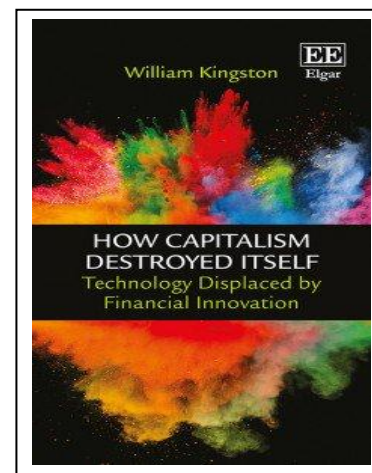


Book Review

Reviewing ‘How Capitalism is Destroying Itself?’ Technology Displaced by Financial Innovation



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Abstract This paper reviews the work of William Kingston (2017) published by Elgar. Kingston shows how capitalism has exhausted all the inherited moral values. The researchers of this review evaluate this work and compare it to previous work, starting from Ibn-Khaldun until how the latest different economies emerged and then destroyed itself. The paper focuses on the literature emphasis on how capitalism being under threats of destruction and what are signs of Transformation from capitalism. A comparison of Kingston's and other authors are made on how they see capitalism is destroying itself. The paper concludes with implications on the current destruction of capitalism and lessons learned.

Keywords Capitalism, Economy, Transformation from Capitalism, New Economies

1. Introduction

Ibn-Khaldun, confirms that none of the economies has continued, they all went into death. The famous cycle of Ibn-Khaldun discusses how different economies would emerge and then destroyed, although some stay for longer. This coincides with the speed of the new economies that are coming faster than before, such as knowledge economy and behavioural economy, as inspiration economy, Buheji (2016). However, Ibn-Khaldun and others believe that deformation of the purpose of the uprising, development and growth of any economy and its length of survival depends on the amount of trust it continues to gain amongst the continuously generating societies. In relevance to these theories, Kingston (2017) focused on identifying how capitalism is going through self-destruction through losing its trust. Today, many people refer to capitalism as a form of individualism that uses domination techniques, like property rights, to address self-interest, with some public benefit.

Buheji (2018) mentioned that relationship between growth and development is what differentiates the concept of capital economy and resilience economy. Employment, for example, shows how a narrow definition of growth in capital based economy is not always consistent with understandings of a healthy and resilient economy.

2. Literature Review

2.1. Emphasis on the Literature of Capitalism Being Under Threats of Destruction

More than ever now, capitalism is speeding its destruction of itself through the laws underwriting economic and financial innovation, supported by what claimed to democracy which gradually captured and shaped by those who could benefit most from them. This book shows that the outcome is a reduced ability to generate real wealth combined with exceptional inequality.

Joseph Schumpeter (1942) seen that capitalism society would be destroyed by its own success, due to the growing hostility of the institutions of a free society to the freedom of speech. The entrepreneurial market economy, on the other hand, loses the source of its wealth, and becomes hostile to the extent the society forgets how fragile the market economy is.

In today capital economy, competitiveness definitions conditions of scarcity are maintained by corporate structures that confine abundance to an exclusively entitled minority, Buheji (2018). This led to socio-economic imbalance and failure to manage the scarce resources, besides the mismanagement of unlimited abundance of prosperity.

2.2. Signs of Transformation from Capitalism

Studies show that any capital based transformation requires the accumulation of wealth. With this reality of wealth accumulation, the intellectual class of the society need to also to be actively fit to free-market hostility created by the institutions. Once the society ultimately rests on the wealth of the entrepreneurs of the growing class, who are mostly disconnected from real market competition, capitalism starts to fail.

Formal school and university graduates are another sign of market vulnerability. These youths become anti-market bias practices bring in anti-liberal ideology and make them turned against the ideals of a free society. Once the educational system fails to accommodate the realized benefits of the thriving marketplace, youth become the early movers of the entire economic system in society.

The other early sign of transformation from capitalism is when a collection of the community starts to believe that the system undervalues their capacity and know-how. We can live another transformation from capitalism when we experience the rapid increase of the unemployed. The unemployed society members generally go psychologically through a discontent mind that breeds resentment and end up with a utilitarian society that is full of social criticism.

In his amazing book on confronting capitalism, Kottler (2015) warned against the one capital-based economic model. Kottler warned from authoritarian capitalism specially in nations where the economic growth has slowed down as U.S.A., Europe, and Japan. Kottler (2015) mentioned about how this capital economy becoming non-resilient where wealth is concentrated in the hands of a few and where natural resources are exploited for short-term profits.

Finally, the transformation from capitalism can be experienced in the inequality caused by the financiers that are used to escape from the laws so that they continue to generate money from nothing.

2.3. How Capitalism is Destroying Itself?

Capitalism, as we know it today, is becoming a matter of wealth-seeking and -redistribution rather than a matter that creates a quality of life for the majority of the community. More and more entrepreneurs are becoming isolated from the profit and loss test of the market, and started to lose touch with the division of labour and its philosophy of innovation and wealth creation. This leads the curve of capitalism to sharply drops down.

Capitalism is an economy today that is dumping its liabilities on the youth and the future generation. Its current growth depends on intergenerational theft. Capitalism lost much of its capacity to increase the productivity of economic activity and the workings of modern financial systems.

Capitalism clearly is in bad shape if does not have the capacity to keep hiring workers, or creating an equality based entrepreneurial culture with enough labour income, enough consumer confidence, enough consumption and enough final demand.

Shifting income from labour to capital without having an excess capacity and a lack of aggregate demand found to create also threats on capitalism. In order for the current capitalism to thrive, it needs to push labour costs more and more down, but labour costs are someone else's income and consumption. Hence this creates status self-destruction.

Capitalism will destroy itself if it manages to create a massive redistribution of income from labour to capital, from wages to profits. This again increases the inequality of income. Also, the dangers of capitalism out fold when we have the household expenditure higher than the marginal returns from a firm. The reason capitalism eventually would fail is that the system is built to protect the concentration of wealth over time.

2.4. What is Happening to the Capital Economy Today?

The economic reality makes it inevitable that the capitalists focus on reducing labour costs. This is done today more with the automation of jobs. Notice that the very workers who were the beneficiaries of capitalism in the previous stage are now losing their jobs thanks to it.

Capitalists find it more prudent to pay overseas workers a fraction of the cost. This allows them to stay more competitive. However, notice the fact that the high wage earned by workers was the very basis of the market! If high wages are eliminated, the capitalists inadvertently shoot themselves in the foot. Over a period of time, fall in wages manifests in the form of a slowdown or a recession.

This is the stage wherein capitalists are desperate to find more sales to keep the momentum going, hence manage to come up with short-term solutions to the current community problems. These solutions inevitably generate growth and creation of credit. This results in workers who no longer have jobs that can enable them to buy products while they are in debt.

Due to the job market is shrinking, the bad debts of the general population are increasing. This makes the unemployed to try to make money via a mortgage. Such a mortgage crisis is only a result of the system that made it exist. The capitalism approach today to such problems is constrained by introducing bailout packages, and rising wages of workers, which amplify the problem in many developed and emerging economies with high populations like China and India.

2.5. Implications of 'How Capitalism is Destroying Itself?'

The book deals with capitalism in relevance to economic cycles and practically mentions how this affects both the micro- and macro-economic outcome of any community. Although Kingston (2017) explains briefly how capitalism could avoid its current disadvantages, he did not introduce the new economies have more advantages that capitalism could benefit from.

Structurally the book is full of quotes, which make it not very interesting for none specialists on the subject. It is a collective book about the subject rather a research with clear field studies.

Clearly Kingston (2017) relies on the longstanding opinions of Marx, Schumpeter and Minsky, specifically on the development of financial innovation which has replaced the technological innovation. Kingston's sees 'free-market economy' destroying the economic fabric of society.

As capitalism is based on the assumptions that a great a share of the world's resources could be bought, i.e. lands and natural resources could be brought regardless of who might be deprived. Finally, in a capitalist economy, we have all the opportunity to make something of ourselves.

3. Discussion and Conclusions

The demands towards having more resilient society and socio-economy are increasing due to the rising trends of consistent failures and crisis in capital economy. These consistent frequencies of failures in the last few decades specially led to the rise of democratic economies that are related to human capacity such as Knowledge Economy, Learning Economy, Behavioural Economics and Inspiration Economy. Buheji (2018, 2016).

Capitalism has benefits, however, the point of Kingston (2017) is that these benefits do not always reach the consumers and much of it goes to the wealthiest. The reviewed book in this paper paints a clear picture of the increased risks of coming recessions in the near future before capitalism goes down. The author nicely organises the chapters towards understanding the history of capitalism and how it was developed. Then Kingston (2017) focus on the market power and the role of wealth dominated by money. Then concludes with a discussion of how capitalism could be saved.

An essential aspect of this is that entrepreneurs and "the rich" are blamed for the downsides of the business cycle. Even these entrepreneurs are increasingly blamed for the growing frequency and severity of these risks. Marx had predicted a long time ago that these risks and series of crashes could wipe out an entire institutions and pose a systemic risk to the capitalist system.

Capitalism requires justice to survive; this "justice" is represented today by unearned wealth. This type of behaviour makes capitalism like a game of monopoly where most of the money and property is concentrated into the hands of very few, and those few can pass those holdings on to their offspring, it is unlikely that wealth ever moves to lower concentrations.

In order to stop the destruction, capitalism needs to focus on realised productivity rather than focusing on concentrating wealth with the few. Unless this move happens, we would continue to experience stories about the persistent concentration of wealth with the few, due to many bureaucratic red tapes as the unsatisfactory regulation and forced interventions of the rich dominating people towards to entrepreneurial start-ups. This does not help to close seen income inequality, which is increasing with time.

Karl Marx predicted the coming crisis of capitalism, which he believed it is like slavery and feudalism. This is because of the conflicting forces inherent in capitalism, which Marx called 'problems internal contradictions'. Capitalism supposed to provide a better standard of living for the entire society for both the working class and the investors.

Finally, one could conclude that William Kingston (2017) set a truthful and honest question, even when are many are hostile to it. To answer this question without bias, we need to bring all the capitalists and their opponents and create a tolerant environment for discussion. This is the purpose of this paper.

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