Capitalism: Is it convenient for life and living?

Reducing national poverty

In capitalism, the economy is dominated by capitalist. Or it is called a capitalist economy. In capitalist economy, the private sectors are the leading partner to take part in the production process. The participation by the government in the production sector is very minor or negligible. Entrepreneurs and the capitalist are about the same. Or entrepreneurs are often termed as capitalist. Therefore, the rule of capitalist is of many fold including the employment of various human and non-human resource and labor for the production of goods and services. The supplementary and the complementary factors of labor are technology innovation and the scientific advancement. Capitalists are the major role player who are encouraged to maximize their economic effort by the government. The major role of the government is to collect tax and non-tax revenue and to safe-guard the security of the nation. The essential public function of government is to furnish the health care, education, national defense, domestic law and order, Judiciary and the infrastructural development and maintenance etc. Infrastructural development includes the construction of roads, bridge, culvert, river-flow, irrigation facilities, exploration and maintenance of mineral resources including gas, electricity, coal-mine and the related others. After taking all these to a certain extent the government hand these over to private sector for the proper utilization in relation to economic and human development.

In capitalism, rapid economic growth is appreciated. Entrepreneurs compete with each other both domestically and externally in the free market environment of capitalism. The capitalist or the entrepreneurs do better in the international market and in earning foreign exchange through export compared to any kind of government agent. Therefore, comparative Gross National Product (GNP) is much better in capitalist country than any other kind of non-capitalist country. The capitalist economy can develop and innovate science and technology which help raise the standard of life and living of the people.

Capitalism is self regulatory. It works in the environment of free market and free economy according to the Adam Smith invisible hand of market forces. Market forces equate the demand and supply of goods and services and determine their equilibrium market price and equilibrium quantity. Optimum market competition provides us with quality goods and services at a fair price. Over and under competition is associated with over-or under production of goods and services, prices of which are not fair or not acceptable to customer or to producer and seller. Market mechanism provides a variety of benefit to people. In market mechanism, our resource or the cost of production is the price of fixed and variable factors of production and the marketing or promotion cost and the cost of advertisement. The cost of production in free market economy is relatively small. Public sector has to regulate all these as mentioned above through some form of central planning. The cost incurred by the government include processing of information, formulation of policy, issuing direction and monitoring the implementation are both expensive, bureaucratic and time consuming. Therefore, the economic growth in the system of central planning is not as fast as the economic growth in capitalism. Wasting more of time in non-capitalism is equivalent to the wastage of the valuable human resources.

Economic growth in capitalism is both faster and better as the investors try to invest in project which are economically viable and the decision of which is taken in the market forces of capitalism. The market economy provides an allocative efficiency or optimum allocation of productive resources. Because producer would like to maximize profit or minimize cost of production. In the environment of open market and open economy credit facilities are relatively more available in capitalism. Credit is very helpful to conduct the long-term investment and production process. The economic unit in capitalism tries to adopt a set of activities which are in its best interest. Economic investors deserve to have a remunerative award. Workers remuneration in the profitable industries is expected to be very high in capitalism. Good decision makers can receive extra economic gain in market economy. All these provide an allocative and operative efficiency in the system of capitalism. Economic growth rate in capitalism is relatively very good.

Higher growth is always accompanied by an inherent tendency to develop scientific innovation and technology. Disadvantage of capitalism includes social flaws, gap between poor and rich, exploitation of labor, fraudulent, unethical, life threat by the ruling class or capitalist etc. Rich becomes richer and poor becomes poorer. Capitalism lacks an equitable distribution of income, which increases the national poverty. Unhappiness of working class is reflected in strikes, revolution, counter-revolution and violence. It is not surprising to see a worker or a group of workers getting suppressed, oppressed or even killed by ruling class. The market failure element in capitalism provides a lot of abnormal and high profit to a few entrepreneurs. Negative externalities are illegally created by some investors which put a lot of pressure on the natural resources and the environment.

Inequitable distribution of income and wealth and poverty is a common issue in capitalism. Higher is the income equality, lower is the aggregate economic welfare of the society as a whole according to the economist. In long term, the poverty may be alleviated but income inequalities remain. In capitalism, tax on inherited property is very negligible. Some children are born in poor family. Children of affluent family can receive better education and training and high paying employment and business. Therefore, income inequality leads to difference in economic opportunities between people in the system of capitalism.

The production pattern is distorted in capitalism. Production pattern is based on the pattern of aggregate demand. In presence of income inequality and the poverty in capitalism, the individual pattern of demand does not represent the real needs of the society. There are some unnecessary expenses incurred in capitalist economy, which do not directly benefit the consumer, such as large scale advertisement, promotion, marketing and the related selling cost. In open market and open economy system, you enjoy a freedom as a producer. It is your human right in free market to produce goods and services of negative externalities including cigarette and tobacco though these products are harmful to the health of the people.

Different merit goods of importance including education, health, transport and communication are difficult to produce in capitalism for the consumer. Production of merit goods are very expensive. So, non-capitalist countries have more advantage in producing merit goods and services than the capitalist countries. In capitalism, technological progress is however, rapid. So depreciation cost of machineries is also very high in capitalism. These machineries are replaced before they are fully utilized to the extent of their potentiality.

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