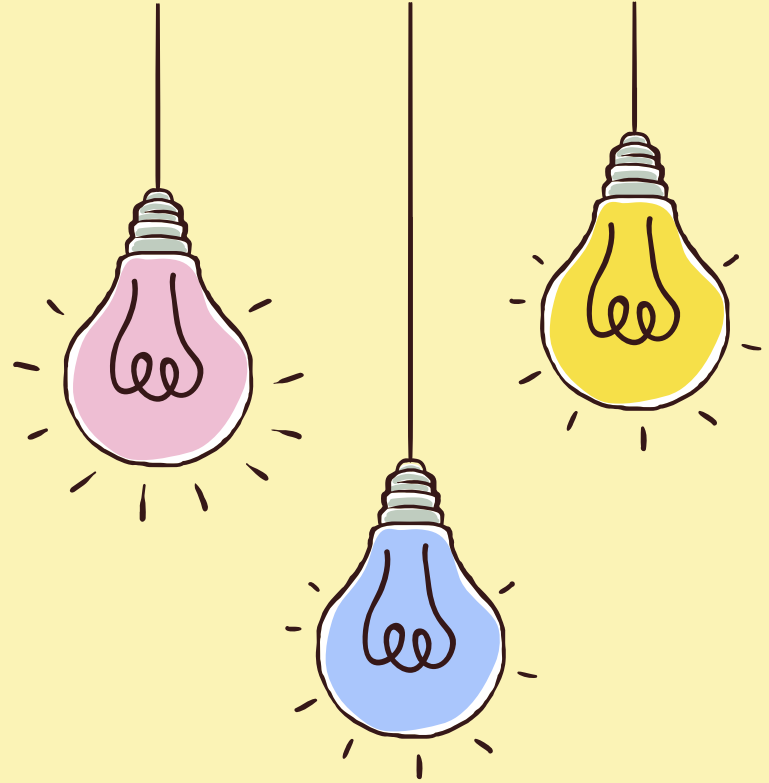


Capitalism - A necessary condition for innovation?

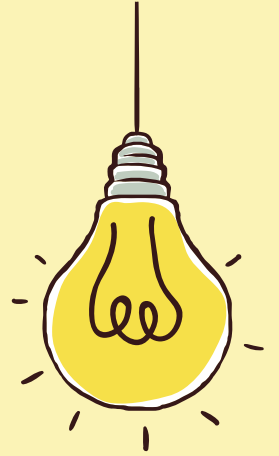
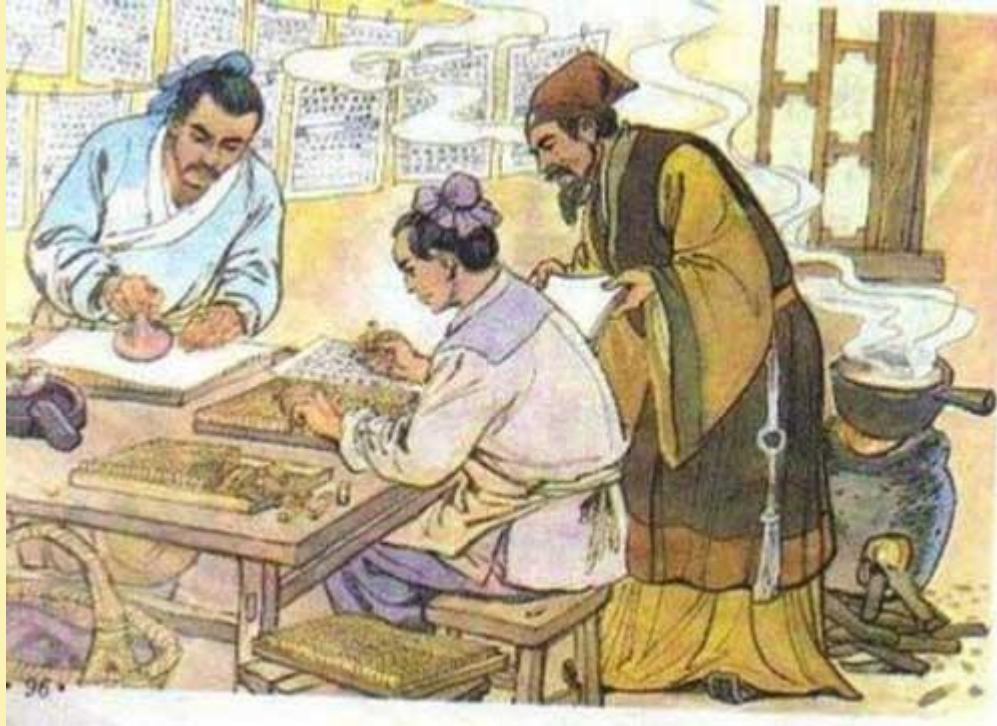
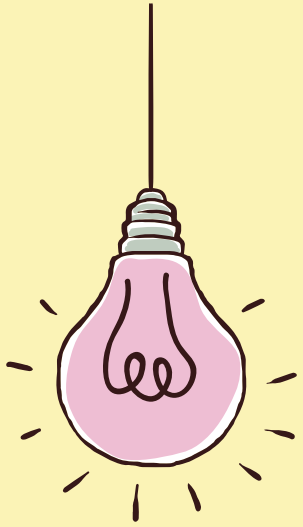
Hugo Chia Yong Zhi
UTW1001T S3

WHY this topic?

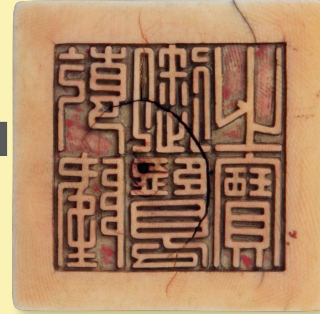
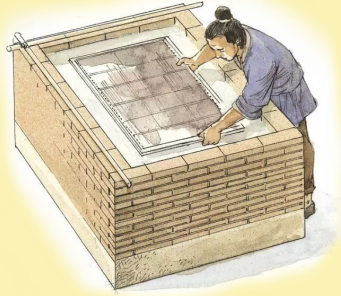
- 1 Set in the context on **wealth inequality**
- 2 The impacts of wealth inequality are **multidimensional**. They are not only **economic** but also **social** and **political**.
- 3 Chip away the defence of capitalism, and possibly **reduce our reliance** on capitalism



Ancient China (Monarchy)

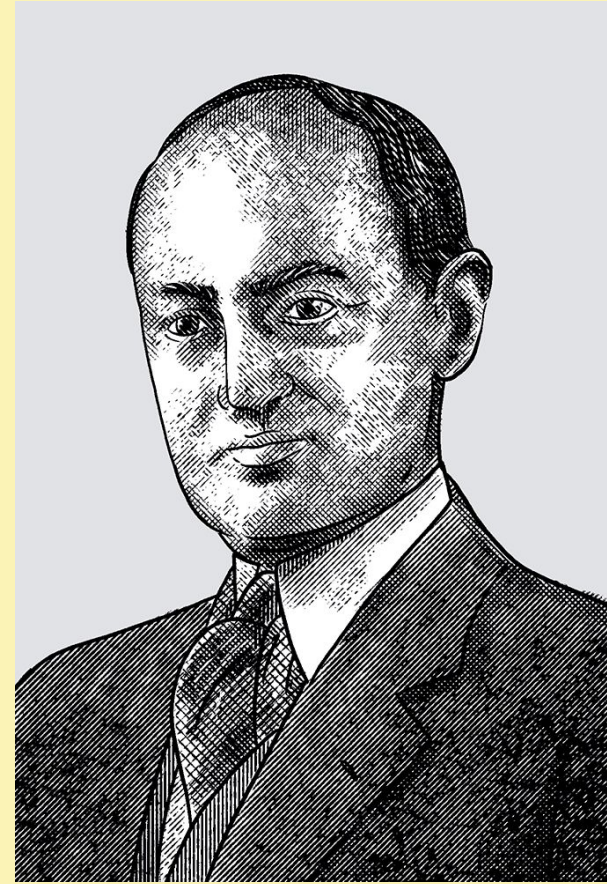


“Four Great Inventions of Ancient China”



Definitions (Schumpeter on Invention and Innovation)

- 1 **Invention** - The **creation** of a new idea or technology (e.g. patents)
- 2 **Innovation** - Involved the **application** of that **invention** in a way that **creates value** in the marketplace (e.g. iBanking)
- 3 For Schumpeter, the **entrepreneur** was the **cornerstone of capitalism**—the **source of innovation**, which is the vital force driving a capitalist economy



Joseph Schumpeter (1883 - 1950)
20th century economist

Definitions

Socialism

Capital is owned by “socialist” entities

- Governments
- Universities (Public)
- Social enterprises

(Extreme) Capitalism

One class of people controls the means of production, while another class does the work

- Debt-Driven Economy •
- Financialisation •
- Shareholder capitalism •



Definitions

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Drawbacks of Capitalism

CEO to worker compensation ratio:

1

1965 - 20:1

2019 - **320:1**

2

Oil companies have engaged in a long-running climate disinformation campaign while **raking in record profits**



The screenshot shows a Reuters news article. The header includes the Reuters logo and navigation links for World, Business, Legal, Markets, Breakingviews, Technology, and Investigations. Below the header is a 'More' dropdown menu with categories: Grid & Infrastructure, Exploration & Production, Fuel Oil, LNG, and Refining. The article title is 'BP makes record profit in 2022, slows shift from oil'. The byline is 'By Ron Bousso and Shadia Nasralla'. The article is dated February 8, 2023, and is 4 minutes long. The article content is summarized in a box with a red border, listing key points: BP boosts dividend by 10% in sign of confidence, To repurchase more shares, Increases spending on oil and gas and renewables, BP revises some emission reduction targets, and Expects to produce more oil and gas for longer.

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4 minute read · February 8, 2023 12:53 AM GMT+8 · Last Updated a month ago

BP makes record profit in 2022, slows shift from oil

By Ron Bousso and Shadia Nasralla

Summary Companies

- BP boosts dividend by 10% in sign of confidence
- To repurchase more shares
- Increases spending on oil and gas and renewables
- BP revises some emission reduction targets
- Expects to produce more oil and gas for longer

Innovation - A defence of Capitalism

iPhone and the **ecosystem** has truly
revolutionize the way we *live, work and
play*



Socialist innovations or... inventions?

1

Government funded research

2

Universities

3

Non-profit organisations

4

Open-source software



The Status “Game”

WORKING PAPERS

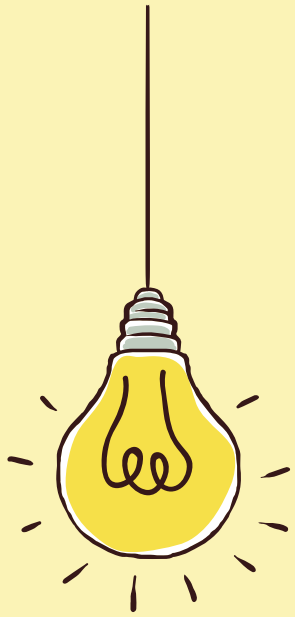


Striving for superiority: The human desire for status

By [Cameron Anderson](#) and [John Angus D. Hildreth](#) • October 1, 2016

Many other desires are
a **subset of status**

Status



1

People crave **status**

2

Systemic and structural issue in our current capitalist system

3

Paradigm shift towards rewarding other desires

Status

1. Power
2. Monetary
3. Acceptance
4. Recognition

Competition

Innovation

A rebuttal - While capitalism is not necessary for innovation, it is still a more superior system

1

Superior in terms of what?

2

Capitalist systems invest to ensure that their **bottom line will benefit**

Socialist systems invest in long-term R&D that will **benefit the masses**

3

Capitalism **taps on** many technologies (inventions) that were **built by socialist systems**

Capitalist systems **operationalize** the technology (innovation)

A rebuttal - While capitalism is not necessary for innovation, it is still a more superior system



Reconciling the 2 systems



1

Using **status** as an incentive as opposed to monetary means (Does not mean you use awards/status to justify paying employees less!!!)

2

Promoting more use of social enterprises

3

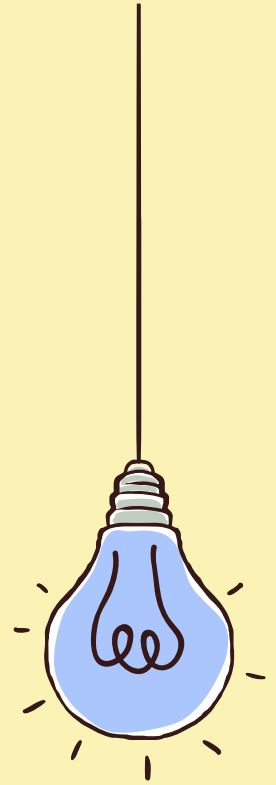
Increasing the use of co-ops

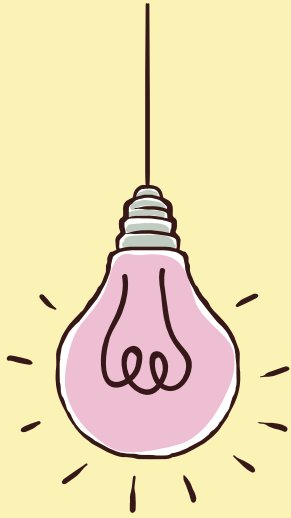
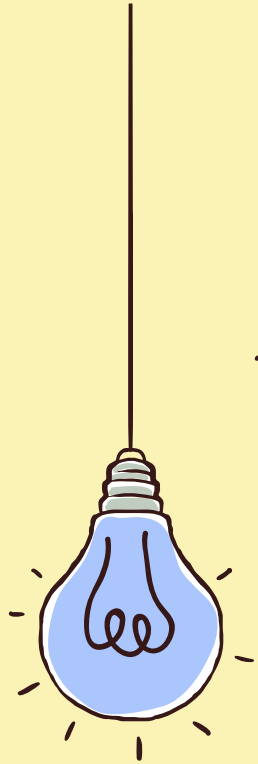
4

Countries can **own a bigger stake in publicly-listed companies** and ensure that profits are channelled back to citizens benefits

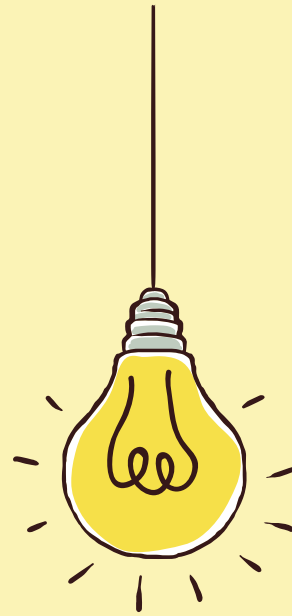
Concluding

- 1 Capitalism is **NOT a necessary condition** for innovation
- 2 Move away and reduce the worst effects of Capitalism
Make use of **status** to drive competition → innovation
- 3 We can reconcile both systems and move towards a less exploitative and fairer society





Thank you



References

1. Storr, W. (2021). *The Status Game: On Social Position and How We Use It*. HarperCollins UK.
2. Lim, M., & Heng, M. S. (2021). *COVID-19 and the Structural Crises of Our Time*. Iseas-Yusof Ishak Institute.
3. Şener, S., Hacıoglu, V., & Akdemir, A. (2017). Invention and innovation in economic change. *Journal of Business, Economics and Finance*. <https://doi.org/10.17261/pressacademia.2017.450>

FAQs/Others

Fun fact: Schumpeter thinks a capitalist system will ultimately self-destruct/destroy itself

There are also cases where capital owners are quite useless. Say coffee shop or hawker centre owners.

Especially hawker centres. Why must they be privatised when they can be nationally run?

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