

# An Interrogation of Capitalism

*If the gospels do not apply to the economy what would they apply to?*  
(Pastor Don Jose Maria, founder of the Mondragon system)<sup>1</sup>

The twentieth century was an era when two economic systems were first experimented with, and then applied with great devotion by their advocates. One was the capitalist free market economy; the other was the socialist centrally planned economy. Although these two systems looked as if they were opposed to each other, they were both the products of Western thought and had great similarities. Capitalism envisaged private property while socialism envisaged the state ownership of property. The basic difference between the two systems emanated from their assumption about humankind. The capitalist system perceived people as basically greedy, self-interested, competitive; the socialist system assumed people wished to seek the service of the state, were collectivist, and inclined to cooperation. The main argument of the capitalist economy was the conviction that it was the source of economic growth and prosperity. The main argument of the socialist economy was the assertion that capitalism exploited the working class. But both the systems were promising heaven on earth. According to the capitalist system, when every individual's efforts are focused on his own interest, this finally will serve the society as a whole; markets will reach their equilibrium with freely determined prices, reflecting the free will of all, and unemployment, one of the major problems of the century, will be eliminated. On the other hand, the socialist system promised a classless society without any exploitation, to be established by an uprising of the working class.

The twentieth century experienced two world wars in 1914–1918 and 1939–1945, and with a similarly devastating effect, an economic depression in the 1930s. In this turbulent environment, both capitalist and socialist economic systems tried to establish superiority against one another and made great efforts to expand their respective domains.

In the twentieth century, thanks to enormous breakthroughs in technology, humankind has gained important means to solve its economic problems. But, in spite of these powerful means being in their hands, neither of these systems really brought solutions to the problems people were facing. As technological developments increased their pace in a way unseen in previous centuries, so did the longings of humankind increase parallel to these developments.

On December 10, 1948, the United Nations approved the Declaration of Human Rights. This important document set out the aspirations and longings of humankind. As mentioned in previous chapters, this was a declaration of people's civil, political, economic and social rights. Any new systems developed had the duty to turn to these aspirations into realities. After the Second World War, with the realization that post-war markets might not be able to function properly, institutions like the World Bank and the International Monetary Fund (IMF) were established in the capitalist world to create solutions to the economic problems faced by developing and developed countries. Their apparent purpose was to meet the aspirations of humanity, especially in developing countries.

After the Second World War and until the 1980s, governments played very important roles in the field of economics. However, in spite of the efforts made at both national and international levels, the economic systems failed to meet the aspirations of mankind. As we approached the 1980s, the divide between rich and poor countries increased. As wealthy countries, which represent only a small segment of the world's population, got wealthier, poor countries were not able to increase their welfare standards, and in fact became poorer.

## **Capitalism Turning into a Religion**

Many things changed in the year 1980. Capitalist countries, especially the United States, asserted that the capitalist market economy was not the cause of the unresolved problems of inequality; on the contrary, the real cause was the lack of proper implementation of the rules of the free market economy. The single remedy for the world's problems was the capitalist free market economy, with free trade, privatization and the free flow of capital. These principles became a single recipe to be recommended, in fact imposed, on the developing and underdeveloped countries. At this stage, the capitalist market economy's principles became indisputable, a clear sign that capitalism was becoming a religion.

As the result of the rapid liberalization of foreign trade and capital markets, financial crises became a common event in developing economies. Often, these financial crises turned into economic crises, which inflicted great damage on the economy, and social and political structures of these countries. In spite of the failures of the single recipe used in these countries, not the recipe but its implementation was blamed.

## **The Joy of Victory**

Another turning-point occurred in the year 1990. The socialist system, which had been established in 1917, had glorified the state, but fell short of meeting the aspirations of humanity as we approached the twenty-first century. The year 1990 saw the collapse of the Berlin Wall, and the unification of the two German states. By the end of 1991, the Union of Soviet Socialist Republics, which had been centrally administered by bureaucratic prefectures, disintegrated. The world, previously perceived as divided into two systems, gave the impression that it was transforming into a single-system world. Capitalism's victory was declared. Without any delay, it was claimed that "liberal democracy" was the final stage of ideological evolution of mankind, and for that reason "the end of history" had come.<sup>2</sup> This final claim created a sense of euphoria and generated trust in the capitalist system. However, this trust had no sound foundation, while the religious characteristics of capitalism gained strength. Perfect markets, privatization and liberalization, even increasing unemployment, became unquestionable, undisputable elements of the free market. Unfortunately, some economists were also to follow the popular trend. Stiglitz states that:

*The standard models that economists had used for generations argued either that markets worked perfectly – some even denied the existence of genuine unemployment – or that the only reason that unemployment existed was that wages were too high, suggesting the obvious remedy: lower wages.<sup>3</sup>*

Over-confidence continued in the years following 1990, causing the proponents of capitalism to commit a very significant error. A consensus was reached to impose a global order based on capitalism; a system which did not respond to all humankind's aspirations, which made the rich richer and poor poorer, which caused masses of unemployment in order to increase the profits of companies,

and most importantly, which destroyed the world's ecological balance. In the year 1994, with signing and inauguration of the General Agreement on Trade and Tariffs (GATT), the *new economic design*, which had been long in planning, acquired its form. The name used for this *new economic design* was *globalization*.

The *new economic design* was imposed on the world with a promise to improve the welfare of the poor. But its hidden purpose was to serve the interests of the capitalist countries (or supranational companies, according to some).

## The Point Now Reached

As we approached 2005, it could be observed that the *new economic design* became much more successful than expected in a period as short as just a decade. The natural economic consequences of the system became apparent soon. In *Globalization and its Discontents*, Nobel Prize winner Joseph Stiglitz explains his reason for writing the book: "... while I was at the World Bank [as an economic advisor], I saw firsthand the devastating effect that globalization can have on developing countries, and especially the poor within those countries." He continues:

*A growing divide between the haves and the have-nots has left increasing numbers in the Third World in dire poverty, living on less than a dollar a day. Despite repeated promises of poverty reduction made over the last decade of the twentieth century, the actual number of people living in poverty has actually increased by almost 100 million. This occurred at the same time that total world income actually increased by an average of 2 percent annually.<sup>4</sup>*

Yes, under the label of globalization, capitalism has adapted itself to the new technology and world conditions. But it was still serving the same audience, that is, rich countries or supranational companies:

*In a world in which a few enjoy unimaginable wealth, two hundred million children under age five are underweight because of a lack of food. Some fourteen million children die each year from hunger-related disease. The human tragedy is not confined to poor countries. Even in*

*a country as wealthy as the United States, 6.1 million adults and 3.3 million children experience outright hunger.<sup>5</sup>*

Naturally, the *new economic design* also served developing countries. Since wages were low in developing countries, the production facilities of rich countries moved to developing countries in order to produce goods at lower costs.<sup>6</sup> This, of course, created employment and income in those countries. In the countries where the production took place, workers were employed at very low wages and were subject to very bad conditions. When wages increased in one country, the production facilities were moved to another country where the wages were still low. Due to the mobility of production facilities, it became more difficult to raise wages, which were often at mere subsistence levels, in low-wage countries. This mobility also caused unemployment to increase in countries with higher wages and is why income distribution worsened both among countries and within countries. In any case, labor's share in the income generated by productive operations decreased.

## **Resistance to Globalization**

Resistance to globalization was also global in its dimensions. Millions of people from all around the world came together to express their aspirations for a better and fairer world to live in. Protestors were not against foreign trade; they were opposing the rules of free trade implemented under the *new economic design*: they were demanding *fair* trade, which would serve the needy as well as wealthy.

After 1999, the protestors' targets were the World Bank, the IMF and the World Trade Organization (WTO). Protestors blocked the Ministerial Conference of WTO in Seattle, whose agenda was to open new discussions on further liberalization. The meeting was disrupted and postponed to 2001. In 2001, the meeting took place in the city of Doha in Qatar, a small Arabian kingdom from which protestors were barred. Since the year 2000, Davos in Switzerland has come to symbolize the power of globalization and liberalization when, in January of each year, CEOs of global companies, political leaders and others from many countries attend the World Economic Forum in order to expand the

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5 The International Forum on Globalization, *Alternatives to Economic Globalization: A Better World is Possible*, San Francisco, CA: Barrett-Koehler Publishers, 2002, p. 7.

6 "Made in USA Foundation asserts that in the 1980s, when Nike and other shoe companies moved their production facilities to Asian countries, 65,000 American workers lost their jobs": *ibid.*, p. 103.



boundaries of globalization. In 2001, the opponents of globalization scheduled an alternative conference, the World Social Forum, in Porto Allegre, Brazil; the theme of the conference was "A Better World is Possible." This alternative meeting was repeated in the following years in January as an alternative to the World Economic Forum.<sup>7</sup>

The Doha ministerial conference of the World Trade Organization was another turning-point. Some regarded the meeting as a triumph of globalization, but others considered it a sign of submission to the trends opposing globalization. The *Washington Post* asserted that the result of the WTO's meeting came in the form of two successes: First, the Doha meeting did not meet the fate of the disbanded Seattle conference, and showed that even in times of global protest, global integration can make progress. Second, the summit initiated a second trade round that would focus on the needs of the poor countries.

In reality, there were no developments in favor of the developing countries in the Doha meeting. Europe would not accept any steps to open up its agricultural products markets, and the US its textile markets, to poor countries. The proposal to establish a relief fund for the benefit of countries in need did not receive any support. It was accepted that, in case of an emergency, patent rights on pharmaceutical products could be suspended, but no amendment was made in the TRIPS agreement that provides full protection to these rights, in this direction. The countries involved also did not make changes to their laws and regulations.

One of the most important features of the *new economic design* is the full protection of intellectual property rights. Pharmaceutical companies benefit extensively from this protection. Pharmaceutical companies have been claiming that they are spending millions of dollars for drug development, which is reflected in the prices of their products; if not, it would be impossible for them to develop new products that would serve people's health. On the other hand, in the academic world, contradictory arguments have become topics for discussion: it is asserted in the academic world that a significant portion of pharmaceutical research in the US is based on the studies carried by the National Institute of Health (NIH); that since President Reagan's administration in the 1980s drug companies have benefited from very strong monopoly protections; that patent protection terms are extended to products which are reformulations of old ones; that contrary to the claims of the pharmaceutical companies, they

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<sup>7</sup> In the struggle against globalization the International Forum on Globalization (IFG) has been very instrumental <<http://www.ifg.org>>.

did not spend much for research and development (they spent even less than their profit); that through their advertisements they created illnesses tailored to their drugs, instead of creating drugs for current illnesses, that they made very high profits of around 17–18 percent of their sales, that a few supranational companies dominated the market, and that in this fast-developing, \$400 billion industry, the supranational companies have gained the strength to steer national policies in the direction of their own interests.<sup>8</sup>

Poor countries afflicted by the HIV/AIDS epidemic tabled a proposal to the Doha meeting of the WTO. They were unable to wage the fight against HIV/AIDS due to the high price of the drugs which were protected by patent rights. But the spread of HIV/AIDS was a threat to rich countries also. The poor countries requested a reduction in the price of HIV/AIDS drug therapies. While their proposal did not receive much concern during the meeting, a separate Declaration was later adopted, which noted the importance of research and development without recommending any concrete measures. However, “In the case of AIDS, the international outrage was so great that drug companies had to back down, eventually agreeing to lower their prices, to sell the drugs at cost in late 2001.”<sup>9</sup>

In fact, the Doha meeting illustrated that capitalism was engaged in a great struggle to establish global domination. But the counter-resistance to capitalism was also gaining strength. The search for various solutions was beginning in many places: in academic circles, in different blocs of developing countries, in the Internet environment. In reality, what was under interrogation was not only globalization, but capitalism itself.

## **Opposition Against the Global Companies**

Supranational companies are an integral part of globalization. The companies that we define as supranational are not accountable to and do not have any responsibility to serve nations; they only seek to maximize their own profits.

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8 In this respect the studies of Marcia Angell, a professor at Harvard Medical School, represent a good example. See: New York Review of Books, *The Truth About the Drug Companies*, Volume 51, Number 12, and July 15, 2004 <<http://www.nybooks.com/articles/17244>> and *Frontline: The Other Drug War: Interviews*, Marcia Angell <<http://www.pbs.org/wgbh/pages/frontline/shows/other/interviews/angell.html>>.

In the *new economic design*, these supranational companies, after designing their products with the intellectual properties they own, can purchase their raw materials from anywhere in the world where they can get them cheapest, have their products produced in countries at minimum cost where labor is cheap and abundant (mostly in Asian countries), and market them in whatever country they see fit. Since the *new economic design* does not permit labor mobility, vast pools of cheap labor can be found in developing countries. Many supranational companies, through direct investment or by joint ventures established by domestic producers, move their production facilities to the countries where wages and production costs are very low. As soon as wages increase in these countries, the same companies move their production facilities yet again. Wage increases in developing countries usually occur due to the unionization of workers, that is, when workers start exercising their democratic rights. Thus, in the process of unionization, workers face the risk of unemployment. Perhaps this is one of the major causes of labor exploitation in these labor-abundant countries. Supranational companies' exploitation of labor in labor-abundant countries meets with the condemnation of non-governmental organizations and trade unions in rich countries (especially in the US). NGOs and unions protest against the sweatshops operated by supranational companies in labor-abundant countries. Of course, the real concern of the unions is the increasing unemployment in their home countries. US labor unions claim that increasing job opportunities in Asia through the reallocation of production are really jobs stolen from Americans. On the other hand, the NGOs' reaction to supranational companies is due to the inhumane nature of the working conditions and exploitation of the workers in these Asian countries.

The NGOs' protests soon received media support. The NGOs started campaigns urging consumers not to purchase the products produced under such conditions, highlighting how child and female workers were forced to work under severe conditions, extending to torture, with forced overtime, for \$1.60 a day. When students organized themselves, universities joined the NGOs' protests. What was actually being opposed was the exploitation of the people of Asian countries under the profit motive by the supranational companies.

The case of the Nike Shoe Company<sup>10</sup> is a good example of a supranational company's exploitation of labor in underdeveloped countries, and the

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10 Nike's operations in East Asia are used as a case study in academic courses. See Rebecca J. Moris and Anne T. Lawrence, *Nike's Dispute with the University of Oregon*. Thompson and Strickland, Strategic Management, Concepts and Cases, New York: McGraw Hill, 2003. pp. c759-c775. A good book on the issue is Walter LaFeber, *Michael Jordan and the New Global Capitalism*, New York: W.W. Norton, 2001.



opposition and resistance this exploitation faced in developed countries. We will examine this case briefly.<sup>11</sup>

Phil Knight and his partner, with \$1,000 in capital, officially founded Nike Inc. in 1963. By the year 2000, Nike had become a company which provided employment to 20,000 employees directly and indirectly to half a million people through 565 factories in 46 countries where production is subcontracted. The company had a share of 45 percent of the sports shoes market and \$9 billion of sales turnover. In the factories in Asia where Nike's products are produced, woman (who made up 90 percent of the workforce) toiled in awful conditions for 14 cents an hour.

The labor cost of a pair of Nike shoes was \$2.75; while selling and administrative costs were \$5 and advertisement expenditures \$4. After deducting material and supplies costs, Nike's profit share was \$6.25. The wholesale price of a pair of Nike shoes was \$35 and the retail price about \$70.

In the early 1990s, serious criticism of Nike's global labor practices and exploitation of laborers in Asian factories started to appear widely in the media. According to the claims, in the factories where Nike's shoes were produced, laborers were forced by the managers to work six hours of overtime, and were subjected to sexual harassment and physical torture. Human rights associations and Christian organizations immediately responded to the news in the media. Shareholder activists, organized by the Interfaith Center for Corporate Responsibility, submitted a shareholders' proposal at Nike's annual meeting, calling on the company to review labor practices by its subcontractors. The proposal received only 3 percent support from the shareholders. In 1996, Nike established a new Labor Practices Department. Again in the same year, President Clinton established the White House Apparel Industry Partnership on Workplace Standards (AIP). The initial group comprised 18 organizations. Participants included several leading manufacturers, such as Nike, Reebok and Liz Claiborne. The goal of the AIP was to develop a set of standards and

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11 The issue that labor employed in the Nike shoe company's factories in Asia worked in inhumane conditions is a well-discussed matter. "Since the beginning of 1990s, media (in Asia) was reporting regularly that some of the laborers were working in very inhumane conditions. It was clear that working conditions showed very little improvement till the end of the 1990s. In the factories where 70 million pair of shoes were produced, labor received an average 2.23 dollars a day ... Indonesian workers were being forced to work 6 hours of overtime and they were subject to sexual harassment and aerating." "Working conditions in Vietnam were also awful." Ninety percent of the 30,000 employees were female. These female workers were receiving only 2 dollars pay for 12 hours of work. See: LaFeber, *Michael Jordan and the New Global Capitalism*, pp. 121-2.

to monitor them to ensure that apparel and footwear were not made under sweatshop conditions. The AIP established a new organization, the Fair Labor Association (FLA), to oversee compliance with its workplace code of conduct.<sup>12</sup> In October 1999, these developments were followed by the establishment of the Workers' Rights Consortium (WRC) by the leadership of students from more than a hundred colleges. This consortium asked the companies to pay wages sufficient to sustain life, to supply the addresses of the factories where their products were produced, and asked the universities not to purchase goods from companies which do not meet these conditions.

On April 12, 2000, the University of Oregon joined the WRC. Shortly after the university's decision, Phil Knight, the founder of Nike and its major shareholder, withdrew his philanthropic contributions to University of Oregon.

This example deserves analysis from various points of view, and is a case used in the education of master's degree policy course students. The example indicates the importance people assign to ethical values and the corporate responsibilities assumed by the companies. This case questions the behavior of global companies within the rules of globalization.

## **An Interrogation of Capitalism**

The *new economic design* called globalization is the latest attempt of capitalism to establish its sovereignty. Implementation of capitalism on a broader scale has also helped us to understand the consequences created by the capitalist system. Income distribution among and within countries worsened, and poverty became more widespread. Worse than that, in spite of the fact that only a small number of people benefit from the blessings of the system, it became clear that the ecological balances of the world are not able to carry the burden of the material hunger of capitalism and the waste produced by this hunger. The greenhouse effect caused by carbon emissions due to excessive consumption of petroleum, has resulted in melting of the polar icecaps, changes in the course of the Gulf Stream and change in climate.<sup>13</sup> As the ozone layer thins, the world is deprived of its protective shield.

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<sup>12</sup> Moris and Lawrence, *Nike's Dispute with the University of Oregon*, p. c771.

<sup>13</sup> The United States is the major country that consumes and promotes consumption, and the country that blocks the reforms on energy consumption. For that reason, the US has declined to sign the Kyoto Protocol signed by many countries, which attempt to take moderate steps in environmental protection. The US which produces 4 percent of the world's petroleum consumes about 25 percent of the world's petroleum.

These developments engendered two political movements: the first being the wars to establish control over the world's natural resources, and the second being terrorism. As rich capitalist countries kept on their race to establish control over the world's natural resources, poor countries came to the conclusion that resorting to terrorist measures was the only way they could preserve their existence. Joseph Stiglitz evaluates the point reached by applying globalization for ten years in the following words:

*The barbaric attacks of September 11, 2001, have brought home with great force that we all share a single planet. We are a global community, and like all communities have to follow some rules so that we can live together. These rules must be fair and just, must pay due attention to the poor as well as the powerful, must reflect a basic sense of decency and social justice.<sup>14</sup>*

At first, it seemed that the interrogation of capitalism was focused on globalization and the interrogators were against globalization. In reality, what is being questioned is capitalism itself, and comes from very different groups of people from various professions, and from an expanded geography. This interrogation is organized in various forms, benefiting from advanced technology, and aims at creating an alternative to capitalism with a broad participation using democratic means.

An interesting aspect of this is that the teaching of economics is also being questioned. The reason for this is that in the past the economic teaching promoted and defended capitalism without discussing any alternatives. Here, we want to briefly mention two institutions as examples of academic interrogation: the Post Autistic Economics movement, which is known as PAE, and the Santa Fe Institute.

## **The Post Autistic Economics Movement<sup>15</sup>**

This movement was started in France in June 2000, when a group of students, under the banner "*autism-economie*," published a petition on the Internet, protesting against:

- economics' *uncontrolled use* and the treatment of mathematics as *an end in itself*, and the resulting *autistic science*,
- the repressive domination of neoclassical theory and derivative approaches in the curriculum, and
- the dogmatic teaching style, which leaves no place for critical and reflective thought.

In this petition, the students demanded:

- engagement with empirical and concrete economic realities,
- prioritizing science over scientism,
- a pluralism of approaches adapted to the complexity of economic objects and the uncertainty surrounding most of the big economic questions, and
- that their professors initiate reforms to rescue economics from its autistic and socially irresponsible state.

Initially, this petition was backed by some of the professors; after getting their support the topic was opened to discussion in *Le Monde*, on June 21, 2000. The topic caught the attention of French Minister of Education and the Ministry formed a commission to discuss and report its findings in a year. Eventually, the discussions became a forum where the current concepts of economics and the capitalist economy are debated. The *Post Autistic Economics Newsletter*, which was disseminated in the early days, is now a quarterly e-mail journal.<sup>16</sup>

According to the supporters of the Post Autistic Economics movement, by creating a comprehensive forum of discussions "such an open environment would preclude the standard practice of keeping the ideological content of neoclassicism hidden from students."<sup>17</sup> Again, according to the same belief, economic science has never been under such pressure since the 1930s. The complaint then was economic science's inability to explain and develop

a solution to the 1930 Great Depression. This led to the development of macroeconomics. Today, the accusation is more general and more serious: the way economics is taught in universities is unable to explain today's realities or to present a framework for in-depth discussion of the problems in democratic communities.

The journal of the Post Autistics Economics movement questions the way economics is understood today – its assumptions, methods and the conclusions it reaches – and tries to produce alternatives; in short, it is questioning capitalism as a whole.

## **The Santa Fe Institute<sup>18</sup>**

The Santa Fe Institute was established in 1984 as a non-profit institution, devoted to creating a new kind of scientific research community, which would emphasize multi-disciplinary collaboration in pursuit of understanding the common themes that arise in natural, artificial, and social systems. The institute has a great number of renowned scientists from economics and other disciplines; some are Nobel Prize winners. It promotes multidisciplinary collaborations in the physical, biological, computational and social sciences. The institute attempts to uncover the mechanisms that underlie the deep simplicity present in our complex world. The institute believes that the understanding of complex adaptive systems is critical to addressing key environmental, technological, biological, economic and political challenges.

From the point of view of economic science, the Santa Fe Institute diverges from the neoclassical stand completely. Neoclassical economics, diminishing returns, static equilibrium rely on absolute rationality.<sup>19</sup> On the contrary, the Santa Fe Institute emphasizes the increasing return, constrained rationality, and evolution and dynamics of learning: "Instead of viewing the society as some kind of Newtonian machine, they would see it as something organic, adoptive, and alive."<sup>20</sup>

Some of the studies conducted by the institute show how wrong a path the capitalist free market system is following. Since the Santa Fe Institute

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18 <<http://www.santafe.edu>>.

19 Rationality is a well defined concept in economics. This concept assumes individuals to be consistent in behavior and that they know what is good for them.

20 M. Mitchell Waldrop, *Complexity: The emerging Science at the Edge of Order and Chaos*, New York:



defined itself using a broader mission, it is not conducting studies to develop alternatives to capitalism.

## Capitalist Companies' Search for Solutions

Resistance to globalization and the interrogation of capitalism has redirected capitalist companies to search for new relations. Capitalist companies redirect themselves to "sustainable profits," a new concept they have defined to replace short-term profits. "Respect for ethical values" and "sensitivity to social responsibility" as concepts lay at the base of the sustainable profits concept. In time, companies understand that their behavior, which will not be accepted by human conscience, will impair their achievements. The concepts of "working ethics," "corporate social responsibility" and "environmental protection" are gradually gaining advocates and are spreading. Still, companies regard these concepts as a means to increase their profits. Companies realize that they must respect the customer's ethical values in order to make a profit. In reality, here lies a contradiction: consumers seem to be ready to make sacrifices, though small, paying a higher but fair price to purchase products that are environmentally friendly and that help to preserve ecological balances. Companies that benefit from these concerns of the consumers do not seem to show the same sensitivity their customers are showing, but instead, use their customers' concerns to increase their profits.

In fact, the capitalist company's awareness of the ethical values is a very important step forward. This development can also be considered a revolution in economic science. Economic science claims that it is not a *normative*, but a *positive* science. That is, economic science states that it does not account for value judgments. Whereas it is being understood that individuals make their choices not as *homo economicus*, which is likened to a machine by economics, but as individuals who assign high importance to their value judgments. This is another example that shows how much the economic sciences are removed from the realities of real life. Similarly, economic institutions and companies, recognizing these facts, reshape their policies accordingly.

A good example for companies redirecting themselves to sustainable profitability objectives and assuming a kind of behavior that pays respect to people and to the environment is available in an article published in *Made in*

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Holland, a publication of the Netherlands Foreign Trade Agency (NFTA), part of the Ministry of Economic Affairs.<sup>21</sup> Let us briefly summarize this article:

*Corporate social responsibility is in fact nothing other than a business that behaves properly in relation to people and the environment. The international marketing term is accordingly "People Planet Profit". But that is easier said than done: A business earns its place in the world by making profit. Environmental measures and a good social plan, by contrast, eat into profits.*

*Nevertheless, ever more Dutch businesses are actively exploring ways of taking the environment more closely into account in their business management. They prove that this is not just possible but also commercially interesting. Shell is working hard and developing hydrogen as a source of energy and a fuel and on windmills and other forms of sustainable energy. C&A is no longer doing business with suppliers who make use of child labor; and DSM is developing more environmentally friendly production processes.*

*With its Max Havelaar coffee brand, the coffee-roasting house and tea dealer Simon Levelt was one of the first Dutch companies to base a consumer product on corporate social responsibility while at the same time managing to turn the brand into a commercial success. Since 1988 many Dutch people have been happy to buy the more expensive coffee in the knowledge that the Simon Levelt coffee farmers in South America are paid a proper price for their coffee beans. In the mean time, not just "fair" coffee but also cocoa, tea, honey, bananas and orange juice are being sold under the Max Havelaar brand – and not only in Holland but in 17 other countries.*

*After looking for profits alone for years, large Dutch companies and multinationals have now recognized this to be a short-term strategy and acknowledge that sustainable entrepreneurship is a long-term investment ... Corporate social responsibility is not a matter of charity or a subsidy but an investment in the continuity of the company.*

As can be seen from this example, companies have started to recognize the need to place importance on the aspirations of individuals. But for the time being, this recognition is directed to the profit objective. Another interesting point about this example is that this article was published in a magazine trying to promote Holland.

## **The Insistence on Capitalism for Survival**

In the previous paragraphs above, we have explained the increase in resistance to globalization, the interrogation of capitalism, and how humanity is searching for solutions. Today, facing these challenges of resistance and interrogation, the proponents of capitalism (the fortresses of capitalism), instead of reshaping capitalism in the direction of the aspirations of humankind, are making an effort to spread their ideology with greater devotion and greed, and to implement capitalism to serve their interest.

After the fall of the USSR, we see that the advocates of capitalism, and more than that, the defenders of the US's interests, have initiated efforts to develop a new world vision.<sup>22</sup> In 1992, Francis Fukuyama, in his book *The End of History and the Last Man*, declared that the arrival of the end of history. According to Fukuyama, with the Cold War over, the world is no longer a bipolar world but a single order; liberal democracy has become the future of the world. There is no room in the world for distinct ideologies, and liberal democracy may be the final stage of the ideological evolution of humanity.<sup>23</sup> In this context, liberal democracy is liberalism as a political, economic and social system. Accordingly, as Fukuyama visualizes, capitalism is the future world order. In fact, what is being accomplished is the idealization of a non-ideology, that is, idealization of a lack of ideology. What is being accomplished is very important: people will be convinced that they should not be in search of systems and ideologies to meet their aspirations (longings). This does not seem to be a scientific approach. It is an act of faith.

How will capitalism spread over the world in a medium where no ideology exists? The answer to this question had to be incorporated into the new world vision. This did not constitute any problem at all. In 1993, Zbigniew Brzezinski published his book, *Out of Control*, which had great influence on world politics. Brzezinski claimed that twentieth-century politics can be defined as



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one of “organized insanity,” and that an innumerable amount of people were destroyed in ideological clashes.<sup>24</sup> Now a global look would be required to advance humanity, and the United States stand as the only truly global power; if the United States failed to establish global authority, the world would enter a stage of intensified global instability.<sup>25</sup> According to the assertion, if the US fails in this mission, the world will drift into a terrorist environment.

Though there is no need for *ideologies* to clash in the twenty-first century, there must be a clash somewhere, in order to help capitalism dominate the world. In 1996, Samuel P. Huntington produced an answer in his often-cited book, *The Clash of Civilizations*. According to Huntington, down the centuries, clans, kings, nations and ideologies have clashed. Since these all have become history, it is now time for the clash of civilizations. The twentieth century had become a scene for the competition of superpowers. Now this competition will take place among civilizations. In the world of the 1990s, the major civilizations that have a significant role in the identity of individuals can be named as the Western, Latin American, African, Islamic, Chinese, Indian, Orthodox, Buddhist and Japanese civilizations. Among these existing cultures, the Christian Western culture is most susceptible to economic and democratic development, while Islamic culture is seen as an important barrier to the development of democracy. In our times, the Western culture is strong. But, it is losing its strength over time. The West will be involved in an effort to preserve its values. Non-Western cultures are confronted with two options: to join the Western cultural caravan, or to take sides with the Confucian and Islamic cultures, which try to achieve a balance with Western civilization by increasing their military and economic power. The post-Cold War order will be a scene of a cultural race between the Western and non-Western cultures. And major clashes will take place on the fault-lines between civilizations.<sup>26</sup>

Since the end of the Cold War, the US has been in search of an operating theory of the world and a military strategy to support it. The clearest explanation of this model came from Thomas P.M. Barnett, who is a professor of warfare analysis and an advisor to the Office of the Secretary of Defense since September 11, 2001. Barnett gave this explanation in an article in *Esquire* in 2003, and in his book *The Pentagon’s New Map*, published in 2004. According to Barnett, the twenty-first century’s clashes will take place between the countries that are

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Zbigniew Brzezinski, *Out of Control: Global Turmoil on the Eve of the Twenty First Century*, New York: Scribner’s, 1993.

Add notes

one of “organized insanity,” and that an innumerable amount of people were destroyed in ideological clashes.<sup>24</sup> Now a global look would be required to advance humanity, and the United States stand as the only truly global power; if the United States failed to establish global authority, the world would enter a stage of intensified global instability.<sup>25</sup> According to the assertion, if the US fails in this mission, the world will drift into a terrorist environment.

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successful in adopting themselves to globalization and those that are not. The “Core” countries, which are successful in globalization, are the countries which have stable government and improving standards of life. The “Gap” countries, on the other hand, are those countries with oppressive governments, where misery is widespread, and most important of all, where terrorism is nurtured. The objectives of the wars in the twenty-first century must be to expand the Core country areas and shrinking the Gap. Between these Core and Gap countries lie the “Seam” countries.<sup>27</sup> Seam countries must take their positions, either siding with the Core or Gap countries – there is no room for detachment in this world. The position of the Seam states is important. In spite of their efforts and intentions, the Seam states face severe difficulties under globalization.<sup>28</sup> Cooperation with these states is essential to protect the US from the threats of the Gap countries, and terrorism, and as such, the US must use its power on these countries.<sup>29</sup>

The United States – acknowledged as the fortress of capitalism, and architect of the *new economic design*, that is, globalization – is trying to expand its global hegemony, under different labels, such as the “war on terrorism” (WOT), protecting human rights and democracy, expanding liberal economics. According to the US’s view, the world is divided into two camps: those who side with the US and those who oppose it. During the Iraq War, the US’s official stance was: “You are either with us, or against us.”

Although the world is unable to carry the burden of the present level of petroleum consumption; although for this reason, the climate is changing, the glaciers are melting, and the world’s ecological balances is shifting, and although the rich countries account for most petroleum consumption, rich countries do not reduce their consumption, nor do they make any effort to find alternative sources of energy, but instead compete or fight to expropriate the world’s remaining oil reserves.

These efforts are the insistence of capitalism for survival.

## Inconsistent Principles and the Conflicting System

Today, the capitalist system is in conflicting with the aspirations of the people. These aspirations are bound to create a new economic system. We can briefly define the conflicting principles as follows:

- The focal point of the capitalist system are individuals, who are rational, and try to maximize their affluence. Their environment (which can be other individuals, and the social, economic and ecological environment) is not considered in their decision mechanisms. *However*, in people's aspirations, individuals are an inseparable part of the society, part of nature, and a part of a whole. When the individuals make their decisions, they would seek a harmony between their own and society's well-being.<sup>30</sup>
- In the capitalist system, individuals (person, companies, countries and blocs) promote their own interest. Standards are not important when that interest is at stake. A country that is a strong advocate of free trade can resort to protective measures if its interest dictates. This is also the case for individuals. The capitalist economy lets individuals enter into fierce competition with their colleagues at work.<sup>31</sup> *However*, in the aspirations of people it is not self-interest, but being right and fair (*hak*)<sup>32</sup> that is important. In these aspirations, it is not military power, force, economic power or propaganda, but being right that matters. Being defeated in a right cause is accepted as being more valuable than being victorious for a wrong cause. The concept of *hak* is a broad one that influences the philosophy of life. *Hak* is a very old and deep-rooted concept, known as *asha* in the Zoroastrian religion, *rita* in the Vedas, and *dharma* in Buddhism.
- Capitalism is built on the competition principle. Competition among individuals, among companies, among countries and among blocs is assumed to be the main source of development and improvement. Competition as defined by capitalism means overcoming, or even destroying rivals. Defined as such, a very thin line differentiates competition and clashes. It is for this reason

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<sup>30</sup> The breakdown of the Soviet Socialist Republic has also shown that emphasizing the society by neglecting the individual is also wrong.

<sup>31</sup> This practice has been implemented with success especially in corporate downsizing operations, which are in fashion.

that the capitalist mentality is even able to talk about the “clash of civilizations.” *However*, aspirations are in favor of cooperation and solidarity. Today, competitive and cooperative behaviors and their interaction are not well understood. It is possible to discern a closer relation between competition and *collaboration*.<sup>33</sup> In order to compete, parties may have to collaborate. But the goal of cooperation may not be competition. For that reason in the aspirations of people, competing to serve humanity (*hizmet yolunda yarışma*)<sup>34</sup> holds a very special place.

- Capitalism is built on *dissatisfaction*. People are assumed to be greedy. Increased consumption grants diminishing satisfaction (utility), but always increases satisfaction. There is no saturation point, no upper limit for satisfaction. Currently, the per capita income of the rich countries is about \$30,000. How much can this per capita income increase? Capitalism has a clear answer to this question: as much as it can be increased. Capitalism’s goal is to increase consumption at the expense of everything: the “others,” the environment and nature. In capitalism, it is not satisfaction, but dissatisfaction is the rule.<sup>35</sup> However, people’s aspirations lead them to yearn to be satisfied with less, a sufficient level of consumption, which is in harmony with our world, our environment, and our society. Our aspirations are not focused on consumption but focused on moral satisfaction and happiness. In reaching moral satisfaction and happiness, our relations with our environment, our loved ones, and nature is of utmost importance. Our aspirations are humanistic: it is the peace, happiness and welfare of all people.

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33 In the book *Complexity*, M.M. Waldrop quotes John H. Holland: “...despite all the work in economics and biology, we still haven’t extracted what’s central in competition. There is a richness there that we’ve only just begun to fathom. Consider the marginal fact that competition can produce a very strong incentive for cooperation, as certain players spontaneously forge alliances and symbiotic relationships with each other for mutual support. It happens at every level and in every kind of complex, adaptive system, from biology to economics and politics. Competition and cooperation may seem antithetical, but at some very deep level, they are two sides of the same coin”: M.M. Waldrop, *Complexity*, New York: Simon and Schuster, p. 185.

34 *Yarışma* is a concept different than competition. In *yarışma*, there does not have to be an opponent.

35 In *Complexity*, Waldrop quotes Gell Mann: We need cross-cultural ferment, “of particular importance given the differences about how (and even whether) nations are the crucibles for

- In capitalism, companies consider the consumer as king in order to make a profit. But here also, people are not the end but only a means to reach the end. People are not kings because they are human beings, they are kings when they have money to spend to increase profits. In order to reach the profit objective if it is possible to exploit (by forming monopolies) the king, this chance should not be missed. Capitalism has regulations to prevent the formation of monopolies, but recently these regulations are being loosened by new definitions. As the supranational companies become widespread, question marks arise about who is defined as the king. The *new economic design* is being shaped in order to serve the interests of these supranational companies. *However*, in our aspirations, people are precious precisely because they are *people*. The objective is the people. All other things are means. Systems ought to be shaped to serve people: "*Serving people means serving God.*"<sup>36</sup>
- In the areas of production, capitalism looks upon human beings as a factor of production that is in competition with the other factors, and as a mean that must be cheaper in order to be employed. Capitalism considers man as a cost factor. In a competitive environment, in order to maximize profits, companies must reduce their costs. For that reason, labor can be replaced by machinery if machinery is cheaper. This would be considered acceptable by capitalist standards. Today, machines are becoming more intelligent, robots more skilled and computers faster and more accurate. Humans must compete with all this machinery. For that reason, unemployment has been an unsolved problem in capitalism. During the economic crises created by capitalism, massive numbers of laborers lose their jobs, which also reinforces the crises. *However*, in our aspirations, humans are the primary source of production. They create the technology, design, and brand names and fashion; in fact they created capital. Man is productive. In the area of production, participation, unity in destiny, and sharing are the rule.

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36 In Denizli, on the gate of Babadağ bazaar there is an inscription (tablet) which says: "Show affection to every one ha! Do not withhold your greetings./Do not differentiate people ha! Give them all their rights with justice/Your purpose must be good ha! Tell the truth about everything./Do not part with whatever is beneficial ha! Be in accord with everyone./Disperse

- In capitalism, humans seek leisure. Capitalism considers work as a burden and the wage received as bliss. *However*, in our aspirations, work itself, having good work to do, being constructive and creative are blessings in their own right. The wage received is only one of the blessings received from work. Working gives a chance to people to prove themselves and to excel in what they do. Working provides status and identity to human beings.<sup>37</sup>
- When we take into consideration the two points mentioned above, capitalism considers man as a means of production, which is not different from machines (we can say as a slave under certain conditions), but considers him as a king as a customer. This is an important conflict in capitalism. When we consider the dynamics of this, when capitalism reduces wages or causes unemployment, labor loses its income; this means the “king” is deprived of his purchasing power. We face these events repeatedly in economic crisis. On the other hand, let us assume that machines or robots will carry in the future all production. Where will workers get their income to spend? Perhaps in such an order, each person will have to own a robot! *However*, our aspirations view humans not only as a means of production or as a “king,” but considers them as complete persons with a culture, beliefs, motivation to work, in fact, an integral part of their nature.
- In capitalism, the comparative advantages of people make them advantageous in the economic race (competition) and provide them with success. Those who are successful are admired, receive good wages, and make profits or gains. Those who are not successful are pushed outside the system and must depend on social security systems or charity organizations. There are two sources for superiority: either God-given, or developed by the individual’s own efforts, benefiting from the means and opportunities provided by society. In capitalism, whatever the source, the reward is personalized, and the benefit is the right of the one who possesses the advantage. In the *new economic design*, rights like patents, copyrights, printed circuits, brand names, trade secrets



and geographic indicators are fully protected under intellectual property rights so that only those who possess them can receive the benefits. *However*, in our aspirations, those endowments that are the blessings of God are given to the fortunate as a test, to share them with others. This holds true for intellectual, for moral superiorities as well as monetary riches. The superiorities developed by the individual are developed benefiting from the means of the society. These superiorities assign them responsibilities as well as rights. Our conscience cannot accept losing the war against HIV/AIDS because medicines are prohibitively expensive on account of intellectual property right protection. Killing innocent people in wars launched to gain control of petroleum reserves encouraged by military power also cannot be accepted.

Social systems are the products of people's faith, beliefs and values. As in the systems, in value structures there are opposing forces. In the Zoroastrian religion, the clash is believed to be between light (enlightenment) and darkness, between Ahura Mazda and Ahriman. People are advised to take sides with Ahura Mazda of their own free will. In the Vedas, this clash is the clash between good and evil. In the Islamic religion, it is between *hak* (right, justice, truth) and *batil* (false, null and void). In most belief systems, humanity has the capacity to follow the right path. What leads a person to stray is his or her *nefs* (physical body, self and ego as opposed to spirit). For that reason, people should control their *nefs*. In some beliefs, the cause of all suffering is "the thirsts of the physical body and in the illusions of worldly passion," which cause dissatisfaction and misery. People must free themselves from these wants and ambitions.<sup>38</sup> Throughout history, humanity has accomplished great steps forward and come to the point of accepting principles such as those described in the Universal Declaration of Human Rights, which represents the aspirations of humankind in *our* time.

Technological developments of our day have given us a chance to make great progress in meeting our aspirations. Unfortunately the capitalist system is carrying on its resistance, setting strong barriers on the realization of our aspirations.

## Epilogue

After 1980, capitalism seized the chance to spread its principles globally by benefiting from the needs of the developing countries. The United States and the international organizations of the day were successful in presenting the principles of capitalism as the only solution to their problems. The 1990s presented a new turning-point for the world. In those years, the Eastern bloc that had applied centrally administered state socialism collapsed. Advances in communications technology were one of the driving forces of this collapse. The collapse and the developments in communication technology presented golden opportunities for capitalism, under the leadership of the United States, to declare victory. The US acquired the chance and the courage to impose the principles of capitalism on the countries that were trying to transform their economies from socialist economies to market economies, and on the developing countries that were in search of models to benefit from the advances of the technology. The years after the 1990s are the years when the *new economic design* was rapidly established. Very significant steps were taken on liberalization and privatization issues in these years. When the GATT was signed in 1994, all avenues were opened for the development of a brand new world under capitalist principles.

But the implementation of the *new economic design*, which was called *globalization*, produced its results in a very short period: the income allocation among countries and within countries entered a worsening trend, as a minority rich grew even richer; while a greater majority of people entered the stage of poverty. Initially, this situation gave birth to a resistance against globalization, but later this resistance transformed itself to a questioning of the capitalist system in academic circles. At present, the search for alternatives to globalization is continuing, and accelerating globally, in various media and channels. Capitalism, which was trying to reinforce itself all over the world with great confidence, had to turn to defend itself in a short time period. This defense is implemented under an active resistance strategy. Capitalism is trying to capture the *final fortresses* with increased rage. On the one hand, capitalism is converting itself to a faith (a belief system); on the other hand, it is trying to reinforce its dominance in the economic and political fields by establishing dominance over the non-renewable resources of the world through supranational companies. This is the insistence of capitalism for survival.

The principles that capitalism has reinforced all over the world and converted to a belief system are contrary to the aspirations humans have developed over thousand of years. The scene that has emerged under capitalism

is not at all comforting to the human conscience. The ecological balances of the world are facing severe threat; the gap between the rich and poor is widening. The ecological environment, destroyed by the material hunger of capitalism, is unable to carry the burden of expanding welfare to more people, let alone expanding it to all humankind. The political consequences of all of these developments create an unacceptable lack of principles and widespread terror.

The world will have to create an alternative or alternatives to capitalism. Today, as yet, there is no ready recipe we can use. The solution will emerge through the wide and increased participation of people enabled by the advances in technology. Creating solutions in line with the aspirations of humankind requires increased awareness. This is what we have tried to accomplish in this book.