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Democracy, the state and legal frameworks

DEMOCRACY and capitalism are synonymous in many respects. In a capitalist society property rights are well protected. Every individual in a capitalist society can hold a piece or more than a piece of moveable and immovable property in his/her own name. And transaction of property between individuals is well-recorded by the documentary mechanism of the state. Everybody has a right to increase or decrease his/her property through purchase or sale of the same. This transaction is recorded, maintained and legally protected by laws. A part or whole of the physical asset can be transformed into capital, which is invested in the market economy as efficiently as possible. More specifically, legal framework of the ownership of private property is the basis or integral to the development

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of capitalism. In many cases there is a market failure under capitalism due to the creation of negative externality, market imperfection and the formation of a market syndicate by buyers or sellers or by both parties. In either case this kind of collusion in the market can take place under capitalism. This is called a market failure. In case of market failure consumers are made to buy everything at a very high price even though quality of goods and services may not be good. According to economists government intervention is necessary to improve on market outcomes in times of market failure in capitalist

society. Because market failure is a situation where the market does not or cannot allocate available resources efficiently, which leads to consumer suffering. Because of external factors, market failure occurs. Externality can be both positive and negative.

Capitalism is closely related to democracy. Democracy and capitalism go hand-in-hand. However, capitalism or open market economy can occur in some countries which are not democratic. For example, Singapore is very much a capitalist country. But a single political party dominates its politics. Two countries of the same nature of capital-

ism and democracy are very similar in their regime of politics. Singapore operates an open market economy which attracts a lot of foreign investment but where civil liberties such as human rights and freedom of speech and expression are low on the priority list. However, it may be noted that economic freedom is correlated with economic growth, personal and national income and the life expectancy.

Capitalist nations can utilise capitalism's ability to increase its economic growth, gross domestic product (GDP), maximum utilisation of the country's resources and to

increase the life and living standard of its people. For example, per capita income in South Korea is much higher than that in non-capitalist country of North Korea. As mentioned before per capita GDP and capitalism are correlated. The fairer is the capitalism, the higher is the GDP. Higher GDP means more availability of housing, clothing, and education. Capitalist economy offers more opportunities for individuals to raise their comfort, professional ability, productivity and business than does the non-capitalist economy.

According to Milton Freedmen, economic freedom of capitalism is

important for political freedom. On the contrary, centralised operation of economic activity as in a communist country is normally accompanied by political repression. Voluntary activity is not permitted in a non-capitalist economy. Capitalism is accompanied by self-organisation. Free market determines the equilibrium quantity of production and its prices by equating market supply with market demand. In other words, prices serve as a signal to the need and necessity in economic life. Everyone works hard to satisfy his or her demand. In the capitalist system it is the people who can individually or working together easily make the society more or less affluent.

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