

Alternative financial systems to capitalism

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Abstract

Capitalism has been a very powerful economic system in the latest decades. When it first introduced it was believed to be the solution of many problems raised by the previous economic systems. That used to be true for as long as its primary features continued unchangeable. Nowadays, almost everything that was thought to be an advantage of the system has turned into a threat to the entire economy and to the capitalism itself. This is due to the greed of the reach to become even richer by putting the poor aside and deepening the gap between two fronts. Karl Marx said “Capitalism will destroy the ones who invented it”, *Capital (1867-1894)*. Apparently, it is the time to find something alternative for substituting it. It has proven to not provide prosperity any more. The aim of this article is to provide an overview of different alternative economic systems in comparison to capitalism. Multiple scholars elaborated on this topic, and different approaches have been used to describe the recent trends of the capitalism as well as possible solutions to its problems. All of them are part of the solution and do only add value to the common engage in providing improved solution. This research is seen as one of the contributors on the global research, without diminishing the importance of the others, neither by exposing its one. The approach which combines the description of the main advantages and disadvantages of economic systems with the comparison of their features to those of capitalism, is believed to disclose the comparable value of the study.

Keywords: Capitalism, Economic system, Finance, Incentives

Capitalism, as an economic system, is characterized by the private ownership of the production means, and the use of them in generating profit. The basic components composing capitalism there are: accumulation of capital, market competition, a system of prices, rights to private property, salary labor and freewill exchange.

If we talk about the financial capitalism, it generally refers financial markets. Instead of the underlying assets there is used other instruments, called derivatives, to represent the transactions on these assets. Such kind of instruments might be, Future and Forward Contracts, Call and Put Options, Caps, Floors, Collars and SWAPS. These instruments are used for arbitrage or hedging purposes and they rely on the expectations of the customers/investors. The parties use these contracts in order to avoid the risk related to the underlying assets, based on their expectations regarding the possible movements on the prices and returns of these assets. Such transactions between different parties make up the financial market. The arbitrage technique uses the small differences that result in the prices due to some technical issues between

different markets. A smart investor might take advantages by exploiting these opportunities. It is also the stock exchange market which might provide room for such differences to be profitable for the engaged investors who carefully study the market movements. All in all, behind this global structure, it is the consumer expectations which make able the chance to take advantage from the investment opportunities. Sometimes it might cause a non-representative of the real value, price, which is hidden behind the “Good will” or “Mark” terms, and traded for as an added value to the customer, who is the one which will bear this artificial fictional price [1-3].

What is Anti-Capitalism?

Anti-capitalism is not only a political movement against capitalism, which tries to emphasize its drawbacks in order to rebut it, but it also represents an economic system which is based upon antagonist features to what capitalism represents. Even though this movement is generally identified with Socialism or Marxism, it does not necessary mean to fall under one of these categories to be called an anticapitalistic. As Olivier Bonfond (2009) said “Being anti-capitalist is therefore not at all the same thing as being communist,

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Leninist, Stalinist, Trotskyist, anarchist or any other such exotic label. Being anti-capitalist does not mean “defending” regimes such as Stalin’s Russia, Pot Pol’s Cambodia, Mao’s China or even current day China for that matter. Being anti-capitalist, neither means refusing “progress” and living in poverty and categorically refusing anything which comes from the society we live in.”

Every effective system on the corresponding country has got its advantages and drawbacks. We can never blindly say about any socio-economic system that it is the perfect one used through time. We can only compare systems by their advantages as well as drawbacks each of them imposes on the society. Their net value applied in the entire society is what matters for a valid comparative analysis [4,5].

Given that, it is obvious for a junior level economist to admit that the capitalism cannot be called the best system ever. It can neither be called as an unreplaceable system nor can it be called as the only system that has proven itself. Thus, many analysts can easily make analysis of the all possible drawbacks that this system imposed. This constrained them to support an anticapitalistic approach and attitude and to try to generate alternative approaches to this ideology or system.

This paper makes a theoretical comparison between capitalism and some anticapitalistic movements that will shortly fall under four categories: Socialism, Anarchism, Marxism and Islamic Economy. The following subchapters show the drawbacks and advantages of these ideologies, in contrast to capitalism, in the perspective of the economic system.

Before starting this analysis, it is crucial to identify the main elements on the composition of the economic system. They are generally present in all the types of ideologies, but the way they are regulated and the way they interact with each other is different in different systems and ideologies. The way they are applied in the society, differs among systems as well [6-8].

We can refer to the economic system as a system which combines the internal resources of Labor, Land and Capital to produce goods and services and distribute them to the society for consumption. This process can be either derived by the supply of the producers which, according to the traditional manufacturing process pushes the production in the market regardless of the demand for that. It can also be driven by the customer demand used in Just-In-Time processes, where everything is produced according to the trends of the demand. The Labor, Land and Capital represent the internal sources of the economic system which are used to fulfill the process of producing, represented by the supply, and consuming, represented by the demand. In order for this chain to work properly and the flow goes effectively, external elements are needed as support. The first layer is represented by intermediate factors as regulations,

manufacturing and distribution. There are also external elements that might affect the way an economic system is defined and the way it works. These external elements might be classified as politics, history, culture and Technology. In the following analysis, all of these elements are compared among different ideologies.

Socialism vs. Capitalism

Socialism is a socio-politico-economic ideology which includes various economic and social systems, in which the ownership over the means of production belongs to the society. It is referred to as the social ownership as public, collective, cooperative or equity. The public ownership, otherwise called state ownership, or governmental ownership, is the ownership of an industry, asset, or enterprise by the state or a public body representing a community as opposed to an individual or private party. With the term “public ownership” it is not meant the offer of public goods and governmental services which are offered to the society by the budget of the state. It is indeed the ownership of the government over the industries which provide and offer goods and service to consumers in exchange for a payment. This ownership can be put over nations, regions, sub regions or municipalities.

Collective ownership is the ownership of means of production by all members of a group for the benefit of all its members. The size of this collection might extend from small group belonging a particular group or enterprise, up to all the people belonging the entire society. The members belong to this association by default. Cooperative ownership is quite likewise the collective ownership with the only difference that the members in that association became as such by their willingness. They own the association in a jointly manner and they unite in it to meet their common economic, social and cultural needs and aspirations.

Anarchism vs. Capitalism

Anarchist economics is the set of theories and practices of economic activity within the political philosophy of anarchism. Anarchists are anti-capitalists, with anarchism usually referred to as a form of libertarian socialism.

Anarchism supports personal property, but it opposes the private ownership. It seems like confusing but there is an essential difference between the two concepts. When it talks about the personal property it refers to the consumer and non-capital goods and services in terms of possession and use. Furthermore, it promotes their mutually use and distribution of the surplus generated by it. On the other hand, it refers to the private ownership as a discriminant relationship between the owner and the ones who own nothing. It mostly refers to capital or the production means.

Proudhon, the leading anarchist philosopher thinks that all individuals should express their free will in the engagement of certain financial activities without any restrictions except

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those arising by the concept of reciprocity. Anarchism supports the market and the property up to the extent that they do not exploit the employees. Moreover, it emphasizes that a clear distinction between what the productive property and the private property is, should be done.

Discussion

Capitalism is blamed to not have the possibility to solve the problem of unemployment. Especially in times of economic recession, without the intervention of the economy, the capitalist system cannot be able to increase the employment for a long period of time. The unemployment would cause miscellaneous problems in the economy. First, the unemployed people would remain without income. This would decrease not only the investing but also the purchasing power. A decrease in the purchasing power manifested by the declining demand would cause a decrease in production, thus providing a stoppage of the economic cycle. Moreover, the government would not be able to collect taxes, thus it would require higher borrowings, increasing so the budgetary deficit. One obvious social problem might be the alienation.

The anarchy on the other hand, even without the intervention of the government, can better control the situation of unemployment. As previously explained, it is based on the concept of mutualism, where the means of production are commonly owned. None in anarchism is left without the fulfillment of its basic needs. While in capitalism the job given to a worker is determined by the market conditions, in anarchism it is available for everyone who is able to do something. Moreover, as earlier mentioned, regardless of the pay for merit, it is accorded to everyone a basic wage to fulfill its basic needs. As such, even though the investing power might not increase for a period of time, the purchasing power will not decrease for sure. So, in this system there is no room for alienation.

Conclusion

In summarize, it can be concluded that the capitalism has precipitated in a super power concentrate on the hands of a majority, which believe to be the lords of the society. Unless regulated or well directed this power might erelong blow explosively. Undoubtedly there will be needed a regulatory object in order to deal with the one direction tale of this superpower. The market itself cannot be able to self-regulate. It is the nature of the market to try to maximize the

profits. As these profits increase, they will also concentrate and tailiate (word formation by the author to tell about something that extends in one direction by creating a tail). For that, a visible hand, unlike the invisible one of Adam Smith, should be incorporated to put some order. This hand, for sure, should represent the government. Even though it might be seen as an oligarchic body which serves his own interests, it is indeed the voice of the global population which seems to be unheard by the capitalism. If properly used, this mechanism would perform in the best way to set the missing equilibrium between what previously was represented by collectivism and what today is represented by individualism or capitalism. For sure, the unlimited power of the government is not a good thing to the world economic and social development, but with high possibility, neither it is the capitalism. What this paper generally suggests is the combination of these two for achieving a non-compromised and healthy economic and social continuous development.

Conflicts of Interest

The authors declare that there is no conflict of interest.

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