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Assessing the Morality of Capitalism, Marxism and the Free Market Economy

Angelo Nicolaides*

Graduate School of Business Leadership, UNISA, South Africa
E-mail: Nicola@unisa.ac.za

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ABSTRACT This paper examines Marx's theory of value, capitalism and the free market economy. How moral is the relationship between labor and capitalists? Was Marx wrong in his assessment of capitalism? Moral, amoral and immoral capitalism are examined. An assessment is made of the free market and it characteristics, advantages and disadvantages. Organizations need to drive production and take cognizance of their employees and other stakeholders as significantly important individuals and groupings with inalienable human rights that must be respected fully. The free market is probably the best way to eradicate global poverty but without a moral dimension as a core feature, it is doomed to failure. The researcher sought to answer questions relating to the morality of capitalism and tried to identify the relationship that the past has to the present, and to thus assist in understanding the economic culture in which one lives. A historical research analysis methodology was used in which the topic was identified and a literature review conducted. Primary and secondary sources were used. The methodology of theoretical analysis was thus used in which there is selection and discussion of theoretical material. Recommendations are made for ethical business conduct at the micro and macro levels.

INTRODUCTION

There are various types of economic systems currently utilized by countries. Capitalism and socialism are the most widely used. Capitalism is essentially the economic system making the biggest use of capital in the process of production in what is termed a free market economy. It is usually associated with Adam Smith who penned the famous work, *An inquiry into the nature and causes of the wealth of nations* (1776). In this work Smith anticipated that macroeconomic strategies should emphasize private initiative and state intrusion in the economy should be severely restricted, as only in this way could the quality of human existence be improved. This notion contrasts with the ideas of Karl Marx (1819-1883) who was particularly interested in the plight of the proletarian masses. He saw the ruling class as the one, which decided what should be happening economically speaking. Marx's stated, "What else does the history of ideas prove, than that intellectual production changes in proportion as material production is changed? The ruling ideas of each age have ever been the ideas of its ruling class" (Marx-Engels Selected Works 1962: 52). To him then, the intellectual class, similar to the state, has only 'relative autonomy'. What is clear is that ideas hardly ever overturn the perception or endorsement of self-interest. Thus, in terms of dialectical materialism, social development necessarily goes through various stages of struggle between classes, and these are in the final analysis driven by the changes in the dominant modality of economic production. The ideas of those in power then serve the interests of the class in power and under capitalism, these are the capitalist class. For Marx, the 'bourgeois economics' only offered a defensive mechanism for exploitation of the working classes, by proving that wages would soon hurdle down to subsistence levels. The encroachment of wages on profits resulted in the horrific mass unemployment of the years between the two world wars. For Marx the class struggle decided the profit share and a 'reserve army of the unemployed' has to be created every time wages encroach on profits. In any event, Marx was of the view that capitalism would ultimately be abolished. In this eventuality, the exorbitant profits of capitalists and the rents of unscrupulous landlords would be lost.

Marx condemned capitalism as an evil system that enslaved the masses in terms of its mode of production. Laborers could not find any opportunities to develop themselves as unique human beings because they were obliged to sell their labor to capitalists who were bent on exploiting them. He stated that capitalism under-

*The author has used sections from is own work entitled "Conscious Capitalism for Moral Managers.' He applied similarity reports for his book in 2015 using Tuvnitin.

mined the working classes while it promoted the welfare of the wealthier classes in society. The researcher essences, Marx suggested that people were reduced to the status of a commodity that could be exchanged for any other commodity. This robbed people of their sense of worth, it alienated them and they became abstract entities and lived a meaningless existence. A political struggle between the bourgeoisie and the proletariat would free the latter from the oppression of capitalism and make way for communism where people would live according to the maxim 'from each according to their abilities, to each according to their needs'. Whereas Adam Smith asserted that capitalism was a free market of greedy profit maximization but still a sensible and indeed natural way of allocating resources, Marx sought to expose capitalism as a false ideology. He thus proposed the labor theory of value that was based on the notion that the true value of something was not given by its price but rather by the socially useful time expended to produce it. Workers were thus the primary source of value but were manipulated, exploited and expropriated by the wealthy and greedy capitalist class. Value theory was an economic theories postulated by Marx. Within this the idea of value analysis was an important consideration for him and what he means and suggests making it effective has been the topic of much debate (Ollman 1993). He seems to have, to an extent, copied Adam Smith and kept an eye on the traditional classical pattern, which views value in terms of the supply or cost production dimension. He focused on explaining price and how labor is manipulated and exploited under a capitalist economy of mega profits (Smith 1998).

What he deemed desirable was a classless society, which included a socialist mode of production. Capitalist society is thus characterized by the divide between the capitalist class, which owns the means for production and distribution (the owners), and the working class, who sell their labor in exchange for wages. The economy is controlled by individuals or corporations who own and operate companies, and who decide on the ultimate use of resources. For Marx, the key distinguishing factor of capitalism is the separation between owners of the means of production and those who are non-owners of the means of production. He thus distinguishes between capitalist and workers, which is essentially what causes the negotiating of wages (Harvey 1999). Labor is quantitative for Marxian thinking and is the physical amount of work time exhausted during production periods.

Arriving at a situation of full employment of latent resources would in all likelihood be good thing for both profits and wages, as both would rise (Davidson 2007). Value is what a commodity is actually worth as the outcome of certain amounts of labor, which are either directly or indirectly exemplified in it. Value has no direct relationship to what price it may bring in a market. The only basis for value of any commodity is the amount of human labor spent in its production. Value is thus what workers add by their labor, to basic materials that are supplied in some form or shape by nature. Marx explained the concept of surplus value by stating that in the purchase of the use value of labor or worker service, labor is paid for something equivalent to the exchange value of the labor time expended (Weeks 1984). As soon as products created by the labor power obtain more exchange value, the excess or additional value is surplus value (Shaikh 1982). To Marx, this is a surplus value, which the capitalists remove and amass. The surplus value is not something created during the process of exchange but rather the value of products produced within the labor periods by labor power.

The money wage suggests that the workers are remunerated the maximum wage that they can acquire, and spend it in ways that do not have to be scrutinized (Harvey 1999). The value of labor power is the value of the means of survival necessary for the maintenance of its owner. This surplus value is the difference amongst the newly produced value and the value of labor power. Marx stressed that labor is the foundation of all value, and consequently of profit. Marx states that the chief of capitalism is the separation between owners of the means of production (capitalists) and non-owners of the means of production (workers). These two groupings are in direct rivalry with one another. However, a division of labor makes way for specialization, which is the result of education and training. This has the effect of breaking down the two-class system to an extent into what is termed the middle class. Marx also stated that that the more productive technologies were introduced into the world, the less labor would be required and this would eventually lead to a world full of people in dire socioeconomic straits and subject to adverse poverty.

OBSERVATIONS AND DISCUSSION

The Capitalists Environment

Capital goods are privately owned by corporations or individuals. The capitalist economy is what is known as a liberalized or market economy. Socialism is another economic system in wide use. In each of these systems one finds a range of political and social elements entrenched. This means that some capitalist systems have adopted aspects from socialism and vice versa. What is common to all capitalist systems is the institution of private property, which is at the foundation of all economic activity and all individuals have the right to possess and maintain a property. The right to property is an inviolable right. Capitalists are part of the system of capitalism and it is their part to abuse the worker because the entire system is profit driven (Shaikh 1999).

Large-scale production is another important characteristic of capitalism, as when there is greater production this invariably means a wider use of capital and this in turn leads to greater profits being realized. A capitalist invests money and earns profit from the investment made. There is also huge competition between capitalists and very often demand is artificially amplified and supply is reduced. 'Cut-throat' competition is a common feature of capitalism. A price mechanism exists in which the going price of a commodity is determined not by the cost of its production but by the law of demand and supply. There is usually no governmental control over the forces of production, distribution and exchange in a capitalist system. Price controls are absent and no regulated distribution is in place. A capitalist economy thus operates without restraint under the law of demand and supply. Laborers are often exploited in the capitalist system as organizations seek to maximize profits by paying as little in wages as is legally permissible. Labor is thus often exploited for shareholder gain. Capitalists are able to increase their property on the basis of credit given to them by financial institutions that often reap huge financial rewards from the rates they offer. Whether capitalism is moral or immoral depends on one's vantage point. In a capitalist economy, the tempo of success in production is determined by the capacity to create surplus value. Surplus value in this sense refers to the difference between returns and costs to produce and it indicates that the output has more value than the great efforts made by labor to obtain it. So the output value is higher than the value or production costs of the used inputs or labor. If the surplus value is positive, and the more the better, the capitalist's profit expectation is exceeded.

Capitalism and Morality

Morality generally assumes that there is a community of individuals who hold one another responsible for their actions and the values that they share. What is moral varies from one society to the next but there are nonetheless universal human rights, which transcend any cultural differences that may exist. Dasgupta states, 'A system of economic theory evolves in response to questions that are provoked by a given set of circumstances in the economy. As circumstances change, or people's attitude to them changes, questions are revised, and a new system springs up' (Dasgupta 1985: 4). John Maynard Keynes wrote at the conclusion of his work, The General Theory of Employment, Interest, and Money, 'But soon or late, it is ideas, not vested interests, which are dangerous for good or evil' (Keynes 1936: 383-384).

Friedman (1970) emphasized the role of business as, "There is only one and only one social responsibility of business—to use its resources and engage in activities to increase its profits 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". This essentially is how capitalism operates and "the business of business is business". There are others however such as R Edward Freeman and Charles Handy who have a stakeholder view of the firm and who seek capitalism with a greater moral consciousness. Freeman is debatably the best-known business ethicist. His theory of stakeholder capitalism is far removed from Ayn Rand's philosophical stance. He places competition in its place and highlights the cooperative character of entrepreneurship and value creation in a business. On his theory of capitalism he provides a principle of emergent competition, "Competition emerges from a relatively free society so that stakeholders have options. Competition is an emergent property rather than a necessary assumption of capitalism" and he also states, "This principle highlights the ways in which our assumption of competition can affect our behavior. Not every interaction is a zero-sum game and not every interaction has a win-win solution. We should do our best to look for the win-win before jumping to other sub-optimal solutions". Creating a partnership between society and business is critical to the sustainability of both. One needs to thus bring balance back to business and do the right things as one becomes more conscious of society.

Reidenbach and Robin (1991) use a pyramid to represent their conceptual model of corporate moral development, and propose that the top of the pyramid represents the highest or most advanced stage of moral development, that is, the 'ethical' corporation. At the base of the pyramid one find the least advanced stage, that is, the 'amoral' corporation. These organizations need to move up the pyramid through five stages. From the amoral to the legalistic, to the responsive, to the emerging and to fully ethical.

In her study, *How capitalism lost its soul: from the protestant ethics to the 'barons' of theft*, Marie-Laure Djelic differentiates between four distinct stages in the evolution of the relationship between ethics and capitalism. In the primary stage, missionaries conceived of capitalism as an amoral ethical system, which was characterized by social and political freedom, which ultimately leads to human progress. In the second stage, which is basically a Nietszchean perspective, the relationship between capitalism and ethics is viewed as one in which ethics is somewhat beyond capitalism per se. Capitalism is thus viewed as an amoral economic system. In the third stage, termed the 'critical' stage, capitalism is perceived to be a 'deeply immoral'. The fourth stage is conceived as being a 'de-standardization' stage in which the capitalist system is neither ethical nor self-regulating by nature, and it is full of 'barons' who are nothing more than 'robbers'. Djelic asserts that at its inception capitalism was moral in orientation but it eventually lost its soul due to human greed.

Moral Capitalism

Moral capitalism involves reconciling private interest with the general public good. Ethical behavior is in large measure driven by rewards and punishments, which determine ethical conduct at both the individual and communitarian levels. By nature, people prefer rewards to punishment as they allow progression in life and boost dignity and worth. Punishment on the other hand generates strife and makes one more likely to break laws, rules and regulations. In essence, punishment breeds contempt. Profits are the ultimate stimulant for a capitalist, and excessive profits are even more desirable. Moral managers conform to high standards of ethical behavior and are an advantage in promoting organizational ethics. They attend to their fiduciary duties of loyalty and due care. The customers are usually the moral guides for capitalism while organizational employees are moral agents. The suppliers are friends and the organizations competitors ideally compete on quality and innovation aspects rather than the price for a product or service. The moral organization contributes to the social wellbeing of its customers through its communications and marketing. It respects the integrity of the culture of each customer and provides compensation for customer dissatisfaction, and also observes relevant consumer codes to protect especially the more vulnerable consumers.

The legalistically oriented type moral business obeys the law and ethical issues are judged on the basis of the adherence to the letter of the law rather than the spirit of the law. They are essentially compliant and defensive and driven by the laws of the land. If there has been no breach in the law this equates to tem with the notion that, 'if its legal then it must be fine to do'. Companies at this level of moral consciousness believe they need no ethics code to regulate their activities. No ethical concerns are highlighted until of course, they become problematic. They are thus reactive as opposed to proactive. One should nonetheless note that all organizations do maintain some have ethical standards even if they are not explicit. In reality though, such organizations that are reactive reflect poor leadership and management practices (Reidenbach and Robin 1991).

One notch up from this approach one finds what is termed responsive type organizations. In these organizations, leaders and managers understand the value of not acting solely on a legal basis even though they believe that they can win in any event. They are usually more engaged and reactive but their outlook is somewhat short-term in orientation. They are well versed in what regulatory frameworks are proposing and requiring in terms of ethical practice and reporting. Such organizations should be commended for making some effort to reflect the concerns of their stakeholders. They are more tuned in to doing the right thing and balance profit and ethics more than the previous type of organization. These organizations have ethics codes in place and ethical review committees to update on the ethical practice issues. There are employee hotlines and whistleblowing is accepted and important. Ethics officers are in place and there are also regular ethical audits conducted by especially selected committees. Invariably one finds ombudsmen in such organizations (Reidenbach and Robin 1991).

The emergent ethical type business has leaders and managers who are concerned to obtain ethical results in all operational practices, processes and service delivery. These are innovative organizations and are driven by the value proposition of ethical conduct. They simply want to do the right things and have collective values that are slowly being embedded in the organizations strategic thinking and vision and mission. They are to an extent proactive and responsive. Their codes of ethics are monitored to reflect societal needs and wants and promote ethical behavior in and outside the organization.

The ideal type is of course the ethical organization that is truly fully ethical. Such organizations are transformed and thus have a strong ethical profile and well-developed and applied core values that are reflected in all policies, processes, procedures, and which ultimately show them to be paragons of virtue. They successfully balance profits and societal support initiatives and are the most sustainable organizations. Their outlook is strategic and they are able to create new markets more easily (Reidenbach and Robin 1991).

Amoral Capitalism

There is very little or no cause and effect relationship between capitalism and ethics. The capitalist economy is amoral and non-ethical. The market economy generates wealth and intensifies private wellbeing. However, there is some common wellbeing with an ethical character of sorts, which is the direct result of resource distribution. Within this notion there is a drive to promote social justice and of human cohesion by means of social handouts, redistribution of income, progressive taxes based on levels of income, healthcare initiatives, educational support policies and unemployment doles. These measures are however external to capitalist system. It is the state that seeks to redress economic ills and which takes a stand against monopolies and corporations as it tries to protect its citizens from exploitation. Citizens try to protect themselves from exploitation by means of political, administrative, legislative and judicial authority. Ethical practice is the outcome of the conflict between the economic performances of organizations, which is calculated by profits gained and their social performance, which is determined by them meeting and exceeding their societal obligations.

Amoral capitalism may be either unconscious (involuntary) or conscious (deliberate). Corporations tend to only consider profits and are often unconscious to the deleterious results of their efforts on society. Ethics is not on the agenda. There are also those organizations that consciously assume that ethics is only applicable to private life issues. Generally speaking, the amoral manager does not consider ethical factors or is rather casual or careless about ethical considerations. He fails to face up to the negative impacts of unethical conduct and the results on a business.

In capitalist economies a degree of unemployment is typical and capitalists are able to reduce wages to what are often semi-starvation levels and they are able to appropriate greater surplus value. When a worker challenges their wage, capitalists are able to find another worker from the massive reserve of labor, which is desperate for work to survive. Capitalists very often increase the levels of exploitation by decreasing wages and lengthening the working day, and by implementing the greater use of technology to circumvent potential worker issues. Jhigan (2000) asserts that this in turn reduces any surplus value, as the rate of profit is directly related to the rate of surplus value (Vroey 1982).

The private ownership of the means of production augments capitalist's wealth at the expense of the workers. Paul (2006) states that capitalist regulations, the notion of private property on land and exclusive rights to natural resources, unjustly make private what should be communally owned. This makes labor ever more dependent on working for capitalists and obliging them to accept meager wages just to be sustainable. The profit motive drives organizations to continue to manufacture and sell goods and services but only for profits. Organizations are not operating to alleviate the plight of society. Although goods or services may to an extent satisfy human needs, they are only available to those who are able and willing to pay for them. The market sets prices for the singular purpose of making profits and any inefficiency or intrusion that reduces profit is eliminated by the market. Ethics is thus peripheral to capitalism, which is generally amoral and non-ethical in its processes, systems and outcomes. Amoral companies are ethically challenged and generally exist only for a short term and are characterized by the Machiavellian approach of winning at all costs. They tend to thus espouse philosophical belief that business is not subject to the same rules as individuals and it is in fact okay to be greedy.

Immoral Capitalism

There are also those who view the Anglo-Saxon model of capitalism to be evil in its current globalization role. This is because it invariably tends to increase the inequality of opportunity and this is all done in the name of economic prosperity and competitiveness. Consequently, the most important aspects to consider are the lowering of the cost of what it takes to manufacture products including the hiring of workers and to increase the quality of workers so that more can be produced for the businesses involved. The wealthy owners of companies are driven by market incentives, and thus create a huge gap between themselves and the poorer strata of society, and they do this by focusing opportunity and all the money of their investors in aspects that will give shareholders the maximum profits in the short term. Invariably the rich countries become richer, and the poorer countries become poorer. The wealthy thus have a huge effect on the poor and controlled and to a very large extent. Core aspects of capitalism are dynamism, innovation, and creative destruction and these aspects cannot be ignored. In essence, capitalism predictably brings high inequality, which needs to be relieved to an extent by reforms (Kornai 2016).

On an international scale the managers of business, which are dominated by very wealthy countries are driven to assist the poor in a way that allows them to keep control. This means that the poor people of the world can never become competitive. One reads in numerous papers that liberal democratic capitalism has as its start and end, the freedom of individual people (Isaak 2005). One is told that individuals should be able to maximize their own interest and that this would eventually lead to productivity and enhanced economic status for entire communities. Inside this capitalistic process of technological innovation and accumulation, the entrepreneur is the ‘king’. It may well be that every individual person has the potential to drive economic growth but this is not as easy as it sounds. In many countries governments place highly restrictive regulations on individuals. It is interesting to note that success in entrepreneurial cultures is highly correlated with total absence of ethical and social regulations other than government regulations (Stevenson et al. 1989).

Current literature suggests that capitalism as such, is increasingly devoid of a moral consciousness. It is suggested that major trends of capitalism present somewhat ungovernable contradictions, and capitalism may well collapse as a viable historical establishment. However, capitalism is unlikely to experience a speedy breakdown, but is rather more likely to engender sustained challenges, which relate to financial risks, inadequate international cooperation, undesirable externalities and development of illegitimate forms of capitalism. Viewed futuristically, capitalism will probably experience immense chaos and novel moral foundations of a post-capitalist world will remain as indefinable as they are crucial (Streeck et al. 2016).

In reality, many considerations over and above mere utility are ethically important. Where ethics exists in capitalist business practice, there is greater trust between organizations and their stakeholders. The rights and interests of those who are producing products and services are protected and they are driven to perform at what are optimum levels, which bodes well for the sustainability of the organization. Unfortunately, capitalism is increasingly negating its responsibilities and its immoral practices are dominating global media reports. Immoral managers adopt a style, which is devoid of ethical principles and opposes what is ethical. Corporate capitalism is diametrically opposed to ethical conduct due to the nature of its market fundaments approach. Within capitalism organizations have virtually free reign in what they do as they maximize their profits. In fact it is clear that transnational corporations (TNCs) and the manipulation of global financial markets have debased the sovereignty of the host nations. "Crony capitalism" is also often used to refer to capitalism. It is essentially 'quasi-capitalism', founded on nepotism, where most economic relationships are favored by family alliances whether in the private or public sectors (Young 2009). There are clearly different forms of immoral capitalism, which makes the notion of 'good' capitalism tricky to comprehend in various economies. The roles played by politicians and business leaders, with their individualist thinking, support the capitalist economy idea and in many cases, break it down. There is indeed a case for arguing that the current global economic crisis is a result of immoral practices of the ultra-capitalist corporations. It is a sad reality that in especially Western societies, a caring relationship is intrinsically restricted to a person's direct family and friends.

In Adam Smiths work, *The Theory of Moral Sentiments*, he rejects the notion that people can form moral judgments further than a limited set of actions, which are centered on their own self-interest. He asserts:

The administration of the great system of the universe…the care of the universal happiness of all rational and sensible beings is the business of God and not of man. To man is allotted a much humbler department, but one much more suitable to the weakness of his powers, and to the narrowness of his comprehension—the care of his own happiness, of that of his family, his friends, his country (Smith [1759] 1976: 386).

While democracy seeks the wellbeing of all people, capitalism seeks only the wellbeing of organizations, private interest groups, individuals and the shareholders. The state cannot effectively preserve the citizens it should be serving due to sly actions by many corporates in for example tax evasion strategies. Market fundamentalism seeks to impose market supremacy and negates the importance of social and ethical values. The corporate failures of the last decade and the huge economic and financial crises have emphasized the fact that capitalism is not able to save itself from its own excesses. What is required is a greater level of consciousness in capitalism. Capitalism with a human face that truly cares about the planet in all ways is needed. Global unemployment is rising and has reached alarming proportions in the last year. Power is shifting from governments to multinational corporations. As it stands now, capitalism has CEOs whose status and power exceeds that of government ministers. Huge corporations prevail at the expense of smaller organizations and many companies utilize their products and services to entrench their power and use branding and logos as well as other symbols towards this end. It is evident that the pattern of behavior of organizations must be altered if the divergence, which exists between them, is to be diminished. The workers and other stakeholders cannot any longer remain powerless while the planet is being exploited by greedy business strategies, which also decimate the planets fauna and flora, and which are also leading to global warming on an unprecedented scale.

The dishonest practices of the dominant elites and their corporations and corrupt governments need to be curtailed as a matter of urgency or the resultant instability and uncertainty that is now developing will be catastrophic for all. Organizations should work intensely to fight against corruption in all its forms, including extortion and bribery. Capitalism is sadly promising much more than it can actually deliver and in some quarters the sentiment is that the breakdown of the stability of the global market is inevitable. If capitalism is ethically driven and if it views business ethics as a strategically imperative operational factor, it can indeed lead to a more sustainable and dynamic global development to the benefit of all stakeholders. The vital role of ethics in governance cannot be understated since it provides principles as well as reasons to guide organizations to 'right actions'. Where ethical operation is common practice, risks are avoided. For example, ethical issues such as protecting human rights and adherence to labor laws are a given as is a recognition of the right to collective bargaining. Caring organizations are less likely to be complicit in human rights abuses. Equally important is the protection of customers as well as the earth's limited resources. The environment is nurtured and protected so there is less pollution of the air, sea and land. There is less waste of valuable resources and use of energy is minimized. Caring organizations are more innovative and encourage the development and dispersion of environmentally friendly technologies. Responsibility for the natural environment is assumed.

As long as organizations are led by unethical leaders and managers, the future is bleak. If stock exchanges continue to apply contemptible processes, including 'creative contributions' and if they continue to manipulate information about the quotas of companies' shares on the stock markets, there is no chance to develop the planet to sustainable levels. Some auditors' falsify financial statements of organizations and enrich themselves to the hilt by making huge selloffs of shares just prior to company collapses. Many shareholders are duped by companies that intentionally overvalue their assets. Companies falsely reports on sustainability initiatives and fail to apply codes of ethics even if they have them in place. Paradoxically, it is the wealthy that will need the poor in the long run, perhaps just as much as the poor need the wealthy today. There is indeed a symbiosis, but for now capitalism is myopic. Despite its immorality however, capitalism has much more to offer than socialism or other economic systems, provided that it becomes a conscious capitalism. It is time for the governments to become more involved and to drive regulation of organizations even more than hitherto. The demand for capitalism's reform is palpable. If it does not reform it is highly likely that environmental movements will assume conscious and militant anticapitalist stances.

Assessing the Free Market Economy

A free market economy is essentially driven by individual innovation and the idea that hard work and resourcefulness are remunerated by success. In this type of economy, all businesses subsist to make profits. A business operates in an area in which it has competitors and strives to make a consistent profit. Competition is an important constituent of the free market system, as this allows the customer to get the best possible product at the best possible price. When new products are invented, they invariably start out at a very high price. However, once a product is established the competitors in the market may begin to copy it and this may result in price reductions. Often, inferior versions of a product, as well as products that are overpriced, are rejected by the market. Thus, the free market system establishes who the winner and losers will be in each industry. This is primarily based on the customer demands for goods and services. Entrepreneurs may take huge risks to launch a new business venture, and raise capital, with the expectation that their product or service will ultimately succeed.

Characteristics of the Free Market Economy

A market economy has a number of important characteristics. These are as follows.

1. Customers can buy whatever they wish, provided can afford it.
2. Therefore, money becomes essential for living.
3. People are obliged to do anything and sell something in order to obtain money
4. Maximizing profits is the key issue, not satisfying social needs.
5. Discipline over those who produce the wealth of a society is no longer implemented by other people but by money and work conditions required to earn money.
6. Rationing of scarce goods takes place through money and who has it as opposed to who has worked harder or longer or has a greater need for goods.
7. In view of the fact that no one is kept from trying to increase their wealth and everyone is paid for what they do, people attain a sense that each person gets what they deserves economically speaking. This implies that people are thus responsible for their own fates.

Advantages of the Free Market Economy

History suggests that that free market economies perform significantly better than government-run economies. They are certainly more responsive to customer needs, and create a wider assortment of products than other economic approaches. The free market economy thus has some advantages such as the market that produces a extensive variety of goods and services to meet the consumers' needs and wants, and it tends to be hyper responsive in terms of time. Customers thus drive decisions to produce goods. The market system promotes the use of innovative technologies as well and better methods and machines to produce desired goods and services. When organizations are competing with others to survive, their efficiency tends to increase. They may even resort to lower costs by laying-off employees. This has a spin-off effect of motivating employees to work harder. Where new opportunities manifest for profit earnings, foreign investment is attracted. State power is diminished as organizations take over various activities that are typically associated with the public sector. The forces of production grow rapidly as employees acquire needed technical knowledge, social skills and knowledge to empower them to function more effectively in the new economy. The result is that the variety of goods and services is expanded for potential customers. Organizations can produce what they wish to produce and are not regulated in production by governments. This serves to heighten competition and it obliges organizations to create new products. It should also be stressed that it is specifically because of the free exchange in capitalism that there has been a huge improvement in global living standards. Capitalist production is clearly the only system by which poverty can be eradicated. What are required are productive enterprises in which people are free to produce on their own volition and in an efficient way. Organizations need to drive production and take cognizance of their employees and other stakeholders as critically important individuals and groupings with human rights that must be respected entirely. The free market is basically the only way to eradicate huge levels of global poverty but without an ethical dimension as a core feature, it is doomed to failure.

Disadvantages of the Free Market Economy

While there are clearly many advantages as discussed above, there are also unfortunately many disadvantages related to a free market economy. A major problem is that the factors of production are only employed if there is a strong profit incentive. In addition to this, the free market often fails to provide certain goods and services and it even promotes the consumption of goods that are considered to be harmful such as alcohol and cigarettes.

As employees often work much longer that what is legally acceptable, the social effects of production are somewhat ignored. In any event it is clear that the market system apportions more goods and services to the consumers who have money to pay for them. It is ultimately the market forces that dictate what is produced, and in what quantities, at what price, and for which group of consumers. The means of production and resources are all privately owned by individuals and organizations within which CEOs and managers serve as agents, promoting the agenda of the owners. What is critically important to the owners and shareholders is the size of profits and the return on investment since these are the key drivers of businesses. The profit motive drives most businesses, but this can also create many dangers amongst which one may include poor working conditions and unethical decisions that may be taken in the pursuit of profit maximization. Also, free markets may lead to market crashes, as has been evidenced in history in 1929 and the ensuing Great Depression, and more recently in the economic downturn of the 2000s.

Where there is unemployment this leads to huge poverty and millions of people become disadvantaged. The impact on society is enormous as crime then soars. Growing unemployment also results when machines replace people. Workers are exploited and driven to work harder, faster, and for much longer periods of time, very often without extra remuneration. Ethics in a capitalistic free market economy is unchallenging, as it operates first and foremost mainly on self-interest. A capitalist economy does not truly care about workers even though many corporations report mega-philanthropic works. The motives for such works are often tax incentives and not genuine care for society. People generally care for themselves first.

John Stuart Mill succinctly states:

The only purpose for which power can be rightfully exercised over any member of a civilized community, against his will, is to prevent harm to others… Over himself, over his own body and mind, the individual is sovereign [Mill (1859) 1869: 9].

There are increases in various kinds of economic crimes, as people seek to acquire money illegally when legal means are simply not available to them. When people have no jobs they also tend to lose social benefits and welfare support because such benefits are financed at least partly by taxation. Within the market economy there is growing social and economic inequality as the rich get richer and everyone else gets poorer. Within this scenario, egalitarian social relations become almost impossible and the wealthy begin to view themselves as something special on earth and in many cases they view the poor and downtrodden with contempt. It is perhaps time to curb the excesses of the rich and restructure society from the bottom up. The disproportional political influence of the rich is unethical, and yet many use it to help themselves make even more money. As corruption grows in society, and across all sectors, this strengthens the power of the already powerful and puts the weak at a severe disadvantage. This is evident in public works, for example, where roads are left to become ruined, and bridges and street lighting are not maintained, as some companies are not prepared to serve society when they are not able to make exorbitant profits in the process. Investments often become highly distorted due to wealth being channeled into what will earn the biggest profits and not into what most people really urgently require as a priority such as for example, public health, public education, and even crime prevention. The gap between what workers produce and what their meager salaries and wages allow them to buy is growing exponentially. There is thus huge overproduction but the greed of ultra-capitalists has no limits, so this is worsening every year. Private ownership and the ascendancy of market organization give rise to strong inducement mechanisms, which tend to embolden the owners of businesses and their agent executives to innovate and cooperate effectively. A key incentive is competition, which is principally oligopolistic in nature (Kornai 2016). Globalization has become the response of business to the declining rates of profit, which was in essence envisaged by Marx.

Many companies viewed it as an important means to improvement generally speaking of the business class. It ideally increases corporate profits and reduces the price of consumer goods. It is critical to note that it also threatens workers and limits their already scanty economic and political power. This generally results in the creation of welfare states, which then seek to bridge the gaping holes in the social contract by replaced the shortfall of non-access to credit and this thus entrenches state control of the means of production.

CONCLUSION

The free market unfortunately develops in some people, a set of anti-social outlooks and sentiments. The primary driver for them is monetary gain at all costs. There is no desire to serve others in society except for one's own family. Other major issues for concern in a free market include economic slumps, less production, disinvestment, and of course, poverty for many. Some argue that the free market fails to provide true 'security'. If one declares that one lives in a democracy, where individual people, as a collective, can determine the type of society in which they live, then one cannot simply disregard fellow human beings and the impact of one's actions upon them. Workers are not robots, they are flesh and blood entities with families and a role to play that deserves recognition and morally justifiable treatment.

The theory of value advocated by Marx is a theory of class relations and a theory of exploitation of the masses. The concept of value is valuable because it articulates the relations of exploitation under capitalism and allows them to be elucidated on despite their deceptive showing, which is the result of voluntary market exchanges. It is fine to seek profits but not at the expense of people and the planet. Perhaps it is better to have less state interference and severe regulation, but then businesses must consider all their stakeholders. This is in fact what Milton Friedman postulated, although he is conveniently half quoted. The same applies to Adam Smith in his *Inquiry into the Nature and Causes of the Wealth of Nations* in which he makes it abundantly clear that capitalism is to an extent amoral, and the society via government regulations needs to set rules and minimum standards including moral principles by which businesses should operate.

What one should note however is that one lives in a world of great uncertainty. One cannot with any real conviction forecast the future course of the world. Whatever one undertakes involves a measure of risk. Others state that the free market does not insure the elimination of poverty, and that it does not care if people starve. It is considered better to be philanthropic. This is however erroneous since all may starve if failing to surmount nature. Organizations should be encouraged to give voluntarily to society via rational encouragement and not be coerced in any way, since this makes them less likely to be willing to be involved in greater works and community engagements. Regulatory frameworks are useful to guide organizations to ethical conduct, but there should be no coercion of any sort. Once organizations are cognizant of the need to partner with society, the results will be far superior to what may be attained via force. The market economy is also claimed to promote 'selfish materialism' since it pulls people away from a truly spiritual life. This is also flawed as an argument since people have free choice and can be either 'selfish' or 'altruistic' in their orientation. No doubt people should be more frugal and not duped by marketing to constantly upgrade, for example, in terms of technology. The free market economy, does not seek to eliminate the weak for the benefit of the strong and everyone is free to their own decisions and thus significantly change the results of 'the market' for the better, however in reality this is not happening.

This paper shows that capitalism does, by and large, tend to extract surplus value from labor provided by the workers. Workers are influenced to work within the boundaries of capitalism in the production process as was noted by Marx. Ethically speaking, capitalism, in which workers are compelled or forced to sell their labor in order to simply survive is highly excessive. Capitalism makes better people, however the evidence suggests the opposite, as there is excessive greed. Creating surplus value is what drives profits up and what makes production successful or not. However, in this system there is much manipulation and exploitation of workers as wages are often meager and not enough for a family to subsist on. The real benefits of labor go to the capitalists. Laborers do not generally have any option but to sell their labor in order to simply survive in the contemporary capitalist economies, especially those that are Anglo-American in orientation. Working conditions are also often very poor and there are huge inequities so the system is unfair and unjust and devoid of moral consciousness. Capitalism is truly of value and sustainable when it is practiced morally and where there is fairness and trust.

RECOMMENDATIONS

The role of the company boards must be to ensure that the mission, vision and ethical core values exist, to engage a company around matters of strategy and sustainable direction. The CEOs must all be held accountable for morally acceptable performance, which contributes to society in a sustainable and ethical manner. Natural resources cannot be depleted to the disadvantage of future generations. In addition, the processing of raw materials to manufacture products which ultimately cause irreparable harm to the environment and which promote climate change, which is destructive, must be condemned.

The plight of the billions of poverty stricken human beings called workers cannot remain 'business as usual' and unequal societies cannot be tolerated any longer. Moral issues must be addressed, for only in this manner, can the society arrive at a truly benevolent and beneficent economic system. Capitalism without morals is unsustainable. It is more than obvious that society needs to keep the greedy excesses of market capitalism at bay since a failure to do this will simply wipe away all moral conduct in a world driven by materialism and consumerism and "making a quick buck". Society cannot and should not be measured in terms of economic productivity alone.

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