

# ECONOMIC SYSTEMS

---

Economic system embodies access to resources supporting the conditions of survival like food, shelter and security against threats to life caused by changes in environments, and social instabilities. The system ensures modes of production of goods and services beneficial for the community ensuring the security and survival of the members sharing the system. It is often based on ownership rights to properties, which are basis of food production and provides ground for building shelters and settlements. Economic system prescribes the way the rights to possession of resources and means of production are distributed among the individuals. Every economy assigns values to the objects people need according to the availability of the objects and the labor involved in bringing them to the market for consumption by others. Values originate from practices in the market, which can be either coercive or free. Free exchange is possible when the parties, exchanging good, enjoy parity of powers to defend self-interest and values of one's labor and innovation. When one side suffers from dire needs and extreme conditions of survival, the other side that may enjoy abundance of resources and are in a position to exploit weaknesses of the others, may downgrade the values of the objects and labor which the weaker partners provide. Thus a system of exploitation can be instituted.

To avoid the growth of such exploitative economic system, one needs consensus about what is justice in a society that can secure just values to different objects and services provided by different individuals in the community? As long as human beings operate as actors in the market as individuals seeking advantages, profits and more security for oneself at the expense of other's security of life, there is no other way to define justice above the principle of "might is right". Only the realization that one's security and quality of life depends on the security and quality of life of others can set the premise of justice where exploitations can be avoided. Love, compassion and solidarity are the foundations of such a just society.

Many argue that love and compassion are not too natural to human species: Human beings are propelled by self-interests and desire of possessing resources advantageous to oneself and the ones nearest to him/her. Sharing with the community as an equal member is not the natural instinct of man. Possession, control and dominance are more natural to our specie. Self-fulfillment is a greater drive for man to act than contributing to the welfare of others.

This philosophy and view of life have driven the modern capitalism. Prior to the rise of industrial capitalism, accumulation of landed properties in the hands of a few, while the majority lived by selling their labor and products as agricultural workers, defined the feudal economic mode. In such a feudal system the values were based on scarcity or abundance, and the needs of the population for particular goods or services. They possessed a character of more informal exchange. The feudal lords could generate wealth by methods of taxations and setting up hegemonic authorities over landed properties. When those feudal lords did not distribute wealth

for redressing the improvement of livelihood of people, and instead improvised the population, they were considered despotic.

These despots maintained their hegemonies of power by supporting clans and militia, who gained benefits for their loyalties. Organizing military power became a way of defending unjust systems. The political organizations evolved out of this process. In the evolution of the social justice, the religious groups took major roles in the feudal economy. Religious institutions, promoting an ethical view of justice, derived from religious scriptures or doctrines, became the competitors of the military despots. These religious men too built their power of influence over the agricultural resources, and labor. In the name of justice coming from Heaven, they amassed wealth and power, while the laity sank into misery, ignorance and superstitious beliefs.

Thus economics, politics and religions became interlinked and took institutionalized forms supporting different forces. Religion brought ethical foundation, while aligning itself to the exploitative mechanism of the despotic political rulers. The political organizations developed defenses of economic systems by military means. The ordinary people, who produced and supplied goods to the markets, became more and more helpless actors, who had to accept the values dictated by their masters.

### **Supportive elements of an economic system**

Every economic system has several supporting pillars which consist of different institutional mechanisms: The political mechanism helps to defend and secure the economic zone in which it operates. It is supported by military power whose success hinged on military-technological know-hows. It also governs the distribution and control of means of production and availability of labors for different production sectors.

Political organization also ensures legal system, which defends the interests of the workers, or abuses the working population. Such organizations decide what is right and ethical in a socio-economic framework. Rights to properties and securities against confiscation and thefts are among the main issues they are concerned about.

The efficient functioning of the market where people can exchange goods and services depends on the development of means of communication and transport, and thus relies on the presence of a social structure which can build and maintain these infrastructures.

Then there needs to exist rules of conduct in the market which may build trust on each other who exchange goods and services.

The sustainability of the market including production distribution and consumption depend on the willingness of the people to produce, exchange and consume.

The production chains cannot be maintained without availability of raw-material, and labor force and the source from where wages can be paid and raw-materials can be purchased. Initial

investment to finance the production in the form of money is an essential aspect of this mechanism behind sustainability of an economy.

The economy may fail in the lack of expertise and knowledge needed to generate the goods and services. It needs a steady infusion of innovation in order to increase the growth rate and ameliorate the working conditions of the workers. Knowledge and education are the backbones for sustaining a healthy economic growth and building environments in which the workers may feel content and motivated.

Thus an economic system is not any isolated enterprise of the society separate from political system, defense, education, communication and transport, and legal institution which ensures security and justice. In a healthy social-order, these pillars remain stable and can bring comfort and trust between those who invest and those who assure the functioning of the different elements supporting the economic life.

The society, which can accommodate justice and bring more freedom and comfort to the majority of the population and avoid confrontations and conflicts by infusing knowledge and education to people about the way harmony and peace may be established, becomes a more successful society.

### **Different economic systems**

Economic system which embodies different aspects of social order, as I have mentioned above, needs a governing authority for its functioning. The governing authority, who decides the legal premises, defends the economic interests by employing military means, and facilitates building infrastructures and educational and learning institutions, and stimulates investments, employments etc., is the actor on behalf of a state or nation of people. How the state should govern, and what are the visions and values which would guide the state in acting and forming a social-economic order? Who should sanction the state to build nation on ideas, which it can defend as the right way of governing the people?

In earlier time many kings/emperors had assumed the authority by declaring themselves as the representatives of Heaven and God. They made people believe that through their mediation the Divine plans were manifest in the world. In more primitive societies, the persons claiming the power of magic and connecting to the spirit world had taken the role of being the moderator between the invisible world and the life on Earth. The imagined Heaven or the invisible Spirit world was the realm which provided the rulers with the authority to shape and build communities and states according to their whims and ideas. Thus religious beliefs had played central roles in the pre-scientific age. Many despots, who could organize military means to conquer and subjugate people with power, allied with religious leaders, often conferred upon themselves authorities and rights to rule. The people's fear of the power of Heaven, existing outside the sphere of the mortals living on Earth, had been utilized in promoting ideas in building states.

In the traditional agriculture based society kings and religious men distributed among themselves the authorities to enact laws, organize institutions, and employ people in economic activities.

The growth of trade across nations and particularly the success of the western merchants in colonizing large parts of the world, brought changes in this order “organized” between Heaven and Earth. Merchants carved in their power base in the social-economic sphere without the sanctions of the traditional actors. Then industrialization came. The power of the bankers and traders grew, who began to assert themselves more and more over heavenly and kingly powers. When capitalism became the “mode operandi” of the society, capitalists allied themselves to the religious forces to gain greater acceptance of the people of their roles as extended hands of the state.

The alliance of the religious leaders, capitalists and the feudal lords came to be challenged by the rising power of the intellectuals and scientific men, who understood the falsity of Heaven and the conspiracy of the ruling class to keep the mass in chains. The socialist revolutions began. Marx declared religion as the opium of the people and professed a “scientific” theory of history on the basis of the philosophy of dialectical-materialism. It builds on the idea that history at every juncture develops contradictions and conflicts, which leads to new contradictions and conflicts once the old contradictions are resolved. These contradictions arise from the material nature of the world and its laws. There is no Heaven and God behind the movements of historical development of the human societies. The material conditions and conflicts of interests and method to produce livelihood and control of the community by different means, decide the evolution of history. There exists no heavenly hand behind this process.

The socialist revolution, which brought private properties under state control, and emphasized about the good of the community and freedom of the working class as a priority in social development, was followed by the peasant revolution in China, known as “Maoist revolution”. It set as its goal to eliminate the traditional cultural elements in the society, which have conspired to keep the mass in chains. It attacked temples and learning centers which taught about the heavenly way and the power of the rulers derived from Heaven. Peasants were equipped with guns to bring changes in the old order. Properties were confiscated, the class enjoying pleasure and leisure were sent to fields to till, and communes were established to provide food, health, shelter and justice to the oppressed. Those, who once remained prisoners of the proprietor class, took over the power of deciding over their own destinies, under the leadership of the Communist Party. Atrocities and bloodshed followed.

In contrast, the capitalist social-order emphasized on the private ownership of properties and means of production and the “sanctity of the free-market” which was driven by the supply and demand. The philosophy of making profits and thus generates wealth, which further was invested to make more profit and wealth, drove the dynamics of accumulation of wealth and property. The belief, that without such interests in making one’s fortune, the human beings would not engage in economic development of the society, was accepted as a natural behavior of human

kind. Human beings, in this system, were seen as economic animals, who preyed on each other to compete, survive and dominate.

The role of the state in the capitalist system was to guarantee the security of the free-market economy and thus promote the individual freedom of greed. Laws were meant to secure private ownership and preventing others in trespassing one's private sphere.

Democracy and human rights became important slogans in this system. Human rights often meant the rights of the individuals in participating freely in shaping the socio-economic sphere. In countries where the capitalism won unchallenging position, the power of democracy was defended against any authority in deciding over the affairs of the people. While the people remained enchained in production and consumption, the religion provided the ideology in support of the capitalistic freedom. Moreover, these capitalist nations acted from a "higher" ground of military and technological advantages over other nations and people. By supporting the democratic system which provided such advantages, the people of the so-called democratic nations found ways to maintain their hegemony over the rest of the world. The people comprising small percentage these democratic nations continued consuming the largest chunks of all resources in the world.

Democracy and human rights became instruments of the capitalist nations to tear down the powers which tried to create any socialist or communist states. India, the crown in the British Colony, became the "biggest democracy" of the world—a democracy of the poverty stricken illiterate population, which could be easily manipulated along caste and religious lines. Along with it, the age-old feudal culture, cast its shadow in a democracy where caste and class divisions of extreme poor and extreme rich had remained the greatest evil of the society.

In countries which lay in the peripheries of the main industrialized nations in the West, where primary economy was substantive, a mixed economy evolved like in Scandinavia. The lack of manufacturing industries seeking outside market and absence of colonial privileges to infiltrate markets of other countries left these nations to develop a less exploitative economy. Though capitalism entered, it was brought under some government control – a sort of socialism that favored the welfare of the mass, instead of generating an extremely rich class.

### **Socialism and Communism making roads for Capitalism**

The main ideas challenging the capitalism were the socialism and Maoism, which came into life in the twentieth century. Socialism professed the idea of the ownership of the means of production, and the power of distribution of profits in the hands of the workers. With it the financial control was left with the state, where the workers played central roles in its governance. While socialism stressed on the necessity to work and produce in order to earn livelihood and enjoy an equal quality of life by sharing the fruits of production, the communism went a step further. It professed the idea of a society where everybody would receive what they needed for

living - not necessarily based on the amount of labor provided by the individuals. It was an idea of a utopian world.

Marx believed that the capitalistic mode of production and exploitation would alienate human beings, who would revolt and the workers will finally take over the control of the means of production, and the control of fair wage payment in their own hands. He argued that the demise of Capitalism was inevitable in history – like a law of nature. In his view the contradiction brought by capitalism, as a system of freedom where only a few enjoyed the luxuries of life of leisure and pleasure at the cost servitude of the mass, would be resolved by the rise of socialism.

In fact, this philosophical idea never materialized. No revolution occurred in the countries where capitalism flourished with industrialization. Instead, socialist revolution took place in a less advanced economy, like in Russia. It was a revolt against Czarist feudal system and exploitations of the laborers in the military industries. The revolution gave birth to a centralized economy controlled by the state. The other revolution took place in China in an agrarian setting suffering from the colonial history. It became a peasants uprising against the propertied class, who utilized the old-age feudal mechanism of exploitation.

However, none was the result of the growth of the industrial capitalism and its exploitation of the workers, as Marx had envisaged.

The rise of the state control in the socialist and Maoist states resulted in the stop of any investment from the capitalist countries to the economies of these nations, and brought slowdown in the process of industrialization in these poorer nations. At the same time the reconstruction of Europe after the Second World War brought industrial advancements in the West in leaps and bounds. With it the gap between the North and South increased.

Moreover, the newly independent nations, freed from the colonial powers, took inward looking policies in order to avoid being exploited by their former masters. Some took to authoritarian military rules (authoritarianism and economic growth became synonymous). It became a period of exploitations of the mass by the local elites, keeping ties with the undemocratic setup and methods of the colonial rulers. In this state of transition of the world, the ideas of socialism took various shapes, fitting with the cultural makeup and the historical characters of the nations.

The world got divided into two blocks: capitalists included some dictatorial rulers of the developing nations, while the socialists appealed to the intellectual class aspiring to free their countries from the hegemonies of the capitalist powers and their support of authoritarian dictators.

Soviet Union, which became the leader of the International Socialist movement, became authoritarian in turn, and failed to live up to the aspiration of freedom of the people. Moreover it generated corruptions of power and links between the party bosses and the economic life of state driven production mechanism. The managerial class and the bureaucrats became the new elites

of the society, while the workers and the ordinary people became more passive under the socialist development. The state provided the basic housing, health and education, while depriving people of freedoms of expressions and creativity not sanctioned by the state. Socialists propagandas, which failed to bring human development outside the narrow interests of the elites controlled by the party, made such a system stagnant.

Maoism took to violence and oppression of the intellectual and cultural elites of the society based on the idea of creating a nation free from enemies of the peasants. It was peasant revolution led by armed mass, who saw other ideologies as enemies of the people. They tried to uproot the nation from its past cultural legacy.

The capitalist nations in the West counter acted this development by their emphasis on human rights and democracy – particularly, the civil and political rights of the individuals in support of the freedom of belief, faith and view. The socialists and communists stressed on the rights of development of the people – particularly education, food and health facilities for all.

The rising influence of the radio, television and mass media across the globe and the integration of the communication technology across the nations, have exposed to the world the “superiority” of consumer freedom which the capitalist economy professes against the meager consumer life which the socialist system is able to produce. With the power of advertisement the world has been eluded to believe in the type of freedom which lies at the heart of a consumer oriented culture.

Socialist Russia and Communist China, together with all others, who once saw freedom in the hands of the state controlled mechanism, have now realized the power of the consumer culture. They have all adopted some form of capitalism, though somewhat different from the Anglo-Saxon Capitalism one knows from the past. Thus capitalism is reorienting itself into different directions in Russia, China, India and some other Asian and Latin American states. They are being called by different names: Red-Capitalism, Crony-Capitalism, Oligarchic-Capitalism etc.

### **New capitalistic paths**

In the beginning of 1980s China took to capitalist path of its own type. It began from the agricultural production sector and co-operatives. Private ownership brought growth. This capitalism was governed by the Chinese Communist Party. The party bosses and bureaucrats became the driving force behind the economic model. Under one party dictatorship a policy of economic development in line with capitalistic mode of production and free-market brought accelerated economic development in China. The party, steered by technocrats, businessmen, and bureaucrats adopted unconventional ways of success in the economic development. The laws and rules were adjusted, broken or overlooked in order to achieve the economic target. It brought the global consumer culture to China and with it an unprecedented economic investment by the West in the Chinese economy. Cheap labor and huge disciplined work force brought great advantage to China in exporting goods to the West and accumulating wealth. Now Chinese

economy has become so robust that it has started buying in the industrial sector in the West and becoming a big lender in the international monetary market.

Russia saw the demise of Socialism in the early 1990s. The collapse of the Soviet Union set a new chaotic dynamics in the Russian economy. The shadow economy which was run by mafias during the Soviet era became the leading force in the new Capitalistic venture. The party bureaucrats and managers, who always took advantages of their political powers in an authoritarian system, collaborated with the rising economic class in order to get their shares of the economic “looting” of the country. The foreign investors joined the fray and added their contributions in the chaotic development of the economy. Mafia links, criminal practices and abuse of connections to power elites created new Russian oligarchs in the post Soviet Union. The attempts to bring order in this corruption and chaos by authoritarian means were counteracted with the demand for human rights, democracy and individual freedom supported and financed by the Western capitalists. It became a golden opportunity for them to dismantle a power structure which could threaten Capitalist world with military means.

In India, the socialism of Indian kind, introduced by Nehru after independence, gave rise to Capitalism of Indian style. It started in the early years of 1990s with liberalization and opening up of the economy for investment. By then India has been freed from its Socialist ties with the Soviet Union. The demise of the Socialist ideology and state control of the heavy industries, opened India to jump into capitalist path. The IT industries became a way to enter into this capitalist adventure. The huge intellectual work-force of scientists and engineers brought a boom to Indian growth. The consumer culture entered India with the investors from the West- especially the US-Indians.

Indian capitalism took its own route based on the traditional oligarchical and feudal nature of the society. Before that there was a monolithic structure already laid by a few families dominating the Indian economy. The concentration of huge fortunes in a few hands still characterized the Indian Landscape, known for “Maharajas” from the past. Bribes, corruption and overpowering legal systems with powerful political connections and became symptomatic of Indian Capitalistic growth.

Amidst this India runs its “biggest show of democracy in the World”. The purpose of this democracy is not to empower people in freeing themselves from systems bringing disparities and unequal shares in the society, but to mass mobilize illiterate population to serve the interests of groups, who harness the political forces of the nation. Illiteracy, caste, cheap entertainments supplied by film and TV industries adds to owe of the people. It halts efforts in building a system that may empower the unprivileged and poor to come out of the clutch of the oligarchs of this “Elephant- Capitalism”. Privately owned media-channels which flourish at an increasing rate vigorously defend this democracy, as means of competition for economic and political powers among the “Oligarch-Capitalists”.

In other parts of Asia, like in the ASEAN countries, the capitalism is taking their indigenous shapes according to the pre-colonial social structure and the dynamics of history brought forth by the conflicts between the capitalist West and the socialist Russia and communist China after the Second World War.

### **Global economic crisis: Back to Socialism?**

In a globalized economy investments are moving across countries in search of higher profits, brought by cheaper skilled and unskilled labor forces and availability of raw materials, combined with less government regulations controlling the foreign investors. Capitalist's holy mantra is: "Profit and more profit" and create money from nothing by utilizing the mechanism of stock-exchange and dubious banking practices.

The growth of the Asian economies has occurred in parallel with the slowdown of the economics of the Western World. In 2007 the Western economies faced a major crisis due to lack of faith in the banking system bringing a stock-market collapse. It was the biggest financial crisis world had seen since the financial crisis of 1929. It implied the deficiencies of the Capitalist economic theories and forced the Western Governments to help the free-market economy by state-intervention (which resembled socialist ideology).

Since the economic crisis of 2007, the Western economy is heading towards recession. The biggest economy of the West – the US- is debt ridden. It has incurred debt to the level that warns of a serious repercussion in the future of the world economy. The Eurozone economy is in turmoil creating huge unemployment and economic dismay in countries like, Greece, Spain, Portugal and Italy. Their economies are being salvaged by the European Central Banks. Free-market mechanism seemed to have lost its dynamics by which it survived so long.

It is becoming increasingly clear that a new monetary and financial mechanism must emerge before the world can find peace and stability. In this critical moment, the access to energy- particularly oil- is becoming important factor for a new geopolitical orientation. So the fear of war for gaining dominance of the oil resources is also increasing.

It is quite possible that a conflict around oil resources may bring on the world a new war soon. The outcome of the war will decide the framework of a new global economic system.

The discussion of the enlightened world, which I have embarked on, needs to take this history and perspective in mind.

My position is not to take the historical conditions as the prime mover of the human civilization. The history is a product of the human will and conflicts of interests among groups of human beings possessing different states of evolutions of the mind. So far, the lower nature of man has come out as triumphant in history by accumulating power and wealth in a few hands. The innovations and creativity has been directed towards dominance of one over the other, and

abused in the form of inventing military technology in support of the animal instincts of preying on others and securing one's dominance in nature.

I see history as a ground that takes shape according to the will and actions of human beings. It reflects no other laws of nature or mind beyond what evolution of human consciousness reflects. As I have explained in the context of the enlightened world, human consciousness has many levels- from lowest level, inspiring animal behavior, to the highest form where man identifies oneself as a cosmic being, who is one with all. In this higher level, love and compassion and the consciousness of unity of all existence become the bearer of the will and provide initiatives for modes of actions which may shape a new history.

Leaving man to his/her lower nature will create a history which we have witnessed in the past and witnessing now. We need to dismantle the structures which we have built on such ground, and usher in a history of the "higher-man", instead. It needs a total transformation of awareness and knowledge of man of himself /herself and the vision of the possibilities of human kind to ascend to a higher-stage. With this knowledge, vision and awareness one must build a new framework of history. This implies a vision of "revolution" and the beginning of a new era.

Elements of history, which have kept human kind a prisoner of the lower animal instincts, must be replaced by higher-values and awareness of the possibilities of our life as bearers of the cosmic mind. Man is the maker of his/her own history; not any fictitious force other than man's will is the foundation of our path of evolution and growth.

To steer ourselves as a bearer of the great cosmic mind, we must know who we are, where we are and why we are? What roles can we play in this cosmic stage? What should be our destination in this amazing Universe?

So we need to conceive our position and relations with the rest of the creation first. We must have answers to ourselves about the questions I have posed. The way we see ourselves, will decide our path. Before describing the nature of the enlightened world I have presented the basic views about the universe and meaning of life in the beginning. It is fundamentally different from the views about universe and life, which are foundations of modern culture today. We need a change of paradigm before any changes can be brought to our civilization: I have already discussed about the new paradigm which may build the new foundation of history for mankind.

Equipped with new paradigm and vision for the future, we need to institute economic and political systems, which would be bearer of the new civilization. I have called the envisioned political system as "Enlightened Democracy", which I have described at length in another writing.