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[Template:Capitalism](/wiki/Template:Capitalism) [Template:Economic systems sidebar](/wiki/Template:Economic_systems_sidebar)

**Capitalism** is an [economic system](/wiki/Economic_system) based on [private ownership](/wiki/Private_ownership) of the [means of production](/wiki/Means_of_production) and their operation for [profit](/wiki/Profit_(economics)).[[1]](#cite_note-1)[[2]](#cite_note-2)[[3]](#cite_note-3) Characteristics central to capitalism include [private property](/wiki/Private_property), [capital accumulation](/wiki/Capital_accumulation), [wage labor](/wiki/Wage_labor), [voluntary exchange](/wiki/Voluntary_exchange), a [price system](/wiki/Price_system), and [competitive markets](/wiki/Competition_(economics)).[[4]](#cite_note-4)[[5]](#cite_note-5) In a capitalist [market economy](/wiki/Market_economy), decision-making and investment is determined by the owners of the factors of production in [financial](/wiki/Financial_market) and [capital markets](/wiki/Capital_market), and prices and the distribution of goods are mainly determined by competition in the market.[[6]](#cite_note-6)[[7]](#cite_note-7) [Economists](/wiki/Economist), [political economists](/wiki/Political_economy), and [historians](/wiki/Historian) have adopted different perspectives in their analyses of capitalism and have recognized various forms of it in practice. These include [*laissez-faire*](/wiki/Laissez-faire) or [free market](/wiki/Free_market) capitalism, [welfare capitalism](/wiki/Welfare_capitalism), and [state capitalism](/wiki/State_capitalism). Different forms of capitalism feature varying degrees of free markets, public ownership,[[8]](#cite_note-8) obstacles to free competition, and state-sanctioned [social policies](/wiki/Social_policy). The degree of [competition](/wiki/Competition_(economics)) in markets, the role of [intervention](/wiki/Economic_interventionism) and regulation, and the scope of state ownership vary across different [models of capitalism](http://www.oecdobserver.org/news/archivestory.php/aid/345/Which_model_of_capitalism_.html);[[9]](#cite_note-9)the extent to which different markets are free, as well as the rules defining private property, are matters of politics and of [policy](/wiki/Policy). Most existing capitalist economies are [mixed economies](/wiki/Mixed_economies), which combine elements of free markets with state intervention, and in some cases, with [economic planning](/wiki/Economic_planning).[[10]](#cite_note-10) Capitalism has existed under many [forms of government](/wiki/Form_of_government), in many different times, places, and cultures. Following the decline of [mercantilism](/wiki/Mercantilism), mixed capitalist systems became dominant in the [Western world](/wiki/Western_world) and continue to spread.

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## Etymology[[edit](/index.php?title=(none)&action=edit&section=1)]

|  |
| --- |
| Other terms sometimes used for capitalism: \* [Capitalist mode of production](/wiki/Capitalist_mode_of_production_(Marxist_theory))[Template:Citation needed](/wiki/Template:Citation_needed) \* Economic individualism[Template:Citation needed](/wiki/Template:Citation_needed) \* [Economic liberalism](/wiki/Economic_liberalism)[[11]](#cite_note-11)\* Free enterprise[[12]](#cite_note-12)\* Free enterprise economy[[13]](#cite_note-13)\* [Free market](/wiki/Free_market)[[12]](#cite_note-12)[[14]](#cite_note-14)\* Free market economy[[13]](#cite_note-13)\* [*Laissez-faire*](/wiki/Laissez-faire)<ref name=Barrons>Barrons Dictionary of Finance and Investment Terms, 1995; p. 74.</ref> \* [Market economy](/wiki/Market_economy) [[15]](#cite_note-15)\* [Market liberalism](/wiki/Market_liberalism) [[16]](#cite_note-16)[[17]](#cite_note-17)\* Modified free enterprise[Template:Citation needed](/wiki/Template:Citation_needed) \* [Neoliberalism](/wiki/Neoliberalism)[[18]](#cite_note-18)\* Self-regulating market [[12]](#cite_note-12)\* Profits system[[19]](#cite_note-19) |

The term *capitalist*, meaning an owner of [capital](/wiki/Capital_(economics)), appears earlier than the term *capitalism*. It dates back to the mid-17th century. *Capitalist* is derived from *capital*, which evolved from *capitale*, a late [Latin](/wiki/Latin) word based on *caput*, meaning "head" — also the origin of [*chattel*](/wiki/Personal_property) and [*cattle*](/wiki/Cattle) in the sense of movable property (only much later to refer only to livestock). Capitale emerged in the 12th to 13th centuries in the sense of referring to funds, stock of merchandise, sum of money, or money carrying interest.[[20]](#cite_note-20)[[21]](#cite_note-21)[[22]](#cite_note-22) By 1283 it was used in the sense of the capital assets of a trading firm. It was frequently interchanged with a number of other words — wealth, money, funds, goods, assets, property, and so on.[[23]](#cite_note-23) The *Hollandische Mercurius* uses *capitalists* in 1633 and 1654 to refer to owners of capital.[[24]](#cite_note-24) In French, [Étienne Clavier](/wiki/Étienne_Clavier) referred to *capitalistes* in 1788,[[25]](#cite_note-25) six years before its first recorded English usage by [Arthur Young](/wiki/Arthur_Young_(writer)) in his work *Travels in France* (1792).[[22]](#cite_note-22)[[26]](#cite_note-26) [David Ricardo](/wiki/David_Ricardo), in his [*Principles of Political Economy and Taxation*](/wiki/Principles_of_Political_Economy_and_Taxation) (1817), referred to "the capitalist" many times.[[27]](#cite_note-27) [Samuel Taylor Coleridge](/wiki/Samuel_Taylor_Coleridge), an English poet, used *capitalist* in his work *Table Talk* (1823).[[28]](#cite_note-28) [Pierre-Joseph Proudhon](/wiki/Pierre-Joseph_Proudhon) used the term *capitalist* in his first work, [*What is Property?*](/wiki/What_is_Property?) (1840), to refer to the owners of capital. [Benjamin Disraeli](/wiki/Benjamin_Disraeli) used the term *capitalist* in his 1845 work [*Sybil*](/wiki/Sybil_(novel)).[[22]](#cite_note-22) The initial usage of the term *capitalism* in its modern sense has been attributed to [Louis Blanc](/wiki/Louis_Blanc) in 1850 ("..what i call 'capitalism' that is to say the appropriation of capital by some to the exclusion of others") and Pierre-Joseph Proudhon in 1861 ("Economic and social regime in which capital, the source of income, does not generally belong to those who make it work through their labour.").[[29]](#cite_note-29) [Karl Marx](/wiki/Karl_Marx) and [Friedrich Engels](/wiki/Friedrich_Engels) referred to the *capitalistic system*.[[30]](#cite_note-30)[[31]](#cite_note-31) and to the capitalist mode of production in *Das Kapital* (1867).[[32]](#cite_note-32) The use of the word "capitalism" in reference to an economic system appears twice in Volume I of *Das Kapital*, p. 124 (German edition), and in *Theories of Surplus Value*, tome II, p. 493 (German edition). Marx did not extensively use the form *capitalism*, but instead those of *capitalist* and *capitalist mode of production*, which appear more than 2600 times in the trilogy *Das Kapital*.

According to the [*Oxford English Dictionary*](/wiki/Oxford_English_Dictionary) (OED), the term *capitalism* first appeared in English in 1854 in the novel [*The Newcomes*](/wiki/The_Newcomes), by novelist [William Makepeace Thackeray](/wiki/William_Makepeace_Thackeray), where he meant "having ownership of capital".[[33]](#cite_note-33) Also according to the OED, [Carl Adolph Douai](/wiki/Carl_Adolph_Douai), a [German-American](/wiki/German-American) [socialist](/wiki/Socialism) and [abolitionist](/wiki/Abolitionism_in_the_United_States), used the phrase *private capitalism* in 1863.

## History[[edit](/index.php?title=(none)&action=edit&section=2)]

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[Capital](/wiki/Capital_(economics)) has existed incipiently on a small scale for centuries,[[34]](#cite_note-34) in the form of merchant, renting and lending activities, and occasionally as small-scale industry with some wage labour. Simple [commodity](/wiki/Commodity) exchange, and consequently simple commodity production, which are the initial basis for the growth of capital from trade, have a very long history. The "capitalistic era" according to Karl Marx dates from 16th century merchants and small urban workshops.<ref name=GSGB><https://books.google.com.sg/books?id=Pf9Jd1sIMJ0C&pg=PA24&lpg=PA24&dq=Capitalist+mode+of+production&source=bl&ots=ksQvmZ3No6&sig=54jg4ylCy33CopEA4ClGzFmPUvQ&hl=en&sa=X&ei=XjcRVYL1Ko_voASp5YGQDQ&ved=0CDkQ6AEwBTgK#v=onepage&q=Capitalist%20mode%20of%20production&f=false></ref> Marx knew that wage labour existed on a modest scale for centuries before capitalist industry. Early Islam promulgated capitalist economic policies, which migrated to Europe through trade partners from cities such as Venice.[[35]](#cite_note-35) Capitalism in its modern form can be traced to the emergence of agrarian capitalism and mercantilism in the [Renaissance](/wiki/Renaissance).[[36]](#cite_note-36) Thus for much of history, capital and commercial trade existed, but it did not lead to industrialisation or dominate the production process of society. That required a set of conditions, including specific technologies of mass production, the ability to independently and privately own and trade in means of production, a class of workers willing to sell their [labour power](/wiki/Labour_power) for a living, a [legal](/wiki/Legal) framework promoting commerce, a physical infrastructure allowing the circulation of goods on a large scale, and security for private accumulation. Many of these conditions do not currently exist in many [Third World](/wiki/Third_World) countries, although there is plenty of capital and labour. Thus, the obstacles for the development of capitalist markets are less technical and more social, cultural and political.

### Agrarian capitalism[[edit](/index.php?title=(none)&action=edit&section=3)]

The economic foundations of the feudal agricultural system began to shift substantially in 16th-century England; the [manorial system](/wiki/Manorial_system) had broken down, and land began to become concentrated in the hands of fewer landlords with increasingly large estates. Instead of a [serf](/wiki/Serf)-based system of labor, workers were increasingly employed as part of a broader and expanding money-based economy. The system put pressure on both landlords and tenants to increase the productivity of agriculture to make profit; the weakened coercive power of the [aristocracy](/wiki/Aristocracy) to extract peasant [surpluses](/wiki/Excess_supply) encouraged them to try better methods, and the tenants also had incentive to improve their methods, in order to flourish in an competitive [labor market](/wiki/Labour_economics). Terms of rent for land were becoming subject to economic market forces rather than to the previous stagnant system of custom and feudal obligation.[[37]](#cite_note-37)[[38]](#cite_note-38) By the early 17th-century, England was a centralized state in which much of the feudal order of [Medieval Europe](/wiki/Medieval_Europe) had been swept away. This centralization was strengthened by a good system of roads and by a disproportionately large capital city, [London](/wiki/London). The capital acted as a central market hub for the entire country, creating a very large internal market for goods, contrasting with the fragmented feudal holdings that prevailed in most parts of the [Continent](/wiki/Continental_Europe).

### Mercantilism[[edit](/index.php?title=(none)&action=edit&section=4)]

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[left|thumb|A painting of a French seaport from 1638 at the height of](/wiki/File:Lorrain.seaport.jpg) [mercantilism](/wiki/Mercantilism).

The economic doctrine prevailing from the 16th to the 18th centuries is commonly called [mercantilism](/wiki/Mercantilism).[[39]](#cite_note-39) This period, the [Age of Discovery](/wiki/Age_of_Discovery), was associated with the geographic exploration of foreign lands by merchant traders, especially from England and the [Low Countries](/wiki/Low_Countries). Mercantilism was a system of trade for profit, although commodities were still largely produced by non-capitalist methods.[[40]](#cite_note-40) Most scholars consider the era of merchant capitalism and mercantilism as the origin of modern capitalism,[[41]](#cite_note-41)[[42]](#cite_note-42) although [Karl Polanyi](/wiki/Karl_Polanyi) argued that the hallmark of capitalism is the establishment of generalized markets for what he called the "fictitious commodities": land, labor, and money. Accordingly, he argued that "not until 1834 was a competitive labor market established in England, hence industrial capitalism as a social system cannot be said to have existed before that date".[[43]](#cite_note-43) [thumb|right|](/wiki/File:Clive.jpg)[Robert Clive](/wiki/Robert_Clive) after the [Battle of Plassey](/wiki/Battle_of_Plassey). The battle began [East India Company](/wiki/East_India_Company) rule in India. England began a large-scale and integrative approach to mercantilism during the [Elizabethan Era](/wiki/Elizabethan_Era) (1558–1603). A systematic and coherent explanation of balance of trade was made public through [Thomas Mun's](/wiki/Thomas_Mun) argument *England's Treasure by Forraign Trade, or the Balance of our Forraign Trade is The Rule of Our Treasure.* It was written in the 1620s and published in 1664.[[44]](#cite_note-44) European [merchants](/wiki/Merchant), backed by state controls, subsidies, and [monopolies](/wiki/Monopoly), made most of their profits by buying and selling goods. In the words of [Francis Bacon](/wiki/Francis_Bacon), the purpose of mercantilism was "the opening and well-balancing of trade; the cherishing of manufacturers; the banishing of idleness; the repressing of waste and excess by sumptuary laws; the improvement and husbanding of the soil; the regulation of prices ..."[[45]](#cite_note-45) The [British East India Company](/wiki/British_East_India_Company) and the [Dutch East India Company](/wiki/Dutch_East_India_Company) inaugurated an expansive era of commerce and trade.<ref name=Banaji>[Template:Cite journal](/wiki/Template:Cite_journal)</ref>[[46]](#cite_note-46) These companies were characterized by their [colonial](/wiki/Colonialism) and [expansionary](/wiki/Expansionism) powers given to them by nation-states.[[47]](#cite_note-47) During this era, merchants, who had traded under the previous stage of mercantilism, invested capital in the East India Companies and other colonies, seeking a [return on investment](/wiki/Return_on_investment).

### Industrial capitalism[[edit](/index.php?title=(none)&action=edit&section=5)]

[thumb|left|A](/wiki/File:Maquina_vapor_Watt_ETSIIM.jpg) [Watt steam engine](/wiki/Watt_steam_engine). The [steam engine](/wiki/Steam_engine) fuelled primarily by [coal](/wiki/Coal) propelled the [Industrial Revolution](/wiki/Industrial_Revolution) in [Great Britain](/wiki/United_Kingdom).[[48]](#cite_note-48)

In the mid-18th century, a new group of economic theorists, led by [David Hume](/wiki/David_Hume)[[49]](#cite_note-49) and [Adam Smith](/wiki/Adam_Smith), challenged fundamental [mercantilist](/wiki/Mercantilist) doctrines such as the belief that the world's wealth remained constant and that a state could only increase its wealth at the expense of another state.

During the [Industrial Revolution](/wiki/Industrial_Revolution), industrialists replaced merchants as a dominant factor in the capitalist system and affected the decline of the traditional handicraft skills of [artisans](/wiki/Artisan), guilds, and [journeymen](/wiki/Journeyman). Also during this period, the surplus generated by the rise of commercial agriculture encouraged increased mechanization of agriculture. Industrial capitalism marked the development of the [factory](/wiki/Factory) system of manufacturing, characterized by a complex [division of labor](/wiki/Division_of_labor) between and within work process and the routine of work tasks; and finally established the global domination of the capitalist mode of production.[[39]](#cite_note-39) Britain also abandoned its [protectionist](/wiki/Protectionist) policy, as embraced by mercantilism. In the 19th century, [Richard Cobden](/wiki/Richard_Cobden) and [John Bright](/wiki/John_Bright), who based their beliefs on the [Manchester School](/wiki/Manchester_capitalism), initiated a movement to lower tariffs.[[50]](#cite_note-50) In the 1840s, Britain adopted a less protectionist policy, with the repeal of the [Corn Laws](/wiki/Corn_Laws) and the [Navigation Acts](/wiki/Navigation_Acts).[[39]](#cite_note-39) Britain reduced [tariffs](/wiki/Tariffs) and [quotas](/wiki/Import_quota), in line with David Ricardo's advocacy for [free trade](/wiki/Free_trade).

### Modern[[edit](/index.php?title=(none)&action=edit&section=6)]

[thumb|200x200px|The](/wiki/File:McKinley_Prosperity.jpg) [gold standard](/wiki/Gold_standard) formed the financial basis of the international economy from 1870–1914.

Capitalism was carried across the world by broader processes of [globalization](/wiki/Globalization) and, by the end of the 18th century, became the dominant *global* economic system, in turn intensifying processes of economic and other globalization.[[51]](#cite_note-51) Later, in the 20th century, capitalism overcame a challenge by [centrally-planned economies](/wiki/Planned_economy) and is now *the* encompassing system worldwide,[[13]](#cite_note-13)[[52]](#cite_note-52) with the [mixed economy](/wiki/Mixed_economy) being its dominant form in the industrialized Western world.

[Industrialization](/wiki/Industrialization) allowed cheap production of household items using [economies of scale](/wiki/Economies_of_scale), while rapid population growth created sustained demand for commodities. Globalization in this period was decisively shaped by 18th-century [imperialism](/wiki/Imperialism).[[53]](#cite_note-53) After the [First](/wiki/First_Opium_War) and [Second Opium Wars](/wiki/Second_Opium_War) and the completion of British conquest of India, vast populations of these regions became ready consumers of European exports. Also in this period, areas of sub-Saharan Africa and the Pacific islands were incorporated into the world system. Meanwhile, the conquest of new parts of the globe, notably sub-Saharan Africa, by Europeans yielded valuable natural resources such as [rubber](/wiki/Rubber), [diamonds](/wiki/Diamonds) and [coal](/wiki/Coal) and helped fuel trade and investment between the European imperial powers, their colonies, and the United States.

The inhabitant of London could order by telephone, sipping his morning tea, the various products of the whole earth, and reasonably expect their early delivery upon his doorstep. Militarism and imperialism of racial and cultural rivalries were little more than the amusements of his daily newspaper. What an extraordinary episode in the economic progress of man was that age which came to an end in August 1914.[[54]](#cite_note-54)

In this period, the global financial system was mainly tied to the [gold standard](/wiki/Gold_standard). The [United Kingdom](/wiki/United_Kingdom) first formally adopted this standard in 1821. Soon to follow were [Canada](/wiki/United_Province_of_Canada) in 1853, [Newfoundland](/wiki/History_of_Newfoundland_and_Labrador) in 1865, the [United States](/wiki/United_States) and Germany ([*de jure*](/wiki/De_jure)) in 1873. New technologies, such as the [telegraph](/wiki/Telegraph), the [transatlantic cable](/wiki/Transatlantic_telegraph_cable), the [radiotelephone](/wiki/Radiotelephone), the [steamship](/wiki/Steamship) and [railway](/wiki/Railway) allowed goods and information to move around the world at an unprecedented degree.[[55]](#cite_note-55) [thumb|left|The New York](/wiki/File:NY_stock_exchange_traders_floor_LC-U9-10548-6.jpg) [stock exchange](/wiki/Stock_exchange) [traders' floor](/wiki/Trading_room) (1963)

In the period following the global depression of the 1930s, the state played an increasingly prominent role in the capitalistic system throughout much of the world. The postwar boom ended in the late 1960s and early 1970s, and the situation was worsened by the rise of [stagflation](/wiki/Stagflation).[[56]](#cite_note-56) [Monetarism](/wiki/Monetarism), a modification of Keynesianism that is more compatible with laissez-faire, gained increasing prominence in the capitalist world, especially under the leadership of [Ronald Reagan](/wiki/Ronald_Reagan) in the US and [Margaret Thatcher](/wiki/Margaret_Thatcher) in the UK in the 1980s. Public and political interest began shifting away from the so-called [collectivist](/wiki/Collectivist) concerns of Keynes's managed capitalism to a focus on individual choice, called "remarketized capitalism".[[57]](#cite_note-57)

#### Relationship to democracy[[edit](/index.php?title=(none)&action=edit&section=7)]

[thumb|Many analysts assert that](/wiki/File:20041120-1_bushchinamtg-1-515h.jpg) [autocratic](/wiki/Authoritarianism) [China](/wiki/China) is one of the main examples of [state capitalism](/wiki/State_capitalism) in the 21st century.

The relationship between [democracy](/wiki/Democracy) and capitalism is a contentious area in theory and in popular political movements. The extension of universal adult male [suffrage](/wiki/Suffrage) in 19th century Britain occurred along with the development of industrial capitalism, and democracy became widespread at the same time as capitalism, leading capitalists to posit a causal or mutual relationship between them.[[58]](#cite_note-58) However, in the 20th century, according to some authors, capitalism also accompanied a variety of political formations quite distinct from liberal democracies, including [fascist](/wiki/Fascism) regimes, absolute monarchies, and single-party states.[[39]](#cite_note-39) Democratic peace theory asserts that democracies seldom fight other democracies, but critics of that theory suggest that this may be because of political similarity or stability rather than because they are democratic or capitalist.

Moderate critics argue that though economic growth under capitalism has led to democracy in the past, it may not do so in the future, as [authoritarian](/wiki/Authoritarian) regimes have been able to manage economic growth without making concessions to greater political freedom.[[59]](#cite_note-59)[[60]](#cite_note-60) States with capitalistic economic systems have thrived under authoritarian or oppressive political regimes. Singapore has an open market economy and attracts a great deal of foreign investment, but does not protect civil liberties such as freedom of speech and expression. The private (capitalist) sector in the People's Republic of China has grown exponentially and thrived since its inception, despite having an authoritarian government. [Augusto Pinochet's](/wiki/Augusto_Pinochet) rule in Chile led to economic growth and high levels of inequality[[61]](#cite_note-61) by using authoritarian means to create a safe environment for investment and capitalism. In [*Capital in the Twenty-First Century*](/wiki/Capital_in_the_Twenty-First_Century), [Thomas Piketty](/wiki/Thomas_Piketty) of the [Paris School of Economics](/wiki/Paris_School_of_Economics) asserts that inequality is the inevitable consequence of economic growth in a capitalist economy and the resulting [concentration of wealth](/wiki/Wealth_concentration) can destabilize democratic societies and undermine the ideals of social justice upon which they are built.[[62]](#cite_note-62) [Marxists](/wiki/Karl_Marx), [anarchists](/wiki/Anarchism) (except for [anarcho-capitalists](/wiki/Anarcho-capitalists)), and other leftists argue that capitalism is incompatible with democracy since capitalism according to Marx entails "dictatorship of the [bourgeoisie](/wiki/Bourgeoisie)" (owners of the means of production) while democracy entails rule by the people.

## Characteristics[[edit](/index.php?title=(none)&action=edit&section=8)]

Capitalism is "production for exchange" driven by the desire for personal accumulation of money receipts in such exchanges, mediated by free markets. The markets themselves are driven by the needs and wants of consumers and those of society as a whole. If these wants and needs were (in the socialist or communist society envisioned by Marx, Engels and others) the driving force, it would be "[production for use](/wiki/Production_for_use)". Contemporary mainstream economics, particularly that associated with the [right](/wiki/Right_wing_politics), holds that an "[invisible hand](/wiki/Invisible_hand)",[[63]](#cite_note-63) through little more than the freedom of the market, is able to match social production to these needs and desires.<ref name=xxx31/>

### Summary[[edit](/index.php?title=(none)&action=edit&section=9)]

In general, capitalism as an economic system and mode of production can be summarised by the following:[[64]](#cite_note-64)\* [Capital accumulation](/wiki/Capital_accumulation):<ref name=ch32><https://www.marxists.org/archive/marx/works/1867-c1/ch32.htm></ref> Production for profit and accumulation as the implicit purpose of all or most of production, constriction or elimination of production formerly carried out on a common social or private household basis.<ref name=xxx31/>

* [Commodity production](/wiki/Commodity_production): Production for exchange on a market; to maximise [exchange-value](/wiki/Exchange-value) instead of [use-value](/wiki/Use-value).
* [Private ownership](/wiki/Private_ownership) of the means of production:[[9]](#cite_note-9)\* High levels of [wage labour](/wiki/Wage_labour).[[65]](#cite_note-65)

### Reserve army of labour[[edit](/index.php?title=(none)&action=edit&section=14)]

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In a Marxist analysis of the capitalist economy, the reserve army of labour refers to the [unemployed](/wiki/Unemployed) and [under-employed](/wiki/Under-employed).[[75]](#cite_note-75) It is synonymous with "industrial reserve army" or "relative surplus population", except that the unemployed can be defined as those actually looking for work and that the relative surplus population also includes people unable to work. The use of the word "army" refers to the workers being conscripted and regimented in the workplace in a [hierarchy](/wiki/Hierarchy), under the [commanding heights of the economy](/wiki/Commanding_heights_of_the_economy).

Prior to the start of the capitalist era in human history (i.e. before the 1500s), [structural unemployment](/wiki/Structural_unemployment) on a mass scale rarely existed, other than that caused by natural disasters and wars.[[76]](#cite_note-76) In ancient societies, all people who could work necessarily had to work, otherwise they would starve; a slave or a serf by definition could not become "unemployed". There was normally very little possibility of "earning a crust" without working at all, and the usual attitude toward beggars and idlers was harsh.[[77]](#cite_note-77) Children began to work already at a very early age. Indeed, the word "employment" is linguistically a product of the capitalist era. A permanent level of unemployment presupposes a working population which is to a large extent dependent on a wage or salary for a living, without having other means of livelihood, as well as the right of enterprises to hire and fire employees in accordance with commercial or economic conditions. The expression "unemployed" in English, in the sense of "temporarily out of work", dates back to the 1660s; reference to "the unemployed" as a group was first made in 1782; and reference to "unemployment" as a general condition is first attested in 1888.[[78]](#cite_note-78) The first recorded discussion of the reserve army of labour is in a manuscript written by [Karl Marx](/wiki/Karl_Marx):

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Marx introduced[Template:Citation needed](/wiki/Template:Citation_needed) the concept in chapter 25 of the first volume of [*Das Kapital*](/wiki/Das_Kapital),[[79]](#cite_note-79) which states:

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His argument is that as capitalism develops, the [organic composition of capital](/wiki/Organic_composition_of_capital) will increase, which means that the mass of [constant capital](/wiki/Constant_capital) grows faster than the mass of [variable capital](/wiki/Variable_capital). Fewer workers can produce all that is necessary for society's requirements. In addition, capital will become more concentrated and centralised in fewer hands. This being the *absolute* historical tendency, part of the working population will tend to become *surplus* to the requirements of [capital accumulation](/wiki/Capital_accumulation) over time. Paradoxically, the larger the wealth of society, the larger the industrial reserve army will become. Marx called it "the antagonism of capital accumulation" and he cites his [*The Poverty of Philosophy*](/wiki/The_Poverty_of_Philosophy), (Chapter 2, Section 1) to explain this phenomenon in relation with [relations of production](/wiki/Relations_of_production).[[80]](#cite_note-80) One could add that the larger the wealth of society, the more people it can support who do not work. However, as Marx develops the argument further, it also becomes clear that, depending on the state of the economy, the reserve army of labour will either expand or contract, alternately being absorbed or expelled from the employed workforce. Thus,

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In recent years, there has been growing research on the concept of "the [precariat](/wiki/Precariat)", to describe a growing reliance on temporary, part-time workers with precarious status, who share aspects of the proletariat and the reserve army of labor.[[81]](#cite_note-81) Precarious workers do work part-time or full-time in temporary jobs, but they cannot really earn enough to live on, and depend partly on friends or family, or on state benefits, to survive. Typically they do not become truly "unemployed", but they don't have a stable job to go to either.[[82]](#cite_note-82) The rise of "the precariat" has been attributed to the emergence of global [neoliberalism](/wiki/Neoliberalism).[[83]](#cite_note-83) Although non-employed people who are unable or uninterested in performing legal paid work are not considered among the "unemployed", the concept of "conjunctural unemployment" is used in economics nowadays.[[84]](#cite_note-84) Economists often distinguish between short-term "frictional" or "cyclical" unemployment, and longer-term "structural unemployment". Sometimes there is a short-term mismatch between the demand and supply of labour, at other times there is much less total demand for labour than supply for a long-time. If no possibility for getting a job at all in the foreseeable future exists, many younger people decide to migrate or emigrate to a place where they can find work.

#### Composition of the relative surplus population[[edit](/index.php?title=(none)&action=edit&section=15)]

Marx discusses the army of labor and the reserve army in Capital, Ch. 25, Section IV. The Army of Labor consists in those working-class people employed in average or better than average jobs. Not every one in the working class gets one of these jobs. There are then four other categories where members of the working class might find themselves: the "stagnant pool", the *floating reserves*, the *latent reserve,* and pauperdom. Finally, people may leave the army and the reserve army by turning to criminality, and Marx refers to such people as "lumpenproletariat."[[85]](#cite_note-85) A society, region or [nation](/wiki/Nation) is “capitalist” if the predominant source of incomes and products being distributed is capitalist activity; even so, this does not yet mean necessarily that the capitalist mode of production is dominant in that society.

## Wage labour[[edit](/index.php?title=(none)&action=edit&section=17)]

[Template:Main article](/wiki/Template:Main_article)

[thumb|An industrial](/wiki/File:Worker_9.JPG) [worker](/wiki/Worker) amidst heavy steel [semi-products](/wiki/Semi-product) (KINEX BEARINGS, [Bytča](/wiki/Bytča), [Slovakia](/wiki/Slovakia), c. 1995–2000)

[Wage labour](/wiki/Wage_labour) refers to the sale of [labour](/wiki/Labour_economics) under a formal or informal [employment contract](/wiki/Employment_contract) to an [employer](/wiki/Employer).[[87]](#cite_note-87) These transactions usually occur in a [labour market](/wiki/Labour_market) where [wages](/wiki/Wage) are market determined.[[88]](#cite_note-88) Individuals who possess and supply financial capital or labor to productive ventures often become owners, either jointly (as [shareholders](/wiki/Shareholder)) or individually. In Marxian economics these owners of the means of production and suppliers of capital are generally called *capitalists*. The description of the role of the *capitalist* has shifted, first referring to a useless intermediary between producers to an employer of producers, and eventually came to refer to owners of the means of production.[[89]](#cite_note-89) [Labor](/wiki/Labor_(economics)) includes all physical and mental human resources, including entrepreneurial capacity and management skills, which are needed to produce products and services. [Production](/wiki/Production_(economics)) is the act of making goods or services by applying [labor power](/wiki/Labor_power).[[90]](#cite_note-90)[[91]](#cite_note-91) Critics of the capitalist mode of production see wage labour as a major, if not defining, aspect of hierarchical industrial systems. Most opponents of the institution support [worker self-management](/wiki/Worker_self-management) and [economic democracy](/wiki/Economic_democracy) as alternatives to both wage labour and to capitalism. While most opponents of wage labour blame the capitalist owners of the means of production for its existence, most [anarchists](/wiki/Anarchists) and other [libertarian socialists](/wiki/Libertarian_socialists) also hold the state as equally responsible as it exists as a tool utilised by capitalists to subsidise themselves and protect the institution of [private ownership of the means of production](/wiki/Privatism). As some opponents of wage labour take influence from Marxist propositions, many are opposed to [private property](/wiki/Private_property), but maintain respect for [personal property](/wiki/Personal_property).

### Types[[edit](/index.php?title=(none)&action=edit&section=18)]

The most common form of wage labour currently is ordinary direct, or "full-time", employment in which a free worker sells his or her labour for an indeterminate time (from a few years to the entire career of the worker), in return for a money-wage or salary and a continuing relationship with the employer which it does not in general offer contractors or other irregular staff. However, wage labour takes many other forms, and explicit as opposed to implicit (i.e. conditioned by local labour and tax law) contracts are not uncommon. Economic history shows a great variety of ways in which labour is traded and exchanged. The differences show up in the form of:

* *Employment status*: a worker could be employed full-time, part-time, or on a casual basis. He or she could be employed for example temporarily for a specific project only, or on a permanent basis. Part-time wage labour could combine with part-time [self-employment](/wiki/Self-employment). The worker could be employed also as an [apprentice](/wiki/Apprenticeship).
* *Civil (legal) status*: the worker could for example be a free citizen, an [indentured labourer](/wiki/Indentured_labour), the subject of [forced labour](/wiki/Forced_labour) (including some prison or army labour); a worker could be assigned by the political authorities to a task, they could be a [semi-slave](/wiki/Slavery) or a [serf](/wiki/Serfdom) bound to the land who is hired out part of the time. So the labour might be performed on a more or less voluntary basis, or on a more or less involuntary basis, in which there are many gradations.
* *Method of payment (remuneration or* [*compensation*](/wiki/Compensation_of_employees)*)*. The work done could be paid "in cash" (a money-wage) or "in kind" (through receiving goods and/or services), or in the form of "[piece rates](/wiki/Piecework)" where the wage is directly dependent on how much the worker produces. In some cases, the worker might be paid in the form of credit used to buy goods and services, or in the form of [stock options](/wiki/Employee_stock_option) or [shares](/wiki/Share_(finance)) in an enterprise.
* *Method of hiring*: the worker might engage in a labour-contract on his or her own initiative, or he or she might hire out their labour as part of a group. But he or she may also hire out their labour via an intermediary (such as an employment agency) to a third party. In this case, he or she is paid by the intermediary, but works for a third party which pays the intermediary. In some cases, labour is [subcontracted](/wiki/Subcontracting) several times, with several intermediaries. Another possibility is that the worker is assigned or posted to a job by a political authority, or that an agency hires out a worker to an enterprise *together* with [means of production](/wiki/Means_of_production).

### Comparison to slavery[[edit](/index.php?title=(none)&action=edit&section=19)]

[Template:Main article](/wiki/Template:Main_article)

[thumb|right|](/wiki/File:Pinkerton_escorts_hocking_valley_leslies.jpg)[Pinkerton guards](/wiki/Pinkerton_National_Detective_Agency) escort strikebreakers in Buchtel, Ohio, 1884

Wage labour has long been compared to slavery.[[92]](#cite_note-92)[[93]](#cite_note-93)[[94]](#cite_note-94)[[95]](#cite_note-95) As a result, the phrase [“wage slavery”](/wiki/Labour_economics#Wage_slavery) is often utilised as a pejorative for wage labour.[[96]](#cite_note-96) Similarly, advocates of slavery looked upon the "comparative evils of Slave Society and of Free Society, of slavery to human Masters and slavery to Capital",[[97]](#cite_note-97) and proceeded to argue that wage slavery was actually *worse* than [chattel slavery](/wiki/Chattel_slavery).[[98]](#cite_note-98) Slavery apologists like [George Fitzhugh](/wiki/George_Fitzhugh) contended that workers only accepted wage labour with the passage of time, as they became "familiarised and inattentive to the infected social atmosphere they continually inhale".[[97]](#cite_note-97) Scholars have debated the exact relationship between wage labor, slavery, and capitalism at length, especially for the Antebellum United States.[[99]](#cite_note-99) In *The Wealth of Nations*, Smith generally assumed that the supply price was fixed but that its "merit" (value) would decrease as its "scarcity" increased, in effect what was later called the law of demand also. Ricardo, in *Principles of Political Economy and Taxation*, more rigorously laid down the idea of the assumptions that were used to build his ideas of supply and demand. [Antoine Augustin Cournot](/wiki/Antoine_Augustin_Cournot) first developed a mathematical model of supply and demand in his 1838 *Researches into the Mathematical Principles of Wealth*, including diagrams.

During the late 19th century the marginalist school of thought emerged. This field mainly was started by [Stanley Jevons](/wiki/William_Stanley_Jevons), [Carl Menger](/wiki/Carl_Menger), and [Léon Walras](/wiki/Léon_Walras). The key idea was that the price was set by the most expensive price, that is, the price at the margin. This was a substantial change from Adam Smith's thoughts on determining the supply price.

In his 1870 essay "On the Graphical Representation of Supply and Demand", [Fleeming Jenkin](/wiki/Fleeming_Jenkin) in the course of "introduc[ing] the diagrammatic method into the English economic literature" published the first drawing of supply and demand curves therein,[[134]](#cite_note-134) including [comparative statics](/wiki/Comparative_statics) from a shift of supply or demand and application to the labor market.[[135]](#cite_note-135) The model was further developed and popularized by [Alfred Marshall](/wiki/Alfred_Marshall) in the 1890 textbook [*Principles of Economics*](/wiki/Principles_of_Economics_(Marshall)).[[136]](#cite_note-136)

## Capitalism and war[[edit](/index.php?title=(none)&action=edit&section=39)]

War typically causes the diversion, destruction and creation of capital assets as capital assets are both destroyed or consumed and diverted to types of production needed to fight the war. Many assets are wasted and in some few cases created specifically to fight a war. War driven demands may be a powerful stimulus for the accumulation of capital and production capability in limited areas and market expansion outside the immediate theatre of war. Often this has induced laws against perceived and real [war profiteering](/wiki/War_profiteering).

The total hours worked in the United States rose by 34 percent during World War II, even though the military draft reduced the civilian labor force by 11 percent.[[137]](#cite_note-137) [thumb|Assembling the North American](/wiki/File:B25-mitchell-assembly.jpg) [B-25 Mitchell](/wiki/B-25_Mitchell) at [Kansas City](/wiki/Kansas_City), 1942. The common view among economic historians is that the [Great Depression](/wiki/Great_Depression) ended with the advent of World War II.

War destruction can be illustrated by looking at [World War II](/wiki/World_War_II). Industrial war damage was heaviest in Japan, where 1/4 of factory buildings and 1/3 of plant & equipment were destroyed; 1/7 of electric power-generating capacity was destroyed and 6/7 of oil refining capacity. The Japanese merchant fleet lost 80% of their ships. In Germany in 1944, when air attacks were heaviest, 6.5% of machine tools were damaged or destroyed, but around 90% were later repaired. About 10% of steel production capacity was lost. In Europe, the United States and the Soviet Union enormous resources were accumulated and ultimately dissipated as planes, ships, tanks, etc. were built and then lost or destroyed.

Germany's total war damage was estimated at about 17.5% of the pre-war total capital stock by value, i.e. about 1/6. In the [Berlin](/wiki/Berlin) area alone, there were 8 million refugees lacking basic necessities. In 1945, less than 10% of the railways were still operating. 2395 rail bridges were destroyed and a total of 7500 bridges, 10,000 locomotives and more than 100,000 goods wagons were destroyed. Less than 40% of the remaining locomotives were operational.

However, by the first quarter of 1946 European rail traffic, which was given assistance and preferences (by western appointed military governors) for resources and material as an essential asset, regained its prewar operational level. At the end of the year, 90% of Germany's railway lines were operating again. In retrospect, the rapidity of infrastructure reconstruction appears astonishing.

Initially, in May 1945, newly installed U.S. president [Harry S. Truman's](/wiki/Harry_S._Truman) directive had been that no steps would be taken towards economic rehabilitation of Germany. In fact, the initial industry plan of 1946 prohibited production in excess of half of the 1938 level; the iron and steel industry was allowed to produce only less than a third of pre-war output. These plans were rapidly revised and better plans were instituted. In 1946, over 10% of Germany's physical capital stock (plant & equipment) was also dismantled and confiscated, most of it going to the USSR. By 1947, industrial production in Germany was at 1/3 of the 1938 level, and industrial investment at about 1/2 the 1938 level.

The first big strike-wave in the Ruhr occurred in early 1947 — it was about food rations and housing, but soon there were demands for nationalisation. The U.S. appointed military governor (Newman) however stated at the time that he had the power to break strikes by withholding food rations. The clear message was: "no work, no eat". As the military controls in Western Germany were nearly all relinquished and the Germans were allowed to rebuild their own economy with Marshal Plan aid things rapidly improved. By 1951, German industrial production had overtaken the prewar level. The [Marshall Aid](/wiki/Marshall_Aid) funds were important, but, after the currency reform (which permitted German capitalists to revalue their assets) and the establishment of a new political system, much more important was the commitment of the USA to *rebuilding* German capitalism and establishing a free market economy and government, rather than keeping Germany in a weak position. Initially, average real wages remained low, lower even than in 1938, until the early 1950s, while profitability was unusually high. So the total investment fund, aided by credits, was also high, resulting in a high rate of capital accumulation which was nearly all reinvested in new construction or new tools. This was called the [German economic miracle](/wiki/German_economic_miracle) or *"Wirtschaftswunder"*.[[138]](#cite_note-138) In Italy, the victorious Allies did three things in 1945: they imposed their absolute military authority; they quickly disarmed the Italian partisans from a very large stock of weapons; and they agreed to a state guarantee of wage payments, as well as a veto on all sackings of workers from their jobs.[[139]](#cite_note-139) Although the Italian Communist Party grew very large immediately after the war ended — it achieved a membership of 1.7 million people in a population of 45 million — it was outmaneouvred through a complicated political battle by the Christian Democrats, after three years.[[140]](#cite_note-140) In the 1950s, an economic boom began in Italy, at first fuelled by internal demand, and then also by exports.[[141]](#cite_note-141) In modern times, it has often been possible to rebuild physical capital assets destroyed in wars completely within the space of about 10 years, except in cases of severe pollution by [chemical warfare](/wiki/Chemical_warfare) or other kinds of irreparable devastation. However, damage to [human capital](/wiki/Human_capital) has been much more devastating, in terms of fatalities (in the case of World War II, about 55 million deaths), permanent physical disability, enduring ethnic hostility and psychological injuries which have effects for at least several generations.

## Types of capitalism[[edit](/index.php?title=(none)&action=edit&section=40)]

There are many variants of capitalism in existence that differ according to country and region. They vary in their institutional makeup and by their economic policies. The common features among all the different forms of capitalism is that they are based on the production of goods and services for profit, predominantly market-based allocation of resources, and they are structured upon the accumulation of capital. The major forms of capitalism are listed hereafter:

### Advanced capitalism[[edit](/index.php?title=(none)&action=edit&section=41)]

**Advanced capitalism** is the situation that pertains to a society in which the [capitalist model](/wiki/Capitalist_model) has been integrated and developed deeply and extensively for a prolonged period. Various writers identify [Antonio Gramsci](/wiki/Antonio_Gramsci) as an influential early theorist of advanced capitalism, even if he did not use the term himself. In his writings Gramsci sought to explain how capitalism had adapted to avoid the revolutionary overthrow that had seemed inevitable in the 19th century. At the heart of his explanation was the decline of raw coercion as a tool of class power, replaced by use of [civil society](/wiki/Civil_society) institutions to manipulate public ideology in the capitalists' favour.[[142]](#cite_note-142)[[143]](#cite_note-143)[[144]](#cite_note-144) [Jürgen Habermas](/wiki/Jürgen_Habermas) has been a major contributor to the analysis of advanced-capitalistic societies. Habermas observed four general features that characterise advanced capitalism:

* Concentration of industrial activity in a few large firms
* Constant reliance on the state to stabilise the economic system
* A formally democratic government that legitimises the activities of the state and dissipates opposition to the system
* The use of nominal wage increases to pacify the most restless segments of the work force[[145]](#cite_note-145)

### Finance capitalism[[edit](/index.php?title=(none)&action=edit&section=42)]

[Template:See also](/wiki/Template:See_also)

In their critique of capitalism, [Marxism](/wiki/Marxism) and [Leninism](/wiki/Leninism) both emphasise the role of "[Finance Capital](/wiki/Finance_capitalism)" as the determining and ruling class interest in capitalist society, particularly in the [latter stages](/wiki/Crisis_of_capitalism).[[146]](#cite_note-146)[[147]](#cite_note-147) [Rudolf Hilferding](/wiki/Rudolf_Hilferding) is credited with first bringing the term finance capitalism into prominence, with his 1910 study of the links between German trusts, banks, and monopolies before [World War I](/wiki/World_War_I) – a study subsumed by [Lenin](/wiki/Lenin) into his wartime analysis of the imperialist relations of the great world powers.[[148]](#cite_note-148) Lenin concluded of the banks at that time that they were “the chief nerve centres of the whole capitalist system of national economy”:[[149]](#cite_note-149) for the [Comintern](/wiki/Comintern), the phrase "dictatorship of finance capitalism"[[150]](#cite_note-150) became a regular one.

[Braudel](/wiki/Braudel) would later point to two earlier periods when finance capitalism had emerged in human history – with the Genoese in the 16th century and the Dutch in the 17th and 18th centuries – although at those points it was from commercial capitalism that it developed.[[151]](#cite_note-151) [Giovanni Arrighi](/wiki/Giovanni_Arrighi) extended Braudel's analysis to suggest that a predominance of finance capitalism is a recurring, long-term phenomenon, whenever a previous phase of commercial/industrial capitalist expansion reaches a plateau.[[152]](#cite_note-152)

### Mercantilism[[edit](/index.php?title=(none)&action=edit&section=43)]

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[thumb|right|The subscription room at](/wiki/File:Lloyds_Subscription_Room_edited.jpg) [Lloyd's of London](/wiki/Lloyd's_of_London) in the early 19th century.

Mercantilism is a nationalist form of early capitalism that came into existence approximately in the late 16th century. It is characterized by the intertwining of national business interests to state-interest and imperialism, and consequently, the state apparatus is utilized to advance national business interests abroad. An example of this is colonists living in America who were only allowed to trade with and purchase goods from their respective mother countries (e. g. Britain, Portugal, France). Mercantilism was driven by the belief that the wealth of a nation is increased through a positive balance of trade with other nations; it corresponds to the phase of capitalist development sometimes called the [Primitive accumulation of capital](/wiki/Primitive_accumulation_of_capital).

### Free-market economy[[edit](/index.php?title=(none)&action=edit&section=44)]

[Template:See also](/wiki/Template:See_also)

Free-market economy refers to a capitalist economic system where prices for goods and services are set freely by the forces of supply and demand and are allowed to reach their point of equilibrium without intervention by government policy. It typically entails support for highly competitive markets and private ownership of productive enterprises. *Laissez-faire* is a more extensive form of free-market economy where the role of the state is limited to protecting [property rights](/wiki/Property_rights_(economics)).

### Social-market economy[[edit](/index.php?title=(none)&action=edit&section=45)]

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A social-market economy is a nominally free-market system where government intervention in price formation is kept to a minimum but the state provides significant services in the area of social security, unemployment benefits and recognition of [labor rights](/wiki/Labor_rights) through national [collective bargaining](/wiki/Collective_bargaining) arrangements. This model is prominent in Western and Northern European countries, and Japan, albeit in slightly different configurations. The vast majority of enterprises are privately owned in this economic model.

[Rhine capitalism](/wiki/Rhine_capitalism) refers to the contemporary model of capitalism and adaptation of the social market model that exists in continental Western Europe today.

### State capitalism[[edit](/index.php?title=(none)&action=edit&section=46)]

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[State capitalism](/wiki/State_capitalism) is a capitalist market economy dominated by state-owned enterprises, where the state enterprises are organized as commercial, profit-seeking businesses. The designation has been used broadly throughout the 20th century to designate a number of different economic forms, ranging from state-ownership in market economies to the command economies of the former [Eastern Bloc](/wiki/Eastern_Bloc). According to Aldo Musacchio, a professor at Harvard Business School, state capitalism is a system in which governments, whether democratic or autocratic, exercise a widespread influence on the economy either through direct ownership or various subsidies. Musacchio notes a number of differences between today's state capitalism and its predecessors. In his opinion, gone are the days when governments appointed bureaucrats to run companies: the world's largest state-owned enterprises are now traded on the public markets and kept in good health by large institutional investors. Contemporary state capitalism is associated with the [East Asian model of capitalism](/wiki/East_Asian_model_of_capitalism), [dirigisme](/wiki/Dirigisme) and the economy of Norway.[[153]](#cite_note-153) Alternatively, [Merriam-Webster](/wiki/Merriam-Webster) defines state capitalism as "an economic system in which private capitalism is modified by a varying degree of government ownership and control".[[154]](#cite_note-154) [Friedrich Engels](/wiki/Friedrich_Engels), in *Socialism: Utopian and Scientific*, argued that state-owned enterprises would characterize the final stage of capitalism, consisting of ownership and management of large-scale production and communication by the [bourgeois state](/wiki/Capitalist_state).[[155]](#cite_note-155) In his writings, [Vladimir Lenin](/wiki/Vladimir_Lenin) characterized the economy of Soviet Russia as state capitalist, believing state capitalism to be an early step toward the development of socialism.[[156]](#cite_note-156)[[157]](#cite_note-157) Some economists and left-wing academics including [Richard D. Wolff](/wiki/Richard_D._Wolff) and [Noam Chomsky](/wiki/Noam_Chomsky) argue that the economies of the former [Soviet Union](/wiki/Soviet_Union) and Eastern bloc represented a form of state capitalism because their internal organization within enterprises and the system of wage labor remained intact.[[158]](#cite_note-158)[[159]](#cite_note-159)[[160]](#cite_note-160) The term is not used by Austrian school economists to describe state ownership of the means of production. The economist Ludwig von Mises argued that the designation of "state capitalism" was simply a new label for the old labels of "state socialism" and "planned economy", and differed only in non-essentials from these earlier designations.[[161]](#cite_note-161) The debate between proponents of private versus state capitalism is centered around questions of managerial efficacy, productive efficiency, and fair distribution of wealth.

### Corporate capitalism[[edit](/index.php?title=(none)&action=edit&section=47)]

[Template:Main article](/wiki/Template:Main_article) [Template:See also](/wiki/Template:See_also)

Corporate capitalism is a free or mixed-market economy characterized by the dominance of hierarchical, bureaucratic corporations.

### Mixed economy[[edit](/index.php?title=(none)&action=edit&section=48)]

[Template:Main article](/wiki/Template:Main_article) [Template:See also](/wiki/Template:See_also)

A mixed economy is a largely market-based economy consisting of both private and public ownership of the means of production and [economic interventionism](/wiki/Economic_interventionism) through macroeconomic policies intended to correct [market failures](/wiki/Market_failure), reduce unemployment and keep inflation low. The degree of intervention in markets varies among different countries. Some mixed economies, such as France under [dirigisme](/wiki/Dirigisme), also featured a degree of [indirect economic planning](/wiki/Indicative_planning) over a largely capitalist-based economy.

Most modern capitalist economies are defined as "mixed economies" to some degree.[Template:Citation needed](/wiki/Template:Citation_needed)

### Others[[edit](/index.php?title=(none)&action=edit&section=49)]

Other variants of capitalism include:[Template:Col-begin](/wiki/Template:Col-begin) [Template:Col-1-of-3](/wiki/Template:Col-1-of-3)

* [Anarcho-capitalism](/wiki/Anarcho-capitalism)
* [Community capitalism](/wiki/Community_capitalism)
* [Finance capitalism](/wiki/Finance_capitalism)

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* [Financial capitalism](/wiki/Financial_capitalism)
* [Late capitalism](/wiki/Late_capitalism)
* [Neo-capitalism](/wiki/Neo-capitalism)
* [Post-capitalism](/wiki/Post-capitalism)

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* [Supercapitalism](/wiki/Supercapitalism_(modern))
* [Technocapitalism](/wiki/Technocapitalism)
* [Welfare capitalism](/wiki/Welfare_capitalism)

[Template:Col-end](/wiki/Template:Col-end)

## Role of government[[edit](/index.php?title=(none)&action=edit&section=50)]

[Template:Further](/wiki/Template:Further)

In a capitalist system, the government does not prohibit private property or prevent individuals from working where they please. The government does not prevent firms from determining what wages they will pay and what prices they will charge for their products. Many countries, however, have [minimum wage](/wiki/Minimum_wage) laws and minimum safety standards.

Under some versions of capitalism, the government carries out a number of economic functions, such as issuing money, supervising public utilities and enforcing private contracts. Many countries have [competition laws](/wiki/Competition_law) that prohibit monopolies and cartels from forming. Despite anti-monopoly laws, large corporations can form near-monopolies in some industries. Such firms can temporarily drop prices and accept losses to prevent competition from entering the market, and then raise them again once the threat of entry is reduced. In many countries, public utilities (e.g. electricity, heating fuel, communications) are able to operate as a monopoly under government regulation, due to high economies of scale.

Government agencies regulate the standards of service in many industries, such as airlines and broadcasting, as well as financing a wide range of programs. In addition, the government regulates the flow of capital and uses financial tools such as the interest rate to control factors such as inflation and unemployment.[[162]](#cite_note-162)

### Adverse characteristics of capitalist governments[[edit](/index.php?title=(none)&action=edit&section=51)]

[Democratic socialists](/wiki/Democratic_socialism) argue that the role of the state in a capitalist society is to defend the interests of the [bourgeoisie](/wiki/Bourgeoisie).<ref name=democraticsocialists><http://www.dsp.org.au/node/33></ref> These governments take actions to implement such things as unified national markets, national currencies, and customs system.<ref name=democraticsocialists/> Capitalist governments have also been criticised as [oligarchic](/wiki/Oligarchy) in nature[[163]](#cite_note-163) due to the inevitable inequality[[164]](#cite_note-164)[[165]](#cite_note-165) characteristic of economic progress.[[166]](#cite_note-166)[[167]](#cite_note-167)

## Criticism[[edit](/index.php?title=(none)&action=edit&section=52)]

[Template:Further](/wiki/Template:Further)

[right|thumb|The](/wiki/File:Anti-capitalism_color.jpg) [Industrial Workers of the World](/wiki/Industrial_Workers_of_the_World) poster "[Pyramid of Capitalist System](/wiki/Pyramid_of_Capitalist_System)" (1911)

Critics of capitalism associate the economic system with [social inequality](/wiki/Social_inequality); unfair [distribution of wealth](/wiki/Distribution_of_wealth) and power; [materialism](/wiki/Economic_materialism); repression of workers and [trade unionists](/wiki/Trade_union); [social alienation](/wiki/Social_alienation); [economic inequality](/wiki/Economic_inequality); [unemployment](/wiki/Unemployment); and economic instability.[[168]](#cite_note-168) Many socialists consider capitalism to be irrational, in that production and the direction of the economy are unplanned, creating many inconsistencies and internal contradictions.[[169]](#cite_note-169)[[170]](#cite_note-170) Capitalism and individual property rights have been associated with the [tragedy of the anticommons](/wiki/Tragedy_of_the_anticommons) where owners are unable to agree. [Marxian economist](/wiki/Marxian_economist) [Richard D. Wolff](/wiki/Richard_D._Wolff) postulates that capitalist economies prioritize profits and capital accumulation over the social needs of communities, and capitalist enterprises rarely include the workers in the basic decisions of the enterprise.[[171]](#cite_note-171) Some [labor historians](/wiki/Labor_history_(discipline)) and scholars have argued that [unfree labor](/wiki/Unfree_labor) — by [slaves](/wiki/Slavery), [indentured servants](/wiki/Indentured_servant), prisoners or other coerced persons — is compatible with capitalist relations. [Tom Brass](/wiki/Tom_Brass) argued that unfree labor is acceptable to capital.[[172]](#cite_note-172)[[173]](#cite_note-173) Historian [Greg Grandin](/wiki/Greg_Grandin) argues that capitalism has its origins in slavery: "when historians talk about the Atlantic market revolution, they are talking about capitalism. And when they are talking about capitalism, they are talking about slavery."[[174]](#cite_note-174) Historian [Edward E. Baptist](/wiki/Edward_E._Baptist) claims that slavery was an integral component in the violent development of American and global capitalism.[[175]](#cite_note-175) According to [Immanuel Wallerstein](/wiki/Immanuel_Wallerstein), institutional racism has been "one of the most significant pillars" of the capitalist system and serves as "the ideological justification for the hierarchization of the work-force and its highly unequal distributions of reward".[[176]](#cite_note-176) Many aspects of capitalism have come under attack from the [anti-globalization movement](/wiki/Anti-globalization_movement), which is primarily opposed to [corporate capitalism](/wiki/Corporate_capitalism). [Environmentalists](/wiki/Environmentalism) have argued that capitalism requires continual economic growth, and that it will inevitably deplete the finite natural resources of Earth.[[177]](#cite_note-177)[[178]](#cite_note-178) Such critics argue that, while this [neoliberalism](/wiki/Neoliberalism) or contemporary capitalism has indeed increased global trade, it has also destroyed traditional ways of life, exacerbated inequality and increased global [poverty](/wiki/Poverty) — with more living today in abject poverty than before neoliberalism, and that environmental indicators indicate massive environmental degradation since the late 1970s.[[18]](#cite_note-18)[[179]](#cite_note-179)[[180]](#cite_note-180) Some scholars blame the [financial crisis of 2007–08](/wiki/Financial_crisis_of_2007–08) on the neoliberal capitalist model.[[181]](#cite_note-181)[[182]](#cite_note-182)[[183]](#cite_note-183)[[184]](#cite_note-184)[[185]](#cite_note-185) Following the banking crisis of 2007, [Alan Greenspan](/wiki/Alan_Greenspan) told the United States Congress on 23 October 2008: "The whole intellectual edifice collapsed. I made a mistake in presuming that the self-interests of organizations, specifically banks and others, were such that they were best capable of protecting their own shareholders. ... I was shocked."[[186]](#cite_note-186) Many religions have criticized or opposed specific elements of capitalism. Traditional [Judaism](/wiki/Judaism), [Christianity](/wiki/Christianity), and Islam forbid [lending money at interest](/wiki/Usury),[[187]](#cite_note-187)[[188]](#cite_note-188) although alternative methods of banking have been developed. Some Christians have criticized capitalism for its [materialist](/wiki/Economic_materialism) aspects and its inability to account for the wellbeing of all people.[[189]](#cite_note-189) Many of Jesus' parables deal with economic concerns: farming, shepherding, being in debt, doing hard labor, being excluded from banquets and the houses of the rich, and have implications for wealth and power distribution.[[190]](#cite_note-190)[[191]](#cite_note-191) Catholic scholars and clergy have often criticized capitalism because of its disenfranchisement of the poor often promoting [distributism](/wiki/Distributism) as an alternative. In his 84-page [apostolic exhortation](/wiki/Apostolic_exhortation) [*Evangelii gaudium*](/wiki/Evangelii_gaudium)*,* [catholic pope](/wiki/Pope) [Francisco](/wiki/Pope_Francisco) described unfettered capitalism as "a new tyranny" and called on world leaders to fight rising poverty and inequality:[[192]](#cite_note-192)

Some people continue to defend [trickle-down theories](/wiki/Trickle-down_economics) which assume that economic growth, encouraged by a free market, will inevitably succeed in bringing about greater justice and inclusiveness in the world. This opinion, which has never been confirmed by the facts, expresses a crude and naive trust in the goodness of those wielding economic power and in the sacralized workings of the prevailing economic system. Meanwhile, the excluded are still waiting.[[193]](#cite_note-193)

Proponents of capitalism argue that it creates more prosperity than any other economic system, and that its benefits are mainly to the ordinary person.[[194]](#cite_note-194) Critics of capitalism variously associate it with economic instability,[[195]](#cite_note-195) an inability to provide for the well-being of all people,[[196]](#cite_note-196) and an unsustainable danger to the natural environment.[[177]](#cite_note-177) [Socialists](/wiki/Socialism) maintain that, although capitalism is superior to all previously existing economic systems (such as feudalism or slavery), the contradiction between class interests will only be resolved by advancing into a completely new social system of production and distribution in which all persons have an equal relationship to the means of production.[[197]](#cite_note-197) The term *capitalism*, in its modern sense, is often attributed to [Karl Marx](/wiki/Karl_Marx).[[40]](#cite_note-40)[[198]](#cite_note-198) In his [magnum opus](/wiki/Masterpiece) [*Capital*](/wiki/Das_Kapital), Marx analysed the "[capitalist mode of production](/wiki/Capitalist_mode_of_production_(Marxist_theory))" using a method of understanding today known as [Marxism](/wiki/Marxism). However, Marx himself rarely used the term "capitalism", while it was used twice in the more political interpretations of his work, primarily authored by his collaborator [Friedrich Engels](/wiki/Friedrich_Engels). In the 20th century, defenders of the capitalist system often replaced the term *capitalism* with phrases such as *free enterprise* and *private enterprise* and replaced *capitalist* with [*rentier*](/wiki/Rentier_capitalism) and [*investor*](/wiki/Investor) in reaction to the negative connotations associated with capitalism.[[89]](#cite_note-89)

### Profit motive[[edit](/index.php?title=(none)&action=edit&section=53)]

The majority of criticisms against the profit motive centre on the idea that profits should not supersede the needs of people. [Michael Moore's](/wiki/Michael_Moore) film [*Sicko*](/wiki/Sicko), for example, attacks the healthcare industry for its alleged emphasis on profits at the expense of patients.[[199]](#cite_note-199) Moore explains:

We should have no talk of profit when it comes to helping people who are sick. The profit motive should be nowhere involved in this. And you know what? It's not fair to the insurance companies either because they have a fiduciary responsibility to make as much money as they can for their shareholders. Well, the way they make more money is to deny claims or to kick people off the rolls or to not even let people on the rolls because they have a pre-existing condition. You know, all of that is wrong.[[200]](#cite_note-200)

Another common criticism of the profit motive is that it is believed to encourage selfishness and greed. Critics of the profit motive contend that companies disregard morals or public safety in the pursuit of profits.[[201]](#cite_note-201) [Free-market](/wiki/Free_market) economists counter that the profit motive, coupled with competition, actually reduces the final price of an item for consumption, rather than raising it. They argue that businesses profit by selling a good at a lower price and at a greater volume than the competition. Economist [Thomas Sowell](/wiki/Thomas_Sowell) uses supermarkets as an example to illustrate this point: “It has been estimated that a supermarket makes a clear profit of about a penny on a dollar of sales. If that sounds pretty skimpy, remember that it is collecting that penny on every dollar at several cash registers simultaneously and, in many cases, around the clock.”[[202]](#cite_note-202) Economist [Milton Friedman](/wiki/Milton_Friedman) has argued that greed and self-interest are universal human traits. On a 1979 episode of [The Phil Donahue Show](/wiki/The_Phil_Donahue_Show), Friedman states: “The world runs on individuals pursuing their separate interests.” He continues by explaining that only in capitalist countries, where individuals can pursue their own self-interest, people have been able to escape from “grinding poverty”.[[203]](#cite_note-203)

#### Alternatives[[edit](/index.php?title=(none)&action=edit&section=54)]

Many economic and political theories advocate for an economy without the profit system and thus the profit motive. Economist [Allan H. Meltzer](/wiki/Allan_H._Meltzer) has argued that all of these on anything more than a small scale have ended in [authoritarianism](/wiki/Authoritarianism).[[204]](#cite_note-204)

#### Ayn Rand[[edit](/index.php?title=(none)&action=edit&section=59)]

The novelist and philosopher [Ayn Rand](/wiki/Ayn_Rand) made positive moral defences of *laissez-faire* capitalism, most notably in her 1957 novel [*Atlas Shrugged*](/wiki/Atlas_Shrugged), and in her 1966 collection of essays [*Capitalism: The Unknown Ideal*](/wiki/Capitalism:_The_Unknown_Ideal). She argued that capitalism should be supported on moral grounds, not just on the basis of practical benefits.[[225]](#cite_note-225)[[226]](#cite_note-226) She has significantly influenced conservative and [libertarian](/wiki/Libertarianism) supporters of capitalism, especially in the American [Tea Party movement](/wiki/Tea_Party_movement).[[227]](#cite_note-227) Ayn Rand defines capitalism as "a social system based on the recognition of individual rights, including property rights, in which all property is privately owned."[[228]](#cite_note-228) According to Rand, the role of government in a capitalist state has three broad categories of proper functions: First, the police "to protect men from criminals". Second, the armed services "to protect men from foreign invaders". Third, the law courts "to settle disputes among men according to objective laws".[[229]](#cite_note-229)

### Economic growth[[edit](/index.php?title=(none)&action=edit&section=60)]

[thumb|World's](/wiki/File:Gdp_chart.png) [GDP](/wiki/GDP) per capita shows exponential growth since the beginning of the Industrial Revolution.[[230]](#cite_note-230) [thumb|Capitalism and the economy of the People's Republic of China](/wiki/File:Prc1952-2005gdp.gif)

Many theorists and policymakers in predominantly capitalist nations have emphasised capitalism's ability to promote economic growth, as measured by [Gross Domestic Product](/wiki/Gross_Domestic_Product) (GDP), [capacity utilization](/wiki/Capacity_utilization) or [standard of living](/wiki/Standard_of_living). This argument was central, for example, to Adam Smith's advocacy of letting a free market control production and price, and allocate resources. Many theorists have noted that this increase in global GDP over time coincides with the emergence of the modern world capitalist system.[[231]](#cite_note-231)[[232]](#cite_note-232) Between 1000 and 1820, the world economy grew sixfold, a faster rate than the population growth, so individuals enjoyed, on average, a 50% increase in income. Between 1820 and 1998, world economy grew 50-fold, a much faster rate than the population growth, so individuals enjoyed, on average, a 9-fold increase in income.<ref name=wolf44/> In most capitalist economic regions such as Europe, the United States, Canada, Australia and New Zealand, the economy grew 19-fold per person, even though these countries already had a higher starting level, and in Japan, which was poor in 1820, the increase per person was 31-fold. In the [third world](/wiki/Third_world) there was an increase, but only 5-fold per person.<ref name=wolf44>[Martin Wolf](/wiki/Martin_Wolf), [*Why Globalization works*](/wiki/Why_Globalization_works), pp. 43–45</ref>

Proponents argue that increasing GDP (per capita) is empirically shown to bring about improved standards of living, such as better availability of food, housing, clothing, and health care.[[233]](#cite_note-233) The decrease in the number of hours worked per week and the decreased participation of children and the elderly in the workforce have been attributed to capitalism.[[234]](#cite_note-234)[[235]](#cite_note-235)

## Economic freedom[[edit](/index.php?title=(none)&action=edit&section=61)]

In his book [*The Road to Serfdom*](/wiki/The_Road_to_Serfdom), [Freidrich Hayek](/wiki/Freidrich_Hayek) asserts that the [economic freedom](/wiki/Economic_freedom) of capitalism is a requisite of [political freedom](/wiki/Political_freedom). He argues that the market mechanism is the only way of deciding what to produce and how to distribute the items without using coercion. [Milton Friedman](/wiki/Milton_Friedman), [Andrew Brennan](/wiki/Andrew_Brennan_(economist)) and [Ronald Reagan](/wiki/Ronald_Reagan) also promoted this view. Friedman claimed that centralized economic operations are always accompanied by [political repression](/wiki/Political_repression). In his view, transactions in a market economy are voluntary, and that the wide diversity that voluntary activity permits is a fundamental threat to repressive political leaders and greatly diminish their power to coerce. Some of Friedman's views were shared by [John Maynard Keynes](/wiki/John_Maynard_Keynes), who believed that capitalism is vital for freedom to survive and thrive.[[236]](#cite_note-236)[[237]](#cite_note-237) [Freedom House](/wiki/Freedom_House), an American think tank that conducts international research on, and advocates for, democracy, political freedom, and human rights, has argued "there is a high and statistically significant correlation between the level of political freedom [as measured by Freedom House](/wiki/Freedom_in_the_World) and economic freedom [as measured by the Wall Street Journal/Heritage Foundation survey](/wiki/Index_of_Economic_Freedom)."[[238]](#cite_note-238)

## See also[[edit](/index.php?title=(none)&action=edit&section=62)]

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* [Corporatocracy](/wiki/Corporatocracy)
* [Distributism](/wiki/Distributism)
* [Market socialism](/wiki/Market_socialism)
* [Economic sociology](/wiki/Economic_sociology)
* [Perspectives on capitalism](/wiki/Perspectives_on_capitalism)
* [*Varieties of Capitalism*](/wiki/Varieties_of_Capitalism) – 2001 book
* [Post-Fordism](/wiki/Post-Fordism)
* [Late capitalism](/wiki/Late_capitalism)
* [Welfare capitalism](/wiki/Welfare_capitalism)
* [State monopoly capitalism](/wiki/State_monopoly_capitalism)
* [Anti-capitalism](/wiki/Anti-capitalism)
* [*Le Livre noir du capitalisme*](/wiki/Le_Livre_noir_du_capitalisme) – 1998 French book (*The Black Book of capitalism*)

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* [Crony capitalism](/wiki/Crony_capitalism)
* [Rent-seeking](/wiki/Rent-seeking)

## References[[edit](/index.php?title=(none)&action=edit&section=63)]

Notes

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* [FIXCapitalism.com](http://fixcapitalism.com/) via [Philip Kotler](/wiki/Philip_Kotler), Northwestern University, [Kellogg School of Management](/wiki/Kellogg_School_of_Management)
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