
CAPITALISM

An economic system in which the major portion of production and distribution is in private hands, operating under what is termed a profit or market system.

Key features;

- Companies;
 - o Capitalism permits the creation of companies or business organisations that exist separately from the people associated with them
 - o A company can enter into contracts, sue or be sued, just like an individual can
- Profit motive
- Competition
 - o “Free competition is the regulator that keeps a community activated only by self-interest from degenerating into a mob of ruthless profiteers”
- Private property
 - o Capitalism requires private ownership of the means of production

Moral justifications;

- Natural right to property;
 - o When humans mix their labour with the natural world, they are entitled to the results (growing plants for example)
- Adam Smith's ‘invisible hand’;
 - o When people are left to pursue their own interests, they will, without intending to, produce the greatest good for all

Criticisms;

- Inequality;
 - o The disparity in personal incomes is enormous
 - o A tiny minority of the population owns the vast majority of the country's productive assets
- Wrong assumptions;
 - o Capitalism wrongly assumes that human beings are rational economic maximisers and that well-being comes from ever greater material consumption

- Competition may not be all good;
 - o Capitalism breeds oligopolies and monopolies
- Exploitation of laborer's;
 - o Due to the imbalance of power between workers and capitalists, the capitalists can exploit the workers, therefore increasing their capital and being able to exploit the workers even further

STATE WELFARE CAPITALISM

Government plays an active role in regulating economic activities in an effort to smooth out the boom-and-bust pattern of the business cycle

SOCIALISM

An economic system characterized by public ownership of property and a planned economy. A society's production equipment is not owned by individuals but by public bodies.

WORKER CONTROL SOCIALISM

A hybrid economic system where;

- Individual firms respond to a market in acquiring the necessary factors of production and in deciding what to produce
- Workforce of each enterprise controls the enterprise
- Profits accrue to the workers as a group to divide in whatever manner they agree on
- Capital assets are owned by society as a whole and not by private individuals

WEEK 2

CULTURAL RELATIVISM

Descriptive claim that ethical practices differ among cultures – what is considered right in one culture may be considered wrong in another

MORAL RELATIVISM

What is really right or wrong is what the culture says is right or wrong

WEEK 3

TWO MODELS OF CORPORATE SOCIAL RESPONSIBILITY

Shareholder view (Friedman view);

- Aka the narrow view
- Only responsibility of business is to generate profits for its shareholders

Stakeholder view (Freeman view);

- Aka the wide view
- Business has responsibilities to all of its stakeholder groups not just to its shareholders

SHAREHOLDER VIEW

A corporation's responsibility is to make as much money as possible, "so long as it stays within the rules of the game, which is to say engages in open and free competition without deception or fraud"

Why;

- The general good is best achieved by allowing individuals to pursue their own self interest
- Friedman agreed with Adam Smith's invisible hand argument;
 - o "Every individual is continually exerting himself to find the most advantageous employment for whatever capital he can command. It is his own advantage indeed and not that of society, which he has in view... (but) by directing that industry in such a manner as its produce may be of the greatest value, he (is) lead by an invisible hand to promote an end that was no part of his intention... By promoting his own interest, he frequently promotes that of society more effectually than when he intends to promote it"

Why shouldn't corporations donate to socially worthwhile projects?;

- The business will be spending someone else's money
- More efficient to allow individuals to spend their own money
- In effect, funding socially worthwhile projects on behalf of the company is like imposing a tax and then redistributing it
- Inappropriate for non-elected representatives to take it upon themselves the role of imposing and spending taxes

Criticisms;