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Capitalism: Role of government



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GOVERNMENT exists in all kinds of societies. Without government we cannot think of a state.

A state must have land, population, government and sovereignty. However, rules and regulation of the state are not the same in capitalist and communist countries. In a communist country the size of the government is bigger relative to the size of state in terms of action and responsibilities. In a capitalist country government is small relative to the size of the state. The main objectives of the state are to protect its people, provide their safety-net, and maintain law and order and the judiciary system. In addition, it is the responsibility of all kinds of government under capitalism and communism to build up the social capital, including road, bridge, culvert, educational institution, hospital, utility services, including gas, water, electricity etc. However, in a communist country there is no such thing like a private property right. In a communist country people may rarely have their own business. Most business belongs to government under communism, where government does bear the responsibility of profit and loss. State is the owner of the business. Labour market is well controlled by the government under communism. The extreme dream of the communist society is that there would be no such thing like class-society of ruling and working class. According to communist phi-

losophy, capitalism will be abolished. The state will belong to only one class namely labour or working class.

The philosophy of capitalism is based on self-interest theory. People are selfish by born. They do not want to share their property with the

working environment. Government does not prevent the firm from determining what would be the wages of workers. Also, government does not direct how much prices the firm will charge for their goods and services. However, in many societies, in-

issuing money, severing public utilities and enforcing private contracts. Monopoly is harmful in any society because monopoly can charge extra prices for their goods and services even though their products may be of lower quality. This risk is very high in capitalism.

goods and service. That way they accept the losses to prevent others from entering the market. Then they raise the prices again once the threat of entry is reduced. However, government under capitalism can behave like a monopolist in certain industries. Utility services are provided by government. So in many countries public utilities, including electricity, heating fuel, gas, water, roads, bridge, culverts, airlines, administrative or academic and non-academic institution, health services and communication, normally appear as a monopoly activity under government regulation due to high economic scale. Even in capitalism the role of government may include many things like standard of services of many industry, airlines, broadcasting and large-scale programs and the similar others. Government has to regulate the capital market and the flow of capital or inflow or outflow of capital to foreign country, foreign reserve, balance of trade and balance of payment etc. It is the responsibility of government under capitalism to control inflation, decrease unemployment, increase the economic growth, through the appropriate fiscal and monetary policy and the other non-economic policy. The capitalist government will also increase his financial ability by imposing and collecting tax and non-tax revenue from it citizen.

Private property right is well protected under capitalism. Government does not prohibit it. Workers can choose to work anywhere and at any wage. Workers will look for higher wage and congenial working environment. Government does not prevent the firm from determining what would be the wages of workers. Also government does not direct how much prices the firm will charge for their goods and services. However, in many societies, including the capitalist one, there is a provision of minimum wage and safety standard. Workers can freely move, and goods and services are freely negotiated without any government intervention under capitalism

others in society. They pay taxes out of their income to help run the government. In other words, private property right is well protected under capitalism. Government does not prohibit it. Workers can choose to work anywhere and at any wage. Workers will look for higher wage and congenial

cluding the capitalist one, there is a provision of minimum wage and safety standard. Workers can freely move, and goods and services are freely negotiated without any government intervention under capitalism. Government carries out some important economic functions, including

So in capitalism, the country may have a competition laws to prohibit the monopoly action and all kinds of cartels. Even then or despite the anti-monopoly law, a large corporation can have a fair opportunity to form a near monopolist in the same industries. They can decrease the price of their

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