

Dr. Mithilesh Kumar Singh

Capitalism and it's features

Capitalism is that type of economic system in which all means of production are owned and controlled by private individuals and businesses organizations. Under capitalism, all farms, factories and other means of production are the property of private individuals and firms. They are free to use them with a view to making profit. The desire to earn profit is the sole consideration with the property-owners in the use of their property.

Under capitalism everybody is free to take up any line of production he wishes and is free to enter into any contract with a view to earn profit.

Definitions

(1) Prof. R. T. Bye has defined capitalism as “that system of economic organisation in which free enterprise, competition and private ownership of property generally prevail.” Thus, the definition hints at the major features of capitalism.

(2) In the words of Prof. LOUCKS:

“Capitalism is a system of economic organisation featured by the private ownership and the use for private profit of man-made and nature-made capital.”

Capitalism from Mc Connell view is:

“A free market” or capitalist economy may be characterised as an automatic self-regulating system motivated by the self interest of individuals and regulated by competition.”

Features of capitalism

1.Private Property and Freedom of ownership:

A capitalist economy is always having the institution of private property. An individual can accumulate property and use it according to his will. Government protects the right to property. After the death of every person his property goes to his successors.

2. Right of Private Property:

The most important feature of capitalism is the existence of private property and the system of inheritance. Everybody has a right to acquire private property to keep it and after his death, to pass it on to his heirs.

3. Price Mechanism:

This type of economy has a freely working price mechanism to guide consumers. Price mechanism means the free working of the supply and demand forces without any intervention. Producers are also helped by the price mechanism in-deciding what to produce, how much to produce, when to produce and where to produce.

This mechanism brings about the adjustment of supply to demand. All economic processes of consumption, production, exchange, distribution, saving and investment work according to its directions. Therefore, Adam Smith has called price mechanism as the “Invisible Hand” which operates the capitalist.

4. Profit Motive:

In this economy the desire to earn profit is the most important inducement for economic activity. All entrepreneurs try to start those industries or occupations in which they hope to earn the highest profit. Such industries as are expected to go under a loss are abandoned. Profit is such an inducement that the entrepreneur is prepared to undertake high risk. Therefore, it can be said that Profit Motive is the SOUL of capitalist economy.

5. Competition and Co-operation Goes Side by Side:

A capitalist economy is characterised by free competition because entrepreneurs compete for getting the highest profit. On the other side buyers also compete for purchasing goods and services. Workers compete among themselves as well as with machines for taking up a particular work. To produce goods of the required type and quality workers and machines are made to co-operate so that the production line runs according to schedule. In this way competition and co-operation go side by side.

6. Freedom of Enterprise, Occupation and Control:

Every person is free to start any enterprise of his choice. People can follow occupations of their ability and taste. Moreover, there is the freedom of entering into contract. Employers may contract with trade unions, suppliers with a firm and one firm with another.

7. Consumer's Sovereignty:

In a capitalist economy a consumer is compared to a sovereign king. The whole production frame works according to his directions. Consumer's tastes govern the whole production line

because entrepreneurs have to sell their production. If a particular type of production is to the liking of consumers, the producer gets high profits.

8. It arises Class Conflict:

From this class-conflict arises. The society is normally divided into two classes the “haves” and the “have-not’s”, which are constantly at war with each other. Conflict between labour and capital is found in almost all capitalistic countries and there seems to be no near solution of this problem. It seems that this class-conflict is inherent in capitalism.

9. Leading Role of Joint Stock Companies:

In a joint stock company, business is carried on by a board of directors which is democratically elected by the shareholders of the company at its general body meeting. In view of this, it has been said that Joint stock Companies “Democratic Capitalism”.

However the real functioning of the corporate sector is not really democratic because there is one-share-one vote election. Since, big business houses own a majority of the shares of a company, they manage to get re-elected and the company is run as if it were their family business.

10. Important Role of the Entrepreneur:

The entrepreneurial class is the foundation of capitalist economy. The whole of the economic structure of the capitalist economy is based on this class. Entrepreneurs play the role of leaders in different fields of production. Presence of good entrepreneurs is a must for healthy competition. Entrepreneurs are the main sources of dynamism of the capitalist economy.