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ECONOMIC PHILOSOPHY AS THE REALM OF HUMANKIND

Capitalism

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Pragmatism

Hedonism

Utilitarianism

Etika Agamis



Human Ethics

The Reformation

- The Protestant Reformation was a reform movement in Europe that began in 1517, It began with Martin Luther and may be considered to have ended in 1648.

Calvinism

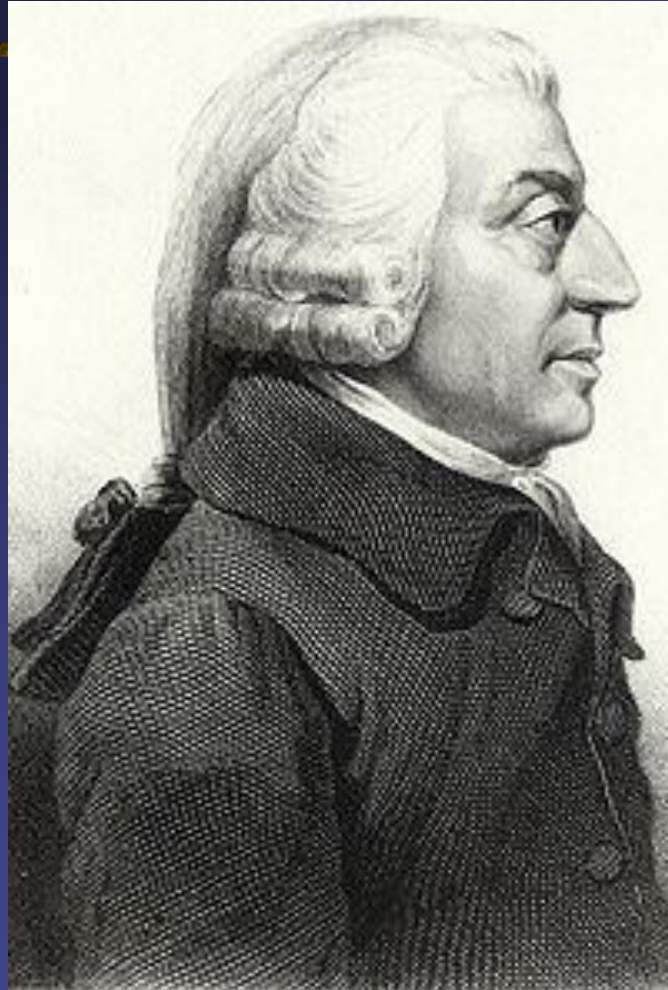
- Hard working
- Plain living
- Big saving
- God blessing



the beginning of Capitalism

C.a.p.i.t.a.l.i.s.m.

- **Capitalism** is the economic system in which the means of production are owned by private persons, and operated for profit and where investments, distribution, income, production and pricing of goods and services are predominantly determined through the operation of a **free market**
- Capitalism is usually considered to involve the right of individuals and corporations to trade, incorporate, employ workers, and use money, in goods, services (including finance), labor and land.



Laissez-faire

- Free market economics is closely associated with *laissez-faire* economic philosophy, which advocates approximating this condition in the real world by mostly confining government intervention in economic matters to regulating against force and fraud among market participants.

SISTEM PASAR BEBAS

- Adam Smith (1723 – 1790)
 1. Manusia bebas (dan harus dibiarkan bebas) untuk mencari dan memenuhi kepentingannya sendiri.
 2. Proses berjalan secara alami karena ada *invisible hand*.
 3. Mekanisme pasar tidak memerlukan campur tangan pemerintah.



Am. Mag. & Bazar, N.Y., 1862.

Liberalism

- ideas and theories of government that consider **individual liberty** to be the most important political goal.
- Liberalism has its roots in the Western Age of Enlightenment.
- Broadly speaking, liberalism emphasizes **individual rights and equality of opportunity**.

Principles of Liberalism

- extensive freedom of thought and speech,
- limitations on the power of governments,
- the rule of law,
- the free exchange of ideas,
- a market or mixed economy, and
- a transparent system of government

Principles of Liberalism

- Liberalism rejected many foundational assumptions that dominated most earlier theories of government,
- such as the Divine Right of Kings, hereditary status, and established religion.

Principles of Liberalism

- Liberalism is also strongly associated with the belief that human society should be organized in accordance with certain unchangeable and inviolable rights.
- some rights that all liberals support to some extent, including rights to life, liberty, and property.

Classical liberals,

- As a result they see state intervention in the economy as unneeded, emphasize laissez-faire economic policy, and oppose the welfare state.

Social liberals

- argue that freedom from economic as well as physical coercion is necessary for real freedom.
- They generally favor such positive rights as the right to vote, the right to an education, the right to health care, and the right to a living wage.
- laws against discrimination in housing and employment, laws against pollution of the environment, and the provision of welfare, including unemployment benefit and housing for the homeless, all supported by progressive taxation.

Theory of Justice, Rawls

- attempts to solve the problem of distributive justice by utilising a variant of the familiar device of the social contract.
- The resultant theory is known as "Justice as Fairness",
- two famous principles of justice: *the liberty principle* and *the difference principle*.

The First Principle of Justice

First: each person is to have an equal right to the most extensive scheme of equal basic liberties compatible with a similar scheme of liberties for others.”

- political liberty freedom of speech and assembly, liberty of conscience, freedom of personal property; and freedom from arbitrary arrest.

- liberties not on the list, for example, the right to own certain kinds of property (e.g. means of production) and freedom of contract as understood by the doctrine of laissez-faire are not basic;
- they are not protected by the priority of the first principle.

The Second Principle of Justice

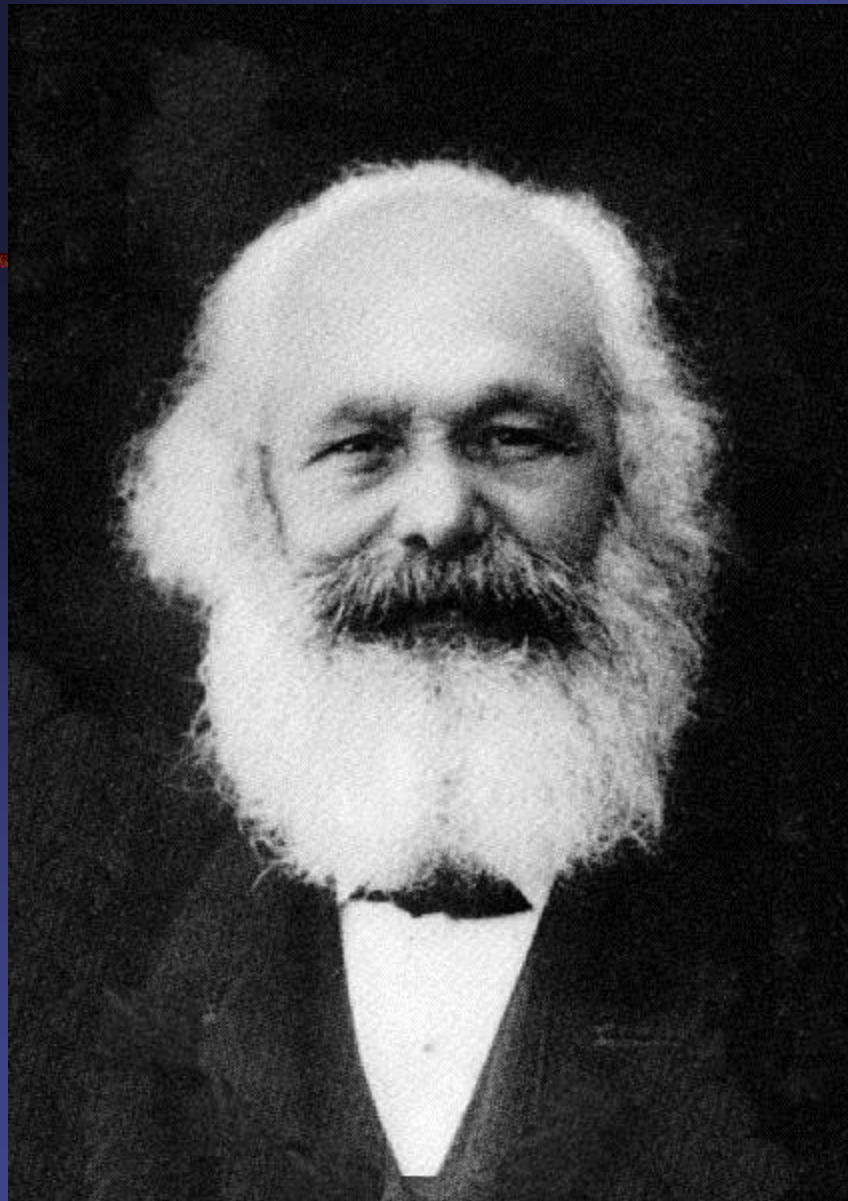
- Social and economic inequalities are to be arranged so that
- a) they are to be of the greatest benefit to the least-advantaged members of society (*the difference principle*).
- b) *offices and positions must be open to everyone under conditions of fair equality of opportunity*
- egalitarian, with a proviso that equality is not to be achieved by worsening the position of the least advantaged.

Business Jargons

- The Sky is the limit
- Laissez Faire
- The Invisible Hand
- Welfare-State
- Zero-sum Game
- Win-win Solution

C.o.m.m.u.n.i.s.m.

- **Communism** is a socioeconomic structure that promotes the establishment of an egalitarian, classless, stateless society based on common ownership of the means of production and property in general.
- It is usually considered to be a branch of socialism, with origins in the work of theorists of the Industrial Revolution and the French Revolution,



C.o.m.m.u.n.i.s.m.

- Communism attempts to offer an alternative to the problems believed to be inherent with capitalist economies and the legacy of imperialism and nationalism.
- Communism states that the only way to solve these problems would be for the working class, or proletariat, to replace the wealthy bourgeoisie, which is currently the ruling class, in order to establish a peaceful, free society, without classes, or government

C.o.m.m.u.n.i.s.m

- The dominant forms of communism, such as Leninism, Stalinism, Maoism and Trotskyism are based on Marxism, but non-Marxist versions of communism (such as Christian communism and anarchist communism) also exist and are growing in importance since the fall of the Soviet Union.

C.o.m.m.u.n.i.s.m

- **Communism** is the idea of a free society with no division or alienation, where mankind is free from oppression and scarcity. A communist society would have no governments, countries, or class divisions. In Marxism-Leninism,
- **Socialism** is the intermediate system between capitalism and communism, when the government is in the process of changing the means of ownership from privatism, to collective ownership

Karl Marx (1818 – 1883)

- Perkembangan Masyarakat:
 1. Komunisme tradisional
 2. Perbudakan
 3. Kapitalisme
 4. Sosialisme
 5. Komunisme

- Pandangan Karl Marx tentang kapitalisme:

- 1. Masyarakat kelas:**

borjuis (pemilik alat produksi) dan proletar (pekerja penjual tenaganya);

- 2. Alienasi:** (1) kapitalisme memberikan penguasaan atas hasil produksi mereka kepada pihak lain; (2) mengasingkan pekerja dari aktrivitasnya sendiri; (3) mengasingkan orang dari dirinya sendiri' (4) mengasingkan manusia satu sama lain.

Karl Marx (1818 – 1883)

3. Kapitalisme akan hancur melalui revolusi proletar.
4. Fungsi pemerintah: melindungi kebebasan dan keadilan (idealisme John Locke), melindungi kaum borjuis atau penguasa ekonomi (fakta perspektif Karl Marx)

S.o.c.i.a.l.i.s.m.

- **Socialism** is the politico-economic theory of social organization advocating that the means of production, distribution, and exchange should be regulated or owned by the community.
- Modern socialism originated in the late nineteenth-century working class political movement. Karl Marx posited that socialism would be achieved via class struggle and a proletarian revolution, it being the *transitional* stage between capitalism and communism

•^ "Socialism" *Merriam-Webster*. Merriam Webster Online.

Command economy

- In political economics, one opposite extreme to the free market economy is the command economy, where decisions regarding production, distribution, and pricing are a matter of governmental control. Other opposites are the gift economy and the subsistence economy. The mixed economy is intermediate between these positions.

Welfare state

- The activities of present-day welfare states extend to the provision of both cash welfare benefits (such as old-age pensions or unemployment benefits) and in-kind welfare services (such as health or childcare services).
- Through these provisions, welfare states can affect the distribution of wellbeing and personal autonomy among their citizens, as well as influencing how their citizens consume and how they spend their time.

Welfare state2

- "cradle-to-grave" services became a reality after the poverty of the Depression.
- In the period following the Second World War, many countries in Europe moved from partial or selective provision of social services to relatively comprehensive coverage of the population.

Welfare state

- After the discovery and inflow of the oil revenue, Saudi Arabia, Kuwait, and United Arab Emirates all became welfare states.
- However, the services are strictly for citizens and these countries do not accept immigrants; even those born in these countries do not qualify for citizenship unless of they are of the parentage belonging to the respective countries.

Arguments of Welfare state

- * humanitarian - the right to the basic necessities of life is a fundamental human right, and people should not be allowed to suffer unnecessarily through lack of provision.
- * democratic - the gradual extension of social protection is increasingly favoured by the citizens of mature economies, who have approved these as part of political election campaign promises.
- * ethical - reciprocity (or fair exchange) is nearly universal as a moral principle, and most welfare systems are based around patterns of generalised exchange.

Arguments of Welfare state2

- altruism - helping others is a moral obligation in most cultures; charity and support for people who cannot help themselves are also widely thought to be moral choices.
- * utilitarian - the same amount of money will produce greater happiness in the hands of a less well-off person than if given to a well-off person; thus, redistributing wealth from the rich to the poor will increase the total happiness in society.

Arguments of Welfare state³

- * religious - most major world religions emphasize the importance of social organization rather than personal development alone. Religious obligations include the duty of charity and the obligation for solidarity.
- * mutual self-interest - several national systems have developed voluntarily through the growth of mutual insurance.
- * economic - social programs perform a range of economic functions, including e.g. the regulation of demand and structuring the labour market.

Arguments of Welfare state⁴

- social - social programs are used to promote objectives regarding education, family and work.
- * market failure – in certain cases, the private sector fails to meet social objectives or to deliver efficient production, due to such things as monopolies, oligopolies, or asymmetric information.

- * economies of scale - some services can be more efficiently paid for when bought "in bulk" by the government for the public, rather than purchased by individual consumers. The highway system, water distribution, the fire department, universal health, and national defense might be some examples.

Neoliberalism

- Neoliberalism is a label for economic liberalism.
- Neoliberalism refers to a historically-specific reemergence of economic liberalism's influence among economic scholars and policymakers from the 1970s.

Neoliberalism

- In many respects, the term is used to denote a group of neoclassical-influenced economic theories and libertarian political philosophies.
- It is a label denoting an apparent shift in social-scientific and political sentiments that manifested themselves in theories and political platforms supporting a reform of largely centralized postwar economic institutions in favor of decentralized ones.
- The supported policies include **free markets** and **free trade**.

"Washington Consensus",

- Fiscal policy discipline;
- Redirection of public spending from subsidies ("especially indiscriminate subsidies") toward broad-based provision of key pro-growth, pro-poor services like primary education, primary health care and infrastructure investment;
- Tax reform – broadening the tax base and adopting moderate marginal tax rates;
- Interest rates that are market determined and positive (but moderate) in real terms;

- Competitive exchange rates;
- Trade liberalization – liberalization of imports, with particular emphasis on elimination of quantitative restrictions (licensing, etc.); any trade protection to be provided by law and relatively uniform tariffs;
- Liberalization of inward foreign direct investment;
- Privatization of state enterprises;
- Deregulation – abolition of regulations that impede market entry or restrict competition, except for those justified on safety, environmental and consumer protection grounds, and prudent oversight of financial institutions; and,

G.l.o.b.a.l.i.z.a.t.i.o.n

- **Globalization** (or **globalisation**) is the process of transformation of local or regional things or phenomena into global ones.
- a process by which the people of the world are unified into a single society and function together. This process is a combination of economic, technological, sociocultural and political forces
- Globalization is often used to refer to economic globalization, that is, integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration, and the spread of technology. [

Economic Globalization

- **Economic Globalization** can be defined as the process of increasing economic integration between two countries, leading to the emergence of a global marketplace or a single world market . Depending on the paradigm, globalization can be viewed as both a positive and a negative phenomenon.

Economic Globalization

- Whilst economic globalization has been occurring for the last several thousand years (since the emergence of trans-national trade), it has begun to occur at an increased rate over the last 20-30 years.
- This recent boom has been largely accounted by developed economies integrating with less developed economies, by means of foreign direct investment, the reduction of trade barriers, and the “westernisation” of these developing cultures.

G.l.o.b.a.l.i.z.a.t.i.o.n

- "globalization" as "the diminution or elimination of state-enforced restrictions on exchanges across borders and the increasingly integrated and complex global system of production and exchange that has emerged as a result."
- the impact of the 'flattening' of the globe", and argues that globalized trade, outsourcing, supply-chaining, and political forces have changed the world permanently, for both better and worse. The pace of globalization is quickening and will continue to have a growing impact on business organization and practice

G.l.o.b.a.l.i.z.a.t.i.o.n.

- Noam Chomsky argues that the word globalization is also used, in a doctrinal sense, to describe the neoliberal form of economic globalization
- Herman E. Daly argues that sometimes the terms internationalization and globalization are used interchangeably but there is a slight formal difference. The term "internationalization" refers to the importance of international trade, relations, treaties etc. International means between or among nations. "Globalization" means erasure of national boundaries for economic purposes; international trade (governed by comparative advantage) becomes inter-regional trade (governed by absolute advantage).

- General Agreement on Tariffs and Trade (GATT), which led to a series of agreements to remove restrictions on free trade.
- Since World War II, barriers to international trade have been considerably lowered through international agreements - GATT. Particular initiatives carried out as a result of GATT and the World Trade Organization (WTO), for which GATT is the foundation, have included:

- Promotion of free trade:
 - Reduction or elimination of tariffs; creation of free trade zones with small or no tariffs
 - Reduced transportation costs, especially resulting from development of containerization for ocean shipping.
 - Reduction or elimination of capital controls
 - Reduction, elimination, or harmonization of subsidies for local businesses
- Restriction of free trade:
 - Harmonization of intellectual property laws across the majority of states, with more restrictions.
 - Supranational recognition of intellectual property restrictions (e.g. patents granted by China would be recognized in the United States)

Disadvantage

- **Poorer countries** are sometimes at **disadvantage**: While it is true that globalization encourages free trade among countries on an international level, there are also negative consequences because some countries try to save their national markets.
- The main export of poorer countries is usually agricultural goods. It is difficult for these countries to compete with stronger countries that subsidize their own farmers. Because the farmers in the poorer countries cannot compete, they are forced to sell their crops at much lower price than what the market is paying

Exploitation

- **Exploitation** of foreign impoverished workers: The deterioration of protections for weaker nations by stronger industrialized powers has resulted in the exploitation of the people in those nations to become cheap labor. Due to the lack of protections, companies from powerful industrialized nations are able to offer workers enough salary to entice them to endure extremely long hours and unsafe working conditions, though economists question if consenting workers in a competitive employers' market can be decried as "exploitation".

- The abundance of cheap labor is giving the countries in power incentive not to rectify the inequality between nations. If these nations developed into industrialized nations, the army of cheap labor would slowly disappear alongside development. It is true that the workers are free to leave their jobs, but in many poorer countries, this would mean starvation for the worker, and possible even his/her family if their previous jobs were unavailable

outsourcing:

- The shift to **outsourcing**: The low cost of offshore workers have enticed corporations to move production to foreign countries. The laid off unskilled workers are forced into the service sector where wages and benefits are low, but turnover is high. This has contributed to the widening economic gap between skilled and unskilled workers.

- The loss of these jobs has also contributed greatly to the slow decline of the middle class which is a major factor in the increasing economic inequality in the United States. Families that were once part of the middle class are forced into lower positions by massive layoffs and outsourcing to another country. This also means that people in the lower class have a much harder time climbing out of poverty because of the absence of the middle class as a stepping stone.

Weak labor unions

- **Weak labor unions:** The surplus in cheap labor coupled with an ever growing number of companies in transition has caused a weakening of labor unions in the United States. Unions lose their effectiveness when their membership begins to decline. As a result unions hold less power over corporations that are able to easily replace workers, often for lower wages, and have the option to not offer unionized jobs anymore