

FAILURES OF CAPITALISM

The operation of our capitalist economy has revealed two types of failures or defects of quite different import in an evaluation of capitalism.

I. ECONOMIC PROBLEMS of capitalistic economy comprise failure of various detailed portions of the economy to operate as efficiently as they should. There are remediable weaknesses such as:

- A. Banking Systems
- B. Issuance of the wrong kind or quantity of money etc.

II. BASIC DEFICIENCIES Specific defects as above may be evidence of more fundamental difficulties, but the latter are more comprehensive and persistent in their occurrence than the former. Basic defects arise from the serious failure of the foundation institutions to function to the end of promoting human welfare.

While the detailed defects presumably can be corrected by getting the various respective portions of the economy to function more nearly as they should in a capitalist system, basic defects, if they become sufficiently important, are to be corrected only by drastically remodelling or replacing one or more of the fundamental institutions of capitalism. Basic defects constitute the failures or weaknesses of capitalism which challenge its continued existence.

- a. Conflict Between Pecuniary Values and Human Welfare Since a dollar has no consistent and inherent relationship to human welfare, decisions made on a dollar basis may differ widely from decisions which would be dictated by consideration of human welfare.
- b. Economic Inequality -An unequal distribution of either the national wealth or national income. (one third of Canadian wage earners receive less than \$1,999.00 per year).
- c. Unearned Income If certain citizens consume without helping to produce the total pile of consumable goods and services, others must obtain from the pile less than they have added to it. (By buying and selling money, an individual neither produces goods nor performs services).
- d. Incentive to Create Scarcity It is a weakness of a capitalistic system that on numerous occasions it has offered business units powerful inducements to reduce production and restrict supply of goods.
- e. Waste Wastes of gross proportion have persistently resulted from the existence of competition. (Studies by the Brookings Institution indicate an average of about 20% of total United States production capacity stands idle)
- f. Business Cycle Depression, Recovery, Prosperity, Crisis. The most drastic and socially important results of crisis and depression periods or phases of business cycles are unemployed labour and idle production plants.



- g. Economic Insecurity    Uncertainty of the continuance of jobs or personal income.
- h. Individualism    This is a failure when decisions are made without regard for the decisions of others. An aggregate of bad decisions contribute to or cause boom and bust cycles.
- i. Trade    Interchangeability of sterling - rather than real wealth.
- j. Socially Disruptive Forces - self-interest, materialism running rampant.
- k. Lack of Balance - lack of co-ordination.

### ECONOMIC INSTITUTIONS

Each of the below mentioned institutions is a pillar without whose support capitalism could not be supported. Collectively, they comprise the institutional framework of the capitalist system. They are Capitalism.

1. The Economic Man
2. Private Property
3. Inheritance
4. Freedom of Individual Initiative
5. Competition
6. The Profit Motif