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Democracy, the state and legal frameworks

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DEMOCRACY and Capitalism are synonymous in many respect. In a capitalist society property rights are well protected. Property right means a private property right. Each and every individual in the that society can hold a piece or more than a piece of moveable and immovable property in their own name. And transaction of property between individuals are well-recorded by the documentary mechanism of the state. Everybody has a right to increase his /her property by purchasing it or can decrease his property by selling it to others. This transaction is recorded, maintained and legally protected by the law and order system of the country. In a capitalist society a part or whole of the physical asset can be transferred into capital which are invested in the market economy as efficiently as possible. Precisely speaking, legal framework of the ownership of private property is the basis or integral to the development of capitalism. In many cases there is a market failure under Capitalism. Due to the creation of negative externality, market imperfection and the formation of a market syndicate by buyers or sellers or by both party - in either case this kind of collusion in the market can take place under capitalism. This is called a market failure. In case of market failure consumers have to buy everything at a very high price even though quality of goods and services may not be good enough. So, according to the economists government intervention is necessary to improve market outcomes under the situation of market failure. Because market failure is a situation where the market does not or can not allocate available resources efficiently, which leads to consumers' suffering. Because of externality market failure occurs. Externality can be both positive or negative. In case of positive externality we do not have any pollution. But goods and services are underproduced. That is one kind of problem. In case of negative externalities a country suffers from pollution. But goods and services are overproduced. Under capitalism or free market economy government programmes, policies, regulations and the degree of regulations should be enough to balance the production of goods and services at maximum level with no or negligible pollution. It may be noted that everybody in the society is not involved in production of goods and services, who are not liable to pay for pollution from negative externality. The problem of pollution has to be settled down between government through its tax mechanism and the producers of goods and services and by providing a subsidy to the producers to decrease pollution.

Capitalism is closely related to Democracy. Democracy and Capitalism go hand-in-hand. In other words, democracy and capitalism affects each other.

However, Capitalism or open market open economy can occur in some countries which are not democratic. A few country runs with single party politics, which is also a free market economy but not a Democratic country. For example, Singapore is very much a capitalist country. But a single political party dominates its politics. Two countries of the same nature of Capitalism and Democracy are very similar in their regime of politics. Singapore has highly open market economy which can attract a lot of foreign investment and does not protect civil liberties such as human rights and freedom of speech and expression. However, it may be noted that economic freedom is co-related with economic growth, personal and national income and the life expectation.

Capitalist nations can utilise Capitalism's ability to increase its economic growth, gross domestic product (GDP), maximum utilisation of the country's resources and to increase the life and living standard of its people. Precisely speaking, global GDP and modern world capitalists are co-related. For example, per capita income in South-Korea is much higher than per capita income in non-capitalist country North-Korea. Average per capita income in East-European countries are much lower than average per capita income in West-European capitalist countries. As mentioned before GDP per capita and Capitalism are co-related. The more fair is the capitalism, the higher is the GDP. Higher GDP means more availability of housing, clothing, health-care and education. Capitalist economy offers relatively more opportunities for individuals to raise their comfort, professional ability, productivity and business than does the non-capitalist economy.

According to Milton Freedmen, economic freedom of capitalism is important for political freedom. On the contrary centralised operation of economic activity such as a Communist country, is normally accompanied by political repression. Transaction in the market economy are voluntary. Voluntary activity is not permitted in a non-capitalist economy. As mentioned before, Capitalism is very important for freedom, human rights and survival. It is accompanied by self-organisation. Free market determines the equilibrium quantity of production and its prices by equating market supply with market demand. In other words, prices serve as a signal to the need and necessity in economic life. Profit making environment provides an incentive to entrepreneur to utilise their knowledge, skill and resources to satisfy their business motive. One can seek one's own interest under capitalism. One works hard to satisfy one's desire and to meet the demand. Free coordination of everybody makes an environment of hardworking. Combinedly people in the capitalist society can easily make a society more or less affluent.

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