is based on wage labor

and a clear line of division and conflict emerges between the owners of capital, who own what Karl Marx called 'the means of production' and those who sell their labor in exchange for wages. Means of production are those factories, tools and the machinery to create a product. A worker can sell his labor to capitalist for a wage in any activity or investment that will bring profit to a capitalist. For the example of cotton mills, apart from heavy machinery cost, wages were the main cost of the company. So, Wages costs were minimized by replace less skilled and cheaper labor as work together with invention of technology made this possible. On other hand, Industrial capitalism required continuous work , based on (Fulcher J 2004), workers had become, as Marx put it 'wage slaves'.

Anarchic capitalism also known as liberalization market was the stage in 18th and early 19thcenturies when industrial capitalism made its breakthrough. It was anarchic because participants can seize and defend resources without regulation. Economist Murray Rothbard defined the term of anarchy society " as one where there is no legal possibility of coercive aggression against the person or property of any individual'. According to anarchic capitalism, the personal activities or economic activities would be regulated by private law rather than politics yet entrepreneurs competitors will provide law enforcement, courts rather than through taxation.

Anarchic capitalism argued that society should based on the voluntary trade of private property and services which consists of money, consumer goods, capitals goods or land to maximize individual liberty and wealth. (Kaletsky) stated that the ideology is clear that a capitalist system based on private property and profit was an elemental force of nature, governed by iron laws

of economics that were as immune to human manipulation as a hurricane. The general beliefs of laissez-fair which dominant throughout this 150 year period is that economics and politics are two different areas in human activity and emotion that should remain different in the interest of economic and political progress. In anarchic capitalism what is important is the way of gain property without roadblock from the compulsory state and the most economically beneficial is through voluntary trade rather than government intervention. Government intervention extensively in the economy, essentially through high and variable trade tariffs and excise taxes in order to raise revenues. Not only that, according to (Kaletsky) there were also used to favor influential industries or social interests such as textile manufacturers or yeoman farmers.

Nevertheless, according to (Kaletsky), laissez-faire capitalism has been succumbed because of its internal contradictions just like what Marx had predicted before. Anarchist romantics repulsed, according to Keynes's description suggested, one of the reason might be the revolutionary groups of 1880-1915 period that exceed achievements in their destructive political impact by terrorists of PLO or IRA. So, by 1914, free market capitalism was declining and the internal contradiction that identified by Marx were toward a systemic breakdown. In 1919, Keynes warning there will be an economic catastrophe foreshadowed. Then, financial earthquakes of hyperinflation in Weimar Germany and also Great Depression happened on 1930s. Based on (Kaletsky), during nineteenth-century politico-economic system was still in death throws and capitalism had become extinct so the system has to opt for reform.

Managed capitalism which born out of the economic disaster in the interwar period was begin in second half of 19th century which thrived for roughly 40 years and came to its peak in 1970s. Thus, it's the policies that Keynes had been recommending to British government. The (Fulcher J2004) stated that competition and market regulation declined as both sides of industry become more organized and as state management and control increased. One of the remarkable transformation occurred in the 1930s was the invention of government economist. According to (Kaletsky), the interactions between the government and market in anarchic capitalism has been consider incidental to economic activity and generally damaging to it as government need to raise revenues by tariffs and taxes for the main reason which is fighting war. So, landlord or manufacturers have to pay for tariffs to protect them for low-cost foreign competition. There is no one belief that the working of the market will be improved even there is intervention of Bank England in money market and also motivation of self-interests of City London or British finance to quell panics. According to (Kaletsky), Prime minister has described that the government's reaction to Keynes's early proposal to lift the British economy out of Great Depression. The macroeconomic condition was transformed by collapse of global trade and industry in early 1930. As what stated in (Kaletsky), public outrage intensified over mass unemployment, the twin threats of socialist revolution and fascist dictatorship forced democratic politicians to engage with the economy in ways that classical economist had never imagined. Next, government been offered a freedom of action by the time gold standard has been breakdown. Then, based on economists and politicians that the upshot was that if unguided by government, capitalism was ruinously and unstable. The

(Kaletsky) stated that a competent government will protect the public and also economy from unavoidable anarchy of free market. But from the 1960 onwards, economy crisis hit the world. Not only Britain but also other countries like Italy, France were facing inflation and even assassination from terrorism. Thus, breakdown of the international monetary system in 1971 leads a death blows and collapsed to manage capitalism. According to (Kaletsky), a lethal combination of high inflation and mass unemployment known as stagflation appeared in the economy. After the 1979 Iranian Revolution, capitalism in this period was faced the same problem as the early one in 1930s, it had to transform itself to survive or choose to become extinct.

Why did managed capitalism collapsed is probably caused of corporatist institution couldn't work in the end, government had failed to regulate prices and incomes because the cooperation wasn't been engineered between unions and employers. Remarketized capitalism period happened on 1980s after the collapsed of managed capitalism and it's revival of market forces. Thus, in 1981-1982, based on (Kaletsky) monetarism has been applied to tame of inflation by revival of free or competitive markets, prevent distorted by state intervention, always keep a capitalist economy in balance, producing efficient and rational outside , including economic stability and full employment. What causes the crisis of capitalism in 1970s? It's the consequence of errors in monetary policy. Additionally, another reason of the great inflation and breakdown of Keynesian capitalism was probably the private enterprise hard to afford the high taxes, the militant unions they empowered and especially the Increase of powerful labor movement brings

class conflict and pressure for income redistribution. Next, Keynesian full-employment built a natural tensions over the distribution of wages and profit between workers and capitalists in the economic system. By the late 1960s, the top priority of government policy was maintain full employment then the labor militancy intensified to achieve the escalate demand so a postwar generation of workers had grown up. Thus, according (Kaletsky), companies felt confident to pay offers that were needed to stave off labor militancy and strikes. So inflation was created as result.

Government has to restore discipline into the labor market in order to stop the inflation. So, government has to abandon full employment policies and also create condition to millions workers who going to lose their jobs. In 1943, self-destruction of Keynesian full-employment was predicted by economist and he was argued that due to the labor militancy and inflation, the solution will create a new crisis of capitalism and force the capitalism system to reinvent itself again. Lastly, based on (Kaletsky) the thirty years epoch started with Thatcherism in 1979 and ended with the crisis of 2007-2009.