1. **Question: Define the meaning and growth and development of capitalism to the study of comparative government and politics.**

**Answer**

Adam Smith was called the father of capitalism. Other exponents of capitalism were -Jeremy Bentham John Stuart Mill, Ronald Dworkin Richard Rorty Francis Fukuyama, Thomas Hill Green, Laski, MacIver, John Galbraith, J.M. Keynes, Robert Nozick etc.

**Meaning**

Capitalism is an economic system based on the private ownership of the means of production and their operation for profit. Central characteristics of capitalism include capital accumulation, competitive markets, a price system, private property and the recognition of property rights, voluntary exchange and wage labor. In a capitalist market economy, decision-making and investments are determined by every owner of wealth, property or production ability in capital and financial markets whereas prices and the distribution of goods and services are mainly determined by competition in goods and services markets.

**Definitions**

1. *“Capitalism is a system of economic organization featured by private ownership and the use for private profit of man-made and nature made.”* Prof Loucks
2. *“In its own pure form, free enterprise capitalism is a system in which privately owned and economic decisions are privately made.”* Ferguson and Kreps
3. *“That system of economic organization in which the free enterprise, completion and private ownership of property generally prevails”* Prof. R. T. Bye

**Growth and Development of Capitalism:**

The history of capitalism is diverse and has many debated roots, but fully fledged capitalism is generally thought by scholars to have emerged in Northwestern Europe, especially in Great Britain and the Netherlands, in the 16th to 17th centuries. Over the following centuries, capital accumulated by a variety of methods, in a variety of scales, and associated with much variation in the concentration of wealth and economic power. Capitalism gradually became the dominant economic system throughout the world. Much of the history of the past [500](tel:500) years is concerned with the development of capitalism in its various forms. The growth and development of capitalism can be divided as the phases;

1. **Collapse of Medieval Economy:** During the second half of the fifteenth century of medieval period, the trade and commerce developed at a rapid pace. A number of technical improve­ments in the realms of metallurgical production, textile manufacture, navigation, armaments, clock-making, astronomical instruments, invention of printing, all these gave a mighty impetus to the growth of productive forces and encouraged persons to take new initiative. So the growth of mercantile capital and productive forces resulting from scientific inventions and technical improvements accelerated the disintegration of medieval economy.
2. **Industrial Revolution:** The manufacturing industries of the sixteenth and seventeenth centuries helped the progress of industrial capitalism. The Industrial Revolution of the second half of the eighteenth century provided a further impetus to the growth of manufacturing industry. Large-scale industrial production was possible by a series of scientific inventions. The Industrial Revolution released countless workers and peasants from the feudal economy and small-scale industrial units and brought them within the four walls of big manufacturing industries. In the sixteenth and seventeenth centuries a new class bourgeois emerged.
3. **Manufacturing System:** According to Marx there is a very close relationship between industrialization progress of capitalism and setting up of manufacturing industries. Capitalism is the greatest manifestation of establishment of manufacturing industries. The owners of manufacturing industries exploited the workers in various ways. The workers could not keep pace with the rapid technical progress of the manufacturing industry. Many of them were treated as unskilled workers and were given minimum wages. With the introduction of new machinery capitalism makes a new stride in its own development.
4. **Revolutionary Character of Capitalism:** Capitalism cannot fix its position at a particular point. It must go ahead. To achieve the supreme goal the capitalists constantly revolutionize the modes of production and throw away the out-dated and irrelevant ones. By means of machinery, chemical processes and other methods, it is continually causing changes not only in the technical basis of production, but also in the functions of the labourer. It thereby also revolutionizes the division of labour within the society. The capitalists revolutionize not only the means of production by introducing new machinery, but also the outlook, attitude and behaviour of people.
5. **Capitalism’s Conquest over Nature:** The bourgeoisie felt that the growth of capitalism would be faced with the retardation if it failed to conquer nature and with the avowed purpose to accelerate the progress of capitalism concerted efforts were made to harness nature. It is to be noted here that capitalists did it not with a mind to society’s welfare. The manifold discoveries expanded industry and created industrialism. The chemical science with its discoveries revolutionized agriculture. Through the conquest of agriculture capitalism conquered nature. With the help of science and technology distant parts of earth were brought under cultivation. Irrigation system was improved. The capitalists were not willing to depend on the whims of nature.
6. **Capitalism as a Global Phenomenon:** It has been diagnosed by Marx and Engels that by the seventies of the 19th century the expansion of capitalism turned out to be a global phenomenon and capitalists can be credited with it. It spread its branches in the every nook and corner of the world. The bourgeois class was forced to set up new markets. Not only capitalism created new markets, but it imposed a civilization which it embodies upon the people of new markets. The sole purpose of capitalism was to change both the base and the superstructure.
7. **Imperialist Stage of Capitalism:** For exploitation and accumulation capitalism expands which is not unlimited. However, it reaches a final stage of its expansion and this stage has properly been named by Lenin as imperialism. In his famous and classic definition he has said that imperialism is the highest stage of capitalism. The capitalists, in order to keep the momentum of expansion and consolidation of power, seek to set up markets in the far-flung areas of the globe. But the economic interests cannot be fully safeguarded without the capture of political power. Lenin has also said that if it is necessary to give the briefest possible definition of imperialism we should have to say that it is the monopoly stage of capitalism.

Thus, different factors are responsible for the growth of capitalism in the European countries.

**5. Question: Define Capitalism. Discuss the features of Capitalism.**

**Answer**

**(For the first part of the question see the first part of the answer of Question No 4)**

**Capitalism has certain features.**

1. **Private ownership:** The first one is, it is characterized by the private ownership over the means of production. The state ownership is never a guarantee of economic development; rather, it hinders the growth. The capitalists view is that the state control of the means of production ultimately leads to the control of private life of individuals; the classical thinkers of capitalism are of opinion that in a state control system the proper progress of science and technology is really a far cry. To sum up, private ownership is the only way and objective of capitalism.
2. **Market-economy:** Capitalism is called market-economy. Before the emergence of capitalism people generally produced their own requirement and the exchange system was as a means of meeting the demands of the people. The invention of market-economy by capitalism is a great landmark. For the sale of the commodities the capitalists develop a well-knit and well organized distribution system under their own guidance and control. Another aspect of the market economy is that manufacturers produce the articles required by the consumer.
3. C**ompetition among the manufacturers:** Another feature of capitalism is competition among the manufacturers. Since the consumer is sovereign, capitalists compete among themselves to satisfy the consum­ers. Thus, the principle of consumer sovereignty leads to the competition among the manufacturers.
4. **Development of Science and Technology:** Experience tells us that the capitalists spend a lot of money for research and this is one of the many causes of the progress of science and technology in capitalist’s countries. After the Second World War the miraculous development of technology in Japan and Germany is normally treated as contribution of capitalism.
5. **Profit making and profit motive:** We can call profit making and profit motive as important features of capital­ism. Profit acts as the greatest impetus of expansion. Moreover, out of the surplus value the capitalists build up the investment fund. Hence the survival of capitalism without profit is impossibility. During the Middle Ages both profit and interests were highly condemned and because of that reason industry could not develop at all. In capitalism this profit is the main source of dissension between capitalists and proletarians. Through the system of profit or surplus value capitalists exploit the workers.
6. **Capitalism is called Elite Democracy:** In capitalism the elites control the power of the state. So the fruits of democracy are enjoyed by the elites. The majority people are deprived of democracy. The elites always represent the economically dominant class and the laws are formulated at the behest of the elites. The capitalist democracy is called the democracy of the elites.
7. **Instrument of exploitation:** The most important characteristic of capitalism is that here the state is an instrument of exploitation. The capitalist class uses the state machinery for its own purposes to suppress the agitation or movement of workers. It is a puppet at the hands of the bourgeoisie.
8. **Multiplicity Party System:** Capitalism admits of multiplicity of opinions and views. For this reason we find numerous groups and organizations and more than one political party in any capitalist system. There are also conflicts among groups and parties. Since the whole economic system is under the full control of the bourgeoisie the workers’ party has hardly any scope to change their lot. The party of the powerful class controls both economics and politics. Again, the bourgeois parties have no ideological difference. In USA, the Republican Party and Democratic Party are two sides of the same coin.

The writer of the article published in Bottomore’s book has summarized the features of capitalism in the following way:

1. Capitalism is characterized by production for sale rather than own use by numerous producers.
2. In capitalism labour power is bought and sold like any other commodity. In capitalism it is called labour market.
3. In capitalism the capitalists control the purchase of labour, production of commodities, the sale of these commodities, working hour and everything which is connected with production.
4. Capitalism also controls the entire financial system.
5. In capitalism there are various types of competition among the capitalists.
6. To tide off the undesirable effects of competition the capitalists spend huge amount of money for the invention of new machinery and improvement as well as innovation of the existing one.

1. **Question:** **Define capitalism.** **Discuss the merits and demerits of Capitalism.**

**Answer**

**(For the first part of the answer see the first part answer of the question No 4)**

**Merits and Demerits of capitalism**

**Merits of capitalism**

1. **Helps Political Freedom:** Economic freedom helps political freedom. If governments own the means of production and set prices, it invariably leads creates a large bureaucracy which may extend into other areas of life.
2. **More Efficient:** State-owned firms often tend to be more inefficient. On the other hand, firms in a capitalist society are more efficient and produce goods which are demand in markets. These incentives create the pressures to cut costs and avoid waste.
3. **More Innovation:** Capitalism has a dynamic where entrepreneurs and firms are seeking to create and develop profitable products. Therefore, they will not be stagnant but invest in new products which may be popular with consumers. This can lead to product development and more choice of goods.
4. **Economic growth:** The innovation in economic field helps to increase real GDP and lead to improved living standards. This increased wealth enables a higher standard of living; in theory, everyone can benefit from this increased wealth, and there is a ‘trickle-down effect’ from rich to poor.
5. **There are no better alternatives:** As Winston Churchill, “It has been said that democracy is the worst form of government except for all the others that have been tried.” A similar statement could apply to capitalism.

**Demerits of capitalism**

1. **Monopoly power:** Private ownership of capital enables firms to gain monopoly power in product and labour markets. Firms with monopoly power can exploit their position to charge higher prices. See: Monopoly.
2. **Social benefit ignored:** A free market will ignore externalities. A profit maximizing capitalist firm is likely to ignore negative externalities, such as pollution from production; this can harm living standards.
3. **Inherited wealth and wealth inequality:** A capitalist society is based on the legal right to private property and the ability to pass on wealth to future generations. Capitalists argue that a capitalist society is fair because you gain the rewards of your hard work. But, often people are rich, simply because they inherit wealth or are born into a privileged class and this creates inequality in society. Societies which are highly unequal create resentment and social division.
4. **Boom and bust cycles:** Capitalist economies have a tendency to booms and busts with painful recessions and mass unemployment.

Most economists take a nuanced approach to capitalism. Supporting broad principles of free-market, but concerned with abuses of free markets, such as monopoly, inequality and externalities. However, some like Hayek are more passionate in support of limited government intervention and virtues of capitalism.