

Should Capitalism Be Abandoned in Modern Democratic Societies?

2019

Thomas A. Burns, PhD.

Klamath Falls, Oregon

Basic Answer

“NO.”

Better Answer

The roots of capitalism are virtually as old as human society itself, as evidenced in the universal trading behavior among humans and their groups. The gradual evolution of financial institutions [banking and investment] to support trade and the emergence of corporations to promote trade utilizing these facilitating institutions is the basis for modern capitalism per se. This development has occurred mostly over the last 400 years. And beyond any doubt and in the last two centuries especially, capitalism has contributed in a major way to rapid and enormous gains in information/education, technology, food production, health, and material well-being for many people – most of whom live in developed countries. These gains constitute “progress” in the eyes of these nations, and these countries in turn model the resulting lifestyle and standard of living for the less “developed” nations of the world.

The problem is that these substantial gains a) have resulted in extreme economic inequality and oligarchy when capitalism is allowed to exist in its “free enterprise” form, b) have relied upon the unsustainable use of natural resources to provide energy and the materials required to create products, c) have paid minimal attention to the consequent damage to the planet’s ecology in the form of massive pollution, climate change, and species extinction, and d) have created the illusion that it is sustainable for all of humanity to live in this manner.

Capitalism is sustainable and remains productive in its input to modern complex society, **only if it is sufficiently regulated**. Most modern developed democratic societies have figured this out and have implemented restrictions so as to avoid the negative results of unrestrained capitalism [“free enterprise”], which America experienced “in spades” at the end of the 19th century.

Understood more broadly, America lags behind other developed democratic countries in implementing the regulations necessary to sustain balance between the input of its two major, but opposed, social institutions: a self-interested, competitively oriented economy [capitalism] on the one hand, and a communally, cooperatively oriented polity [representative democracy] on the other hand. Judicial and law enforcement institutions are intended to be present to assure that balance is maintained in this institutional dynamic.

More Complete Answer

Humans are **by nature** [genetically] both competitive and cooperative. Human relations and human societies are sustainable so long as they keep input into human behavior from these two opposed orientations **in balance**. Small societies of bands and tribes, which were the basis for 99% of human societal history [about 250,000 years], were successful in the long term because they learned to sustain this balance both socially and ecologically. By comparison, complex society – upon which civilization depends – emerged in very modern times [the last 3,000 years for most humans], and it is still in its trial stage to determine whether it is sustainable in the long term. Initially complex society lost this balance as it tracked in increasing scale from chiefdoms to kingdoms to empires – locating power and wealth in an authoritarian, hereditary elite with the masses relegated mostly to subservient peasant status. Modern complex society rediscovered the potential for balance [the last 300 years] when it implemented egalitarian democracy as the basis for its political system while allowing capitalism to define its economy. Egalitarian democracy depends upon cooperation among equals while capitalism is based on competition among enterprises that seek to capture the greatest share of the market.

Modern complex democratic societies have thrived so long as they have kept the influence of these two institutions – economy and polity [competition and cooperation] in balance, and they have put themselves at risk when they have allowed either of these institutions to dominate the other. The egalitarian/communal perspective can be carried to the extreme in communism – denying sufficient input for the creative, innovative, competitive human orientation. And the authoritarian/self interested perspective can be carried to the extreme in free enterprise which permits corporations and the wealthy elite to buy control of the political and judicial domains – denying sufficient input for the egalitarian, cooperative, communal human orientation.

Requiring balance in the inputs of competition and cooperation in defining all aspects of human society is the answer to long term societal sustainability whether these societies are very small or hugely complex. Presently, American society is imbalanced in the direction of the economy exercising excessive influence over the political and judicial domains – the negative impact of money [corporations, the wealthy, and the financial industry] in politics. And the negative consequences of this economically driven imbalance are to be seen in both society [gross economic inequality and job insecurity] and the ecology of the planet [pollution and human caused climate change].

If Americans are to survive long term in the condition of a complex democratic society, they must repair this imbalance by regulating/restricting corporations, the wealthy, and the financial industry to address and resolve both the social and ecological sources of imbalance.

What Major Changes are Needed?

1) Greatly curtail the influence of money in politics. Require federally funded elections, restrict input from PACs, and limit the time for campaigns.

2) Redefine the legal definition of all corporations to require greater social responsibility – not just maximizing returns to shareholders and avoiding liability. Develop and implement the regulations to assure a fair playing field at the global level to assist in securing employment and to support transitions in employment as conditions change due to inputs from technology, robotics and artificial intelligence.

3) Redefine the legal definition of all corporations to require greater ecological responsibility. Implement a strict schedule to shift the source of energy for all manufacturing and transportation of goods from fossil fuels to non-polluting energy sources. Develop and implement a “no net gain” requirement with regard to all refuse/pollution generation [100% recycle/reuse].

4) Make corporate executives and the members of corporate boards liable to criminal prosecution for approving or conducting enterprises that violate the law. No more just paying fines and regarding these costs as expenses in conducting business as usual!

5) Require all enterprises to shift from a commitment to an ever expanding corporate, national and global economy to a sustainable economy at all levels. The foundational natural resources of the planet [water, air and other species] are already maxed out under the present conditions, and we are anticipating adding another two billion humans. Three quarters of this eventual human population live in undeveloped and under developed countries, and there is no way to bring the people in these countries to the standard of living that developed western countries currently enjoy without completely breaking the planet’s ecological “bank.” To survive in the longer term, all modern complex societies must transition to a sustainable global economy and a commitment to a standard of living that is fair for all individuals, states and nations. No more business conducted assuming that resources are infinite and that pollution is inconsequential. No more business conducted based on accepting huge debt in the expectation that growth and inflation over time will eliminate or greatly reduce this debt. Require the implementation of business/corporate plans that are built mostly on a “pay as you go” basis.

6) Address and implement regulations to contain the excesses of the financial industry. Originally the financial industry arose to support business enterprises and to generate a return on savings to individuals and corporations. In the modern era, the financial industry has become a separate enterprise in the economy that manipulates the markets for its own gain. This activity puts the national and global economic systems at high risk of failure, and the effect on the economy is mostly negative and predatory. It must be greatly curtailed.

The present state of the global capitalistic economy is not a formula for long term survival of complex society in the civilized condition. A revived and empowered egalitarian, cooperative democratic polity in America and elsewhere can require the changes identified in this essay to retain the positive input of a capitalistic economy while eliminating the negative impacts of its highly destructive excesses. In so doing, this reconstituted polity can create the needed balance in the inputs emerging from modern society's two major institutions – a capitalistic oriented economy and an egalitarian oriented polity – and promote the potential long term survival of modern complex society – American and otherwise!