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WITH OTHER SYSTEMS?

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Three centuries of capitalistic experiment present a mixed picture of unprecedented achievements in the fields of economic development, productivity, creativity, and innovation, as well as disasters and inequities in social and human realms. Advocates and adversaries of capitalism agree on its tremendous wealth creating contributions.

It has been claimed, for example, that the volume and variety of economic achievements under its aegis have surpassed those of humanity in the entire pre-capitalist era. The alternatives to capitalism that have been tried and tested during the last one and half centuries, despite some positive contributions, have lagged far behind in their wealth creating potential, and have disintegrated under the weight of their own follies.

Capitalism on the other hand, seems to have survived all the vicissitudes of time. The pivotal role of the individual and the infrastructure of freedom, effort, opportunity, and meritocracy have established the credentials of the system and demonstrated its relative superiority over the alternatives that challenged it.

The market mechanism, despite its weaknesses and failures has turned out to be a more efficient arrangement for economic decision-making. Moreover, capitalism has also shown remarkable inner resilience and a capacity to change, adapt, adjust, and create new forms, instruments, and structures to face new challenges both from within and without.

The system has also shown a capacity to transcend geographical boundaries. While it is difficult to establish a causal relationship between capitalism and democracy, by and large, it can be inferred that the prospects of compatibility between capitalism, democratic processes, and freedom are relatively great.

There is however another side, which is rather ugly and distressing. The affirmation of individualism is a great human achievement, but individualism alone cannot ensure a healthy and harmonious social system. Society and state are important aspects of human life. Individuals do not live in vacuum. They live among other humans and a network of institutions. A healthy, just, and sane society comes into being only if there is a balanced relationship between the individual and society.

In any society there are bound to be conflicts of interest between individuals, but every system needs to develop mechanisms to resolve those conflicts in a manner that the well-being of the individual and the welfare of society are both achieved. Personal good and public good make up the matrix of a balanced society. If socialism erred on the side of collective extremism, capitalism's failures can be traced to its emphasis on an unbridled individualism.

Around the mid-18th century, today's major capitalist countries and most of the Third World countries were roughly at identical levels of economic development and well-being. Three centuries of capitalist development have changed the situation to such an extent that, at the advent of the 21st century, the richest countries of the world with only 20 per cent of the world's population, own 87 per cent of the world's GDP; the corresponding share of the remaining 80 per cent of the world's population is only 13 per cent. This seems to be the unavoidable result of the logic of the market place, and underpins the need for extra-market arrangements to redress the situation.

Economic development has been a positive achievement, yet there are strong reservations as to how far this has led to the welfare and well-being of all sections of society. Human needs have an objective dimension, but needs as such are not of direct relevance to the calculus of capitalism. What is relevant are wants, i.e. needs backed by purchasing power. This then introduces a major new dimension into the equation. Purchasing power is determined by the distribution of income and wealth in society. But when an economy suffers from gross inequalities, its priorities of production and consumption are not in keeping with the needs of the majority of people in that society. This is the dilemma of capitalism. The market responds to subjective wants, not objective needs. While some inequalities of income and wealth are acceptable, even inevitable, in order to maintain effective incentives and achievement-oriented rewards, extreme inequalities distort the entire spectrum of a society's productive and consumptive priorities.

Capitalism claims to be a universal system based on a set of natural principles. Its global reach is undeniable. But its inclusiveness and social desirability is open to question. How far its politico-cultural context remains an inalienable part of its economic ethos remains debatable. What is universal and adaptable by others, and what is specific to its Euro-American historical background and cultural ethos?

Is it possible, then, to detach its principles and precepts from the moral values and traditions that acted as the womb for the gestation of the embryo of self-interest into its economic imperative? Self-interest, as such, has been a great creative force. But once it is promoted as the only motivating force, the normative considerations that could safeguard social interests are marginalized.

When the market mechanism becomes the sole arbiter of the desirable and undesirable - a virtual source of values - the result is that ethical norms are gradually eroded and the dimensions of justice grossly violated. The realities about different countries' varied levels of development and socio-cultural aspirations do not admit the relevance of one economic model for all societies or provide a mosaic for contemporary mankind.

The global economy, like global society, cannot be encased in one model. Instead, an open and just world would have to be genuinely pluralistic, with link-ups and inter-relations that enable all people, societies, and states to reap benefits through co-operation as much as through healthy competition.

This view of the vast majority of intellectuals of the Third and Muslim worlds is shared by several enlightened thinkers in the West. According to Lester Thurow, the danger is not that capitalism will implode as communism did. Without a viable competitor to whom people can rush if they are disappointed with how capitalism is threatening them, capitalism cannot self-destruct.

Pharoanic, Roman, Medieval and Mandarin economies also had no competitors and they simply stagnated for centuries before they finally disappeared. Stagnation, not collapse, is the danger. The intrinsic problems of capitalism visible at its best (instability, rising inequality, proletariat) are still out there, waiting to be solved, but so are a new set of problems that flow from capitalism's growing dependence on human capital and brainpower industries.

The issue is not merely one of brainpower. More importantly it relates to the whole moral, social, cultural, spiritual, and political context of mankind. The shift of emphasis from machine to mind represents a qualitative shift in the global human situation. This brings the moral question to the centre of the debate and consequently concerns for justice become the real focal point, as against exclusive obsession with material affluence, development, and efficiency.

For much of the last 150 years, socialism has presented a major challenge both to the concept and content of capitalism. However, the initial socialist challenge did not build its case on purely economic grounds. Robert Owen, St Simon and others challenged the system on its moral and egalitarian failures. Marx and Engels gave the critique a different twist. Their so-called scientific socialism transformed the language and substance of the challenge into exclusively materialistic and historical terms. In the name of science, a new form of economic and historical determinism was unfolded. Liberal governments responded to these challenges and to those generated internally by a free market system, by introducing more socially acceptable or welfare-based, economic policies; by accepting the concept of the mixed economy; or recognizing the possibilities of a convergence between different varieties of capitalism.

The search for some kind of new consensus can be discerned from discussions in 2001 at the UN conference at Durban and WTO summits at Doha and at Cancun. The fact that the World Economic Forum moved from Davos to New York in 2002 in search of some common ground is meaningful. Concurrently with this meeting, another platform, the World Social Forum, stole the show in Porto Allegra, Brazil, addressing some of the burning issues. The Monterrey Consensus in 2002 also had a flavor markedly different from that of Washington Consensus.

Global capitalism is now being challenged on two fronts: (1) by its own internal weaknesses, contradictions, and inequities, and (2) by the response of Muslim and Third World countries. With capitalism riding the current wave of globalization, the real challenge lies not in 'Unity in Diversity' but in establishing an open society with a genuine plurality of systems and options, and which offers

a diversity with unlimited scope for co-operation in the pursuit of shared values and common interests.

The conclusion is that global capitalism is capable of coexisting with other systems; and because of this there is no need to assume that all societies and cultures must try to become a variant of capitalism. This does not preclude the possibility of vast areas of shared values, interests, and aspirations, and also scope for co-operation, interaction, and competition. Even interdependence, prompted by variations in resource-endowments, specializations, and comparative advantage is not ruled out. Instead, what is being questioned is the hegemony of one system, and a relation of dependence that impinges upon political freedom, cultural integrity, economic self-reliance, and - perhaps most important of all - moral and spiritual identity.

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