I. Theory of Free Market Capitalism

A. Classical Theory: Adam Smith’s “Wealth of Nations”

1. Capitalism is best possible economic system

2. recognizes the laws of the market place

a. natural phenomena

b. governed by laws

3. human nature.

a. human beings are greedy and selfish

b. human beings motivated by self-interest

c. self-interest = pursuit of profit and wealth

B. Laws of the market place

1. supply and demand

a. needs create market place demands

b. market responds by creating supply

i. individuals (entrepeneurs) create products to meet demand

ii. guarantees competition

c. competition guarantees

i. consumer needs will be met

ii. high quality

iii. low price

iv. rewards individuals

v. monopolies a threat

d. supply and demand guarantees that social needs will be

met

2. Second law : accumulation of profits

a. capitalist will accumulate wealth

b. reinvest in technologies of production

c. better and better world

3. Third Law: good for the capitalist is good for the worker

a. free labor: workers can move from job to

job as each area tries to meet needs

b. competition between capitalists forces employer to keep wages up

c. Wages will necessarily be above subsistence

4. Fourth law: laissez-faire or no government intervention

a. disrupt laws of market place

b. negatively affect incentive

c. reward losers

C. Contemporary Free Market Theory: Milton Friedman

1. Thesis: capitalism is progressive force for societies; it leads to human and political freedom

2. Argument

a. agrees with Smith

b. emphasis in market is on individual autonomy

i. self-directed individuals pursuing economic ends

ii. negotiating market place as consumers or entrepeneurs

c. creates environment for:

i. democracy

ii. religious freedom

d. government role

i. limited to defense and security

ii. intervention undermines laws of market place

iii. intervention undermines individual actors

e. privatization

f. shock doctrine

i. people are used to help (social services)

ii. create shock

iii. impose therapy

iv. privatize publicly owned industries

v. no tariffs or subsidies

v. user fees or privatized govt services

vi. downsized government (jobs)

vii. eliminate unions

II. Theory of Monopoly Capitalism

A. Thesis: large, mnc corporations are the dominant institutions of our time.

1. They control the economy: globally and domestically.

2. They control governments by controlling their

political systems.

3. They own and control mass media and filter

information.

4. They create demand through advertising.

B. Multinational corporations

1. size/impact

a. vs nations

b. 500 largest corps in U.S.:

i. 75% of assets, profits, sales

ii. largest shareholders

c. globally

2. Trends

a. mergers

b. shared monopolies

c. interlocking directorates

d. globalization

C. MNCs and the theory of free market

1. law of supply and demand/or invisible hand

a. monopolies and competition

b. supply and demand

i. California Energy Crisis

ii. gas prices

2. accumulation of profit

a. re-investment v distribution of profit

i. legal obligation

ii. CEO vs workers

ii. disinvestment in first world = power

over communities

b. reinvestment in automation

3. Good for worker

a. monopoly limits worker choice

b. power over labor

i. strikes: Hormel

ii. job flight

c. automation and deskilling

4. laissez faire

a. deregulation

i. concentration

ii. voluntary regulation

b. government subsidies $400 billion

c. government contracts $200 billion

5. individual autonomy vs monopoly capitalism

6. globalization

i. treaties: corporate written

ii. no workers rights

iii. no environmental rights

iv. privatization

v. enterprise processing zones

7. American democracy and mncs capitalism

i. campaign financing

ii. lobbying