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ANTH 320: Global Capitalism

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Defining Characteristics of Capitalism and its Transitional Effects

Shifting the majority of the western world into an economic climate of free-trade and never before seen prosperity, capitalism quickly became accepted as the new dominant status-quo of the economic world order. As capitalism continues to become adopted and advancing, we must ask ourselves what the base fundamental characteristics are and their workings to gain a comprehensive understanding of our economic order and what it may hold in the future. The relationship between direct and indirect impacts of the market is what makes capitalism function and keeps the free-market operating under a democratic environment. When discussing capitalism and whether it should be the dominant economic order, the question stands of global capitalism and the differences of it in states of different economic backgrounds, such as those who priorly occupied a feudal state. Is their capitalism different than that of a state raised with it? Is it working how it was originally intended and to the benefit of the people and the market? What follows is an attempt at a clarification and deconstruction of recognizable and unrecognizable attributes of capitalism and their roles in the global economy to explain fundamental intricacies and how they can be recognized today.

As commonly agreed upon by political and economic scientists, capitalism has a base of five fundamental characteristics. The first and most crucial of those being limited government intervention. The recognition of the free-market as a separate entity than the democratic institution will permit the market to act as a check of the political institutions rather than a puppet. While the free-market is free acting, the government must still place certain regulations on the competition within the market to ensure one entity doesn't gain too much power, which would ultimately undermine the entire system. In Gorick and Kasser's "The Five Commandments of Hypercapitalism", they say, "Hypercapitalism makes deregulation an article of faith, and the results are not always pretty. Reagan dropped rules that held back savings and loan associations. These sober, local banks used to be limited to issuing low-risk home mortgages". With this set of rules regarding deregulation and government intervention, large crowds began taking out riskier loans, granted by the bank, and the US government in return spent \$124 billion to rescue depositors once the loans could not be repaid (Gorick & Kasser, 2017). Capitalism must have some form of government intervention and regulation in order to properly function, otherwise there would be an influx of money to some corporations and individuals while the state and other individuals are left to their own devices. This characteristic is recognizable, as we can see the effects of government intervention through what corporations are and not able to produce and export along with the amounts. This ensures a well-oiled machine working to the advantage of the state and its individual economy, which can lead to influence and power in the global economy.

Another key characteristic of capitalism is its ability to operate globally. For example, the US may restrict trade with one country as leverage to gain access to some of their natural

resources, such as oil, but market it as the free-market working in its own way. As capitalism acts globally, the entire economic order is shifted to favor comparative advantage. Comparative advantage can be described as the most cost-effective way a country operates its production and trade; if they have environmental conditions that favor one crop over another and there is a market to sell that crop, they will specialize in that as they can produce more with less exerted labor— which is also a cost. Every country will do this and in turn, the market becomes diverse and depends on the other participants to supply the goods not locally produced. Along with capitalism's ability to operate globally, another unrecognizable characteristic is finding ways to spend less on labor and production costs. Capitalism, a machine based on productivity and efficiency, finds ways to cut its costs while maintaining a steady flow of production. As Gorick and Kasser write, "Production stopped being mere money and suddenly turned into capital, [...] needing extra profit to make capitalism work". This means, that individuals were now competing systematically to make enough product to spread their company and product outside of their own borders.

This transition, along with the final two characteristics of capitalism, can be seen in direct contrast with the feudal system that it replaced, namely in Western Europe as industrialization commenced. The feudalist economic order was the economic norm for centuries before being replaced by a wave of democracy and capitalism; characterized by assigned roles in a social and economic ladder with little opportunity to advance. Beginning in the 18th century, Britain was going through an economic shift which would ultimately define the economic world for the upcoming centuries and what we see today. Organized conflicts, paralleling those of labor unions in response to capital gain as a way to protect themselves and their livelihoods. This new

development in the relationship between the worker and industry led way to a high demand, high enough to make an investment in industrial production (Fulcher, 2015). This transition highlighted capitalism's characteristics of privatization and consummation. These two characteristics are both recognizable and act as a safeguard for the public against the industry as the shift from a feudal state following the mandate of a select few left those adopting capitalism weary. The promise of individual ownership of property and corporation was desirable for those first adopting capitalism, as it was to break them out of their previously assigned cast and guarantee the promise of freedom and opportunity. The last characteristic which can be directly attributed to a response of feudalism to capitalism is high numbers of consumers and their acquisitions in the market. For the market to work smoothly, a vast number of people must have the means to purchase the products sold by producers, both locally and globally. If there is not enough product being shipped and consumed, then there will be an excess leading to market failure. As feudalism dwindled in Europe, the need for consumption to get the market on its feet was scarce as many people could not afford the luxury goods being produced. It wasn't until the industrial revolution in the 19th century that capitalism was able to properly function and the industrial revolution promised more jobs and a variety of product.

While capitalism is a complex entity with countless different workings, the base characteristics which have been mentioned attribute capitalism as it was created and intended to function. Limited government intervention, global operation, low production costs, privatization, and consummation all directly contribute to the success of capitalism. The transition from a feudal state to a capitalistic one brought upon new challenges for the western world, shaping the ways in which capitalism functions and how the government relates to this

interdependent machine. With the expansion of capitalism, recognizing the ways in which its performing in the global arena and the effects it is having with the states it represents becomes different than we have previously seen in its short history, prompting the study of different aspects of the economy and its effect on attributes of society such as demographic census and understanding the economy's effect on the consumers which make it up.