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What goes wrong with capitalism?

BEIJING, Feb. 21 (Xinhuanet) - The whole western world is suffering from a chilly winter as debt crisis, high unemployment have compelled mass dissatisfaction to spread all over the countries.

What goes wrong with capitalism? It seems that politicians, economists, bankers and corporate leaders in the western world all start to reflect and search for an answer.

Capitalism under fire

Since the beginning of 2012, the flaws of capitalist system have been under a fiercer fire of the international community against the backdrop of faltering global economic recovery. Reflection on capitalism even became a theme throughout the five-day World Economic Forum in Davos last month, which brought together the world's political leaders and business elites.

In the meantime, discussions on capitalism have also made headlines in western mainstream media, such as the Financial Times, Time Magazine, and Business Week.

The Financial Times even launched an editorial series called "Capitalism in Crisis," examining the future of capitalism, which would have been impossible a few years ago. The widening gap between the rich and the poor, high unemployment rates, the ongoing financial crisis and a gloomy economic outlook in western countries have made more and more people discontent with capitalism.

The most dramatic manifestation was probably the "Occupy Wall Street" movement in the United States, where people took to the streets to vent out their anger against the greed of bankers and social inequality. A recent poll in the U.S. showed that only 50 percent of the surveyed reacted positively to the word "capitalism", while 40 percent reacted negatively, according to the Financial Post.

Capitalism, which was supposed to "provide economic opportunity and a better future for all", only brought enormous benefits to the top tier of the society and made the rich get richer and the poor poorer.



A report by the Institute for Policy Studies in the US found that CEOs in large firms earned 325 times more than their employees in 2010, while in the 1970s, CEOs' paychecks were 30 times more.

About two-thirds of Americans now feel "strong conflicts" between the haves and have-nots. The debate over income equality and fairness of the tax code in the US got fiercer when Republican presidential candidate Mitt Romney released his tax returns in late January. Romney and his wife made 27 million dollars in 2010 and paid tax at the rate of 13.9 percent, a rate typical for those who made about 80,000 dollars -- a classic example of how tax code "confers advantages on the rich."

More than in the US, the Occupy movement soon spread to the European continent plagued by the spiralling debt crisis, where the public discontent also exploded.

Debt-ridden governments in the Eurozone had to adopt austerity measures and cut social welfare spending -- logically to hurt the poor the most. In Greece, extensive scuffles erupted as late as last week, ahead of a crucial vote on the new debt deal reached with international lenders to avoid a possible default next month.

Critics worry that the harsh conditions attached to the debt deal, including new cuts on salaries and wages and layoffs of tens of thousands civil servants, may fuel the recession.

After the Greek cabinet approved on Saturday evening a final supplementary austerity package, Greece has seen increased reaction by labour unions and ordinary Greeks.

In fact, they get where they are led by capitalism, and for a way out, German Chancellor Angela Merkel said at the Davos Forum that "it is time for a rethink" among European policy-makers. And capitalist economies in Asia are in no better shape, particularly in terms of the gap between the rich and the poor.

Take India for instance. India recorded phenomenal economic growth over the past two decades under the guidance of capitalism.

However, it has the largest number of malnourished children in the world and an unbelievably large proportion of poor people as 100 richest Indians hold assets equivalent to about 15 percent of the country's GDP, according to the Financial Times.

Deep seated reasons

In face of the global economic crisis which has just entered its fourth excruciating year, capitalism seems to have failed to do what it is supposed to do: provide economic opportunity and a better future for all. Just as the former US Vice President Al Gore said: "While we believe that capitalism is fundamentally superior to any other system for organizing economic activity, it is also clear that some of the ways in which it is now practised do not incorporate sufficient regard for its impact on people, society and the planet."

An article published on the Financial Times by notable academic Kishore Mahbubani points to three strategic mistakes in capitalism's crisis. The first is to regard

capitalism as an ideological good, not as a pragmatic instrument to improve human welfare, he said.

Capitalism needs essential regulations and supervisions in its function. However, many western governments forget to play a certain role. What makes matters worse in the west is that it spawned a huge new financial services industry that added no real new value.

This huge industry was able to "capture" the regulators' duty to control and supervise its activities.

The second strategic mistake is to forget that for capitalism to survive all classes have to benefit from it.

If capitalism was a winner, the capitalists became rich and the workers should also gain.

Over the past three decades, as capitalism has become freer and more globalised, the rich have benefited enormously while the many have often been left with the crumbs. Last but not the least, the West made the mistake of not educating its populations on the critical concept of "creative destruction."

Economics textbooks correctly point out that when the automobile was invented, the horse and buggy industry had to disappear.

While the West promoted the virtues of capitalism to the third world, including Asia, it forgot to tell its own masses that they would have to learn new trades and skills as new competitors arriving from emerging market. Capitalism can never stay static. If you are not moving, you are at risk, the article stressed.

Antidote to capitalism

Soaring deficits, worsening European sovereign debt crisis and angry protesters of Occupy movement around the world have forced officials and experts to rethink the way out of deep trouble. Defending against criticisms on deficient capitalist system, some entrepreneurs in the west claimed that the crisis theory of capitalism is groundless.

"We're going through a tough period, but there is no other system that has improved humanity," Bill Gates told the 2012 World Economic Forum Annual Meeting, adding that the world is "better off" because of capitalism. Meanwhile, others thought that reform of capitalism seems to be imperative.

Capitalism survived and thrived because it kept on reforming, TIME magazine's journalist Michael Schuman said.