

Capitalism beyond the crisis assignment



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Secondly, he points out whether there is a need for a 'new capitalism' after the financial crisis of 2008 or not, but more importantly, whether there is a need to change the organization of the society or if a whole new system of economics is required so the way things operate are based on reader concepts such as ethics and social values rather than simple profit mastication.

This article also brings its readers to ponder on the major requirements of an economic system that would suit the current situation of the world and the long terms changes needed in order to get out of the crisis now and to avoid any other financial crises in the future. However, Seen points out, before any of it is done, it is crucial to understand whether our current economic system is truly capitalist and what are the main characteristics of a capitalist system. He points out laws in the system and what contributed to the crisis.

The article focuses on the earlier theories of Adam Smith, Keynes, Pig and of other big names in Economics, their relevance to the current economic system and how these theories can be used to figure out a more sustainable way for everyday economics. The misunderstanding of certain theories has also been indicated by the author. There is a great focus on Adam Smith's invisible hand and how that does not solely rely on economic transactions based on profit and loss. The idea of social welfare and how it so every affects market economies is also a major concept addressed in the article.

Seen explains the main ideas of Adam Smith about free trade and market economy that turned into what was later referred to as capitalism. The author agrees with Smith that economic transactions can also work on trust

rather than being singularly based on self-interest. This, however, does not work all the time because if people lose trust, the market would freeze and the whole concept fails. The main argument that Seen proposes is that the most immediate failure of the market mechanism lies in the things that the market leaves undone. ' This major includes the social welfare.

Smith was a great supporter of private trade but never stopped the government to help promote public well-being specially by creating more Job opportunities and poverty relief schemes. Seen agrees with Smith when he points out the need of non- profit institutions to help provide social welfare rather than solely depending on market economy. A very crucial point that Seen argues about is that the capitalism requires moral and legal responsibilities to be taken into account and constantly administered which has not been practiced and has had a severe effect on the economy, including the 2008 crisis.

He says that the actions of ' prodigals and economic crisis because the extent of its impact was not considered by economists. Also, the crisis has exponentially increased due to the lack of trust of people in businesses. Seen also believes that the revival of theories of early economists such as Keynes and Pig can help bring about a change in the economic system. Though these two were rivals and have very different theories, according to Seen, an integrated version of the horses can be useful. Keynes' multiplier effect of reduced incomes can be related to the psychological pessimism.

If there is mistrust in an economy, it freezes, and even if every other factor goes perfectly fine, unless the trust in the economy is built again, it cannot

flourish because mistrust of one group leads to lesser demand and that slows other businesses down and the chain effect continues. There is an exponential increase in the effect of a crisis if emotional collapse of the groups is coupled with economic misconduct. Seen also has a great concern regarding the social welfare which Keynes, for the most part, ignored while Pig very intensely focused on.

Pointing out another flaw in Keynes' theory, Seen says that it ignores social services. He says that market disregards the importance of social services and how this and social welfare can build the trust of the public and how, if it is not provided, can lead to massive decline in economy. Mammary Seen then uses China as an example and explains how the abolition of Maims led to a decline in the in the longevity of the country because national health services were no longer provided. He gives example of European states and how their leslies regarding unemployment insurance kept the economy afloat.

He says Keynes is generally regarded as a liberal economist but ignores social welfare while Pig and Smith, usually considered fairly orthodox, focus mainly on non-profit institutions and external factors that affect markets. Seen says that the 2008 crisis made the importance of public health care services and saving our natural environments quite clear and it is time to take them into account while forming new policies. He also points out that the public misunderstands how these services work and so does not rust the schemes.

Precisely, Ken's arguments focus on the point that there is no need of 'new capitalism' but of reviving theories of early economists such as Pig and Smith and understanding, then applying them would solve economic issues, and how different institutions can help figure out durable solutions for a better world in general. The concepts that we have encountered in the course and are used in this article include: Adam Smith's Invisible Hand: This is the basic core of the neo-classical economic theory and explains how the market self-regulates itself on the basis of self-interest of each individual.

Intervention of a third party: The intervention of a third party such as government and how it affects and contributes to the market has been well explained in the course. It also explains how market is not entirely free.

Unjust Market: The unjust distribution of wealth and profit mastication through information to the consumers, for example that of how public health services operate, as mentioned in the article, can affect the market in an adverse way. Non- Market Economy: We have been well-acquainted with the concept of non-market economy such as that of households mostly working for 'profits' such as self satisfaction, religion etc.

Ethics and Morals: There have been detailed discussions on the role of ethics and morals in trade and their importance in the market. Psychology and Economics: We have studied about the inclusion of human behavior and its effect on the market. Keynes' theory: We have been introduced to some of Keynes' theory, though not in detail. Capitalism: The main concept of capitalism and free markets was discussed in the course The concepts that we have not encountered in the course yet: Keynes' theory: Keynes'

multiplier theory and the chain effect of reduced income have not been discussed yet.

Kinds of Markets: Secondary and credit markets have not been explained in detail. Welfare State: The concept of welfare state has been mentioned but not discussed in detail and its link to the psychology of the public as well as the effect of its existence on the market has not been discussed. Piggy's theory: We have not yet come across Piggy's theory and how it relates to the market economy. Arguments that were difficult to understand include the concept of 'certain institutions' and how they can help create a better economic environment.

Also, how social welfare is so directly linked to a better market economy was a bit difficult to understand. This also includes Piggy's theory of psychological effect on the markets and how he proposes to unfreeze the market in case of excessive pessimism in the public. The concept of credit markets and how psychological distress can affect them, as well as the abolition of Maimis in China and its negative effect, was difficult to grasp. The arguments that sound vague and disagreeable to some extent are the provision of excessive social welfare.

Seen has focused intensely on it but if approached pragmatically, it is clear that it is a burden on the government and is much harder to execute than it seems. Providing benefits, such as unemployment benefits, can affect the economy in an undesirable way. It can make the public lazier and the economy to slow down. However, if proper measures are taken and limited benefits are provided, that also keeps the economy flowing, such approach

can work. Also, Seen has not taken Keynes' theory to be as important in correcting the current economic system as it is.

The multiplier concept has a major role in understanding the crisis and to avoid any further financial problems. Another problem is the integration of two completely different concepts of Pig and Keynes' theory as it seems major impractical. The main theory mentioned in the essay is the Invisible Hand of Adam Smith. This This neo-classical economic theory lacks the inclusion of human behavior which is unpredictable and does not take into account the extent of the unfair means people can pursue in order to maximize their profits.

Morals and social norms are generally aggregated in this theory and it is more of an ideal and has much lesser practical approach now than it did decades ago. The other theory is Keynes' which totally ignores the concept of social welfare and focuses mainly on the multiplier effect of reduced income of one group. On the other hand, Piggy's theory presses too much on the psychology of the public and its effect on the market economy. The author recommends that the two theories of Keynes and Pig be integrated and applied. He also proposes that there should be '... Ewe understanding of older ideas', in order to rectify the crisis and to make this economic system healthier. He also encourages the intervention of institutions to promote social welfare. He suggests that the private sector be promoted in order to encourage public good and that the government should introduce more schemes for communal benefits. The essay is relevant to the current situation, but to a limited extent. The world economy has not completely

revived from the crisis yet and so the recommendations of the essay can still be taken into account.

The stress on a long term solution to the problem is appreciated. However, the economic scenario has changed since 2008 and only focusing on social welfare seems like a meager approach to bring a long term change in the economic system. The human psychology does have a huge impact on market economy but only considering old theories to figure the solutions out for a better economic system does not seem sufficient. There is need for reevaluation of the whole system and a more modern approach to get the desirable outcome is essential. The most important lesson for Pakistan is the welfare of the public.

Though it is not ass and it can be a huge burden on the economy of Pakistan, but to improve the living standards of people and to build trust in the economy, it is required for the Pakistani government to provide for the poor, to give public pensions and public health services etc. While managing the state economy. This takes time but is not impossible and has various long term benefits. The state of Pakistan is currently in chaos and its economy is deteriorating, but to reverse it, the economic theories should be reevaluated and reconsidered and a practical solution should be derived from it.