

Opinion

Of controlled capitalism

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Among the factors of production the most important ones are land, labour, capital, technology, management and the related others. Under Capitalism capitalists try to maximise their profit or minimise their cost of production of goods and services. They organise their factors of production by themselves. They would like to over-value their non-human factors of production such as land, capital, management, technology and others. In other words, they want to over-value their non-human factors of production and under-value the human factors of production, which is called labour. The capitalists try to maximise their output or profit or minimise the cost of production and the labour wage in particular. In the production process, capitalists exploit the human labour. People are selfish by birth. The capitalists would like to benefit themselves before they can think of doing something for the others. People may be willing to benefit the others from their surplus production. Also it is done through taxation system under capitalism. Affluent people are taxed by the government. In Capitalism the tax revenue of the government is spent to build up the social capital and to benefit the poor as a social-welfare benefit.

In Communism, people are unrealistically assumed to be altruistic. As men-

tioned before, we are selfish by born, not altruistic. It is inhuman for the government or any party to forcefully decrease my consumption and benefit the others with my surplus of production. Assuming the human nature is basically egoistic, the true Communism does not work. Precisely, true Communism does not exist and cannot exist.

Advantage and disadvantage of Communism and Capitalism can be of several dimensions. According to Adam Smith, under open market open economy or under capitalism the invisible hand of market forces works better where equilibrium quantity of goods and services and their prices are determined in the free market by equating demand and supply. Under Capitalism, people work for their own gain. Work and gain are positively related. More work more gain. Investors know that a lion's share of the production will belong to them as a remuneration of their non-labour factor of production. So entrepreneurs will work hard to satisfy their selfish nature of ownership. They try to organise to have a favourable combination between factors of production very efficiently. As a result, they receive a maximum output out of their efficient effort of production.

On the contrary, the word "ownership" does not exist in the system of commu-

nism. Factors of production and the surplus of production and all of it belong to the state. It is extremely assumed that they would be only one class in the society which is called the labour class. And capitalist will not exist. Capitalism will be abolished totally according to the philosophy of Communism. All it means that people's work and their gain are not positively associated under Communism. Only the labour class will exist and the maximum gain of production will not belong to them. Surplus production will go to the possession of state management under Communism. Therefore, people do not have enough incentive to work hard. As a result, the surplus production under Communist system is very minimum. It means that there is a limit to the growth of production of goods and services under Communism. There is no such limit of growth under capitalism. All these make a difference in productivity or in affluence between Communism and Capitalism. Capitalist country is assumed to be of higher productivity than the Communist country. Per labour or per capita production of goods and services in Communist country is not as high as may be found in the Capitalist country. Furthermore, Communist country suffers from many undue corruptions. Everybody thinks he/she is the owner of everything. Finally he is the owner of nothing. Knowing this fact, he tries to manipulate the way about how to work less and illegally benefit himself from some non-deserving game. Because of this corruption, many Communist coun-

tries including China and Russia had suffered a lot from famine.

Capitalism is not free of criticism. As mentioned before, we are all selfish by birth. Sometimes our over selfishness may harm the others. Under Capitalism we are free to enter any business and to produce goods and services of any kind. We wouldn't care about the negative externalities including the creation of pollution because of our selfishness. Under open market open economy many buyers and many sellers are assumed to exist. But because of freedom and human's selfishness, we try to form a syndicate or collusion between buyers, sellers and between other market agents to procure some kind of undue advantage by creating a market imperfection. In that case managed capitalism rather than simple Capitalism is advocated. Under managed Capitalism we can minimise or decrease the creation of pollution through taxation system. The government is also able to control and limit the market imperfection and to increase the market competition by eliminating the business effort to form a market syndicate or a collusive activity. Finally, in terms of productivity, efficiency, human freedom and even in terms of religion the economic system of Capitalism is preferred to the unproductive system of Communism. Therefore, Capitalism has been accepted as a world economic system.

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