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Speculation about the Future of Capitalism

Especulación sobre el futuro del capitalismo

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ABSTRACT:

The future is unknown. A discussion of possible future events cannot provide any evidence to support it. An argument without evidence is merely conjecture and speculation. However, in speculation, we can use existing and past patterns of events to suggest the direction of possible future affairs. This paper speculates about the future changes that capitalism may take. In so doing, it uses past and present developments in sciences and the changing values. It offers two possible scenarios. The first scenario is an optimistic one, and the second is not very optimistic. One could even say it is a pessimistic prediction.

JEL CODE: P10, P20, P40

KEYWORDS: Capitalism's future, changing capitalism, the direction of future capitalism.

RESUMEN:

El futuro es desconocido. Discutir sobre la posibilidad de eventos futuros no puede proporcionar ninguna evidencia que la respalde. Un argumento sin evidencia es mera conjetura y especulación. Sin embargo, en la especulación, podemos usar patrones de eventos existentes y pasados para sugerir la dirección de posibles asuntos futuros. Este artículo especula sobre los cambios futuros que puede sufrir el capitalismo. Al hacerlo, utiliza los desarrollos pasados y presentes de las ciencias y los valores cambiantes. Ofrece dos escenarios posibles. El primer escenario es optimista y el segundo no es muy optimista. Incluso se podría decir que es una predicción pesimista.

JEL CODE: P10, P20, P40

PALABRAS CLAVE: futuro del capitalismo, capitalismo cambiante, dirección del capitalismo futuro.

INTRODUCTION

The worst type of government is a democracy, except for all other types. Often, many attributes the above statement to the famous former Prime Minister of Great Britain Winston Churchill.

In discussing capitalism and speculating about its future, following Churchill's, we can modify this statement by saying that the worst type of economic system is capitalism, except for all other types.

This statement captures two salient characteristics of capitalism, its strength, and its flaws. To discuss these two attributes, reviewing a brief history of capitalism is useful. We can speculate the future of capitalism by using the highlights of this journey through the years. This discussion makes it possible to infer the direction of future changes. These changes could take two separate directions. The discussion of capitalism's history illustrates that it has continuously modified itself to match the time's possibilities and the requirements to serve all participants in the economic undertakings.

A BRIEF HISTORICAL JOURNEY OF CAPITALISM

Leaving out the specifics, we can claim that today's capitalism's heritage goes back to the industrial revolution, mercantilism, and colonial times. Economic systems of pre-colonial were primarily agrarian and

straightforward. There was not much complexity or sophistication in their undertakings. Trade between nations was limited, and economic growth was accomplished by expanding to other lands. Often, achieving such an expansion was through wars.

The colonial period was a dark chapter of business expansion. It began by subjecting many people of less technologically advanced countries to the rule of European powers. The subjection of these people started with the assumption that the benefits of business trade materialized by taking advantage of others. At first, the colonizing countries followed mercantilist policies to strengthen the home-country economy by trading with colonies in a more favorable term to the colonizing country. This type of trade required expanding the colonization of others' lands. Some estimate that around 1800 AD, around the Industrial Revolution, Europeans controlled a significant portion of the world, and by 1914, they had gained control of most of the globe.

The intellectual power behind colonialism was mercantilism that attempted to create trade surplus by geographic expansion. However, unlike the early times of geographic expansion through wars, economic growth came with subjecting others without restoring to large-scale wars. The means used for this purpose was creeping domination that often did not include the outright declaration of wars. According to Wild and Wild (2019, pp.135-136):

"When navigation was a fairly new science, Europeans explored the world by sea and claimed the land they encountered in the name of the European monarch that financed their voyage. Early explorers landed in Africa, Asia, and the Americas, where they established colonies. Colonial trade was conducted for the benefit of mother countries, and the appeal of the colonies was their abundant resources. [...] Governments actively intervened in international trade in order to maintain a trade surplus. According to mercantilism, the accumulation of wealth depends on increasing a nation's trade surplus, not necessarily expanding its total volume of trade. The governments of mercantilist nations did this by either banning certain imports or imposing various restrictions on them, such as tariffs or quotas. At the same time, nations subsidized industries based in the home country in order to expand exports. Governments also typically outlawed the removal of their gold and silver to other nations. [...] Merchantalist nations acquired territories (colonies) around the world to serve as sources of inexpensive raw materials, including tea, sugar, tobacco, rubber, and cotton. These resources would be shipped to the mercantilist nation, where they were incorporated into finished goods such as clothing, cigars, and other product. These finished goods would then be sold to the colonies. Trades between mercantilist countries and their colonies were a huge source of profits for the mercantilist powers. The colonies received low prices for basic raw materials but paid high prices for finished goods."

The theory of mercantilism assumed international trade was a pie that was 'fixed' in size and could not grow to benefit all participants. In other words, international trade was in a zero-sum game. All of this changed with the publication, in 1776, of *The Wealth of Nations* by Adam Smith, a Scottish economist. Adam Smith proposed that free international trade benefits all who engage in it.

The economic system's gradual variation since the *Wealth of Nations*' publication has brought us to the present system called "free-market capitalism." These variations were the direct public policy applications of different economic theories. After Adam Smith and David Ricardo's writings, economic thoughts gradually favored increasing international trade. These changes in economic thought were described by Fatchi and Taasobshirazi (2020) as follows:

"[...] Heckscher and Ohlin (1933) explained how trade benefits all participants and asserted that when countries build up export strength, they tend to start production in the foreign markets for export, then, import competition emerges in their home market. This gradual accretion of ideas and theories followed by Buckley (1982, 1988), Buckley and Caisson (1976, 1985), Dunning (1980), Fayerweather (1982), Hymer (1970), Vernon (1966, 1971), and Wells (1968, 1969) who finally increased our understanding of MNEs' growth through expanding the size of internal markets by the additional new subsidiaries that trade between themselves under the overall supervision of the headquarter. Without undue elaboration, we recognize that through the years leading to World War I, "gold" was the primary accepted medium of value exchanges in domestic and international markets. It took many years and much upheaval for Keynes (1923, 1933, 1982) to suggest turning away from the "gold standard" of Adam Smith's time and replacing it with a discretionary domestic monetary policy. However, the full implementation of this proposal had to wait until the presidency of Richard Nixon, who undertook a series of economic measures in 1971, to tame increasing inflation and instituted wage and price freezes, surcharges on imports, and the unilateral cancellation of the direct international

convertibility of the United States dollar to gold (Lewis, 1976). A cursory review of the progression of ideas and related practices in economic and international trade leaves us with a picture of a system in constant change."

While today, nations are striving to create a more favorable international trade environment, the past had been more tumultuous and did not follow a predictable pattern. Trade increased from 1815 to the 1920s but collapsed during the Great Depression. "World trade reached a peak in 1800, only to be devastated when the United States passed Smoot-Hawley Act in 1930... and global trade wars that it helped to usher in, crippled the economies of the industrialized nations and helped spark the Great Depression" (Ward and Ward, 2019: 165).

Because of two World Wars that were attributed to trade conflicts, economists and policymakers proposed that the world should set up a system promoting international trade. This proposal resulted in establishing the General Agreement on Tariffs and Trade (GATT), multilateral agreements from 1947 to 1986. Although negotiations of the early years were simple and straightforward, they became more complicated and contentious later. Of course, it was not helpful that there were non-compliances that mostly went unpunished. These difficulties resulted in creating the World Trade Organization (WTO) to help more free international trade. Even though there are some shortcomings in WTO, it certainly has succeeded in increasing international trade. However, while international trade has increased and reduced poverty, it has widened the gap between 'the rich and 'the poor.' This flaw has been debated among nations and is the seeds of possible future changes.

Today, globally, nations practice variations of capitalism. For example, there are significant differences between the American system of capitalism and the European version. These variations influence each other. We attribute these influences to five forces of convergence that create global similarity among people's thoughts, behavior, and practices. These forces are the popularity and dominance of the English language, telecommunication, increasing and ease of travel, economic imperative, and vanishing borders.

THE OPTIMISTIC SCENARIO AND CONVERGENCE FORCES

The optimistic scenario of capitalism's future relies heavily on humanity's tendency to gravitate toward similarity in thoughts and action. Due to globalization, we are moving in the direction of more similarity and sameness for everything. The five forces mentioned above move us in that direction.

1. The Popularity and Dominance of the English Language. English is a lingua franca, a language of convenience; learning it, for many people worldwide, is comparable to math or computing. The English language is a universal medium that connects people and brings them together. Now it is viewed throughout the world, as the preeminent medium of international communication, and possessed of a truly global status that is unprecedented in human history, is accorded the recognition of being compared with Latin" (Ostler, 2010, p. 3). The shared knowledge of the English language produces a common understating among diverse people. It allows for the convergence of various practices around a single standard. The English language is a unifying force.

2. Increasing Travel and Is Availability. "Ease, availability, and affordability of transportation and travel have reduced distances: Now, people can reach each other conveniently and comfortably without undue hardship regardless of the distance that separates them. Travel to faraway places is not as demanding and arduous as it was previously. No place is inaccessible or very difficult and very expensive to reach, as was in earlier times (Fatehi and Taasobshirazi, 2020, 162)." Travel to far distances used to be only available to a very wealthy minority in any society. The travel difficulty had created regional differences and even local differences. Each community had its ways of doing things and relating to environmental phenomena. Variation in lifestyle, beliefs, and behavior, and of course, mental frameworks for processing information were more or less regional and even local. Now all of these factors are becoming global. The ease and speed

with which we move around and reach remote places have reduced the local/regional differences (Fatehi and Sanchez, 2018: 98)."

3. The Influence of Telecommunication Media and the Internet. "Information age" is the term often used to describe our time and the influence of information in our lives. Information is the dominant force that governs everything around us. Now, with the advent of the Internet, information is available inexpensively to all humanity. With widespread availability and accessibility, we are connected to far corners of the world as if they exist within our physical reach. We have more information about almost every aspect of peoples' lives no matter how far away they live. All of this has created unprecedented familiarity and sometimes understanding, bringing us closer to each other. We know more about various people and how they live than previously was possible. All of this has brought us closer to each other virtually when actual proximity is out of reach. If we are afraid of the "unknown," we are more comfortable with the "known." Information availability enables us to turn most of the "unknown" into "known." While we still consider some places and people "exotic," no longer do we consider those who are "different" as necessarily "deficient" and undesirable. Information availability enables us to evaluate, compare and contrast different phenomenon and decide which fits us better. The low cost and availability of information result in the adoption of "functional" and "practical" in everything around us. In effect, global homogenization and standardization are well underway.

Except for some countries' nationalist tendencies, such as China, free (inexpensive) information via the Internet makes the whole world have a small village's attributes. We are aware of others' way of life and the choices they make, and it is possible that, if those are attractive to us, we adopt them.

The Internet has two main benefits: a) economic and b) social. We can only estimate the economic impact of the Internet. However, this estimate is not the actual figure but can provide us with the magnitude of its effect on our lives. The social impact not only influences our lives but has economic consequences as well. Professor John Welsh Quelch of Harvard Business School (<https://hbswk.hbs.edu>) has estimated that the Internet directly employs 1.2 million people. Besides the value of jobs created by the Internet, those jobs each supports approximately 1.54 additional jobs elsewhere or about 2 percent of U. S. employment. The annual value of advertising-supported jobs is about \$444 billion. The Internet employs about 1.2 million people to conduct advertising and commerce, build and maintain the infrastructure, and facilitate its use. Their wages value about \$300 billion, or around 2 percent of U.S. GDP. The Internet creates the estimated value for the rest of the U.S. economy, about \$175 billion. People on average spend about 68 hours a month on the Internet. A conservative estimate for the economic value of this time is around \$680 billion.

The social benefits are hard to quantify but suffice to say that 19 percent of all U.S. marriages are now the result of bride and groom meeting via the Internet.

We can use the example of cars to speculate how the Internet may change our social lives, not only in the U. S. but globally. When the use of cars became widespread, young adults could move away from their parents searching for jobs. Being away from parents' direct supervision developed their own social lives and no longer were under parents' supervision. The word "chaperon," an older person accompanying young couples before they were married, is hardly used now but used to be expected before the advent of automobiles.

4. The Economic Imperative. As modernization impacts economic, political, and mainly industrial sectors, there will be convergence around a set of universal values and practices (Steel and Taras, 2010: 213). Whenever and wherever there is a new method of production or conducting business in a certain way, be it the use of technology, a way of performing jobs, or interacting with others either across the firms or across the borders, that results in improved productivity and increased efficiency, it would be adopted by competitors all over the world. This is an economic imperative. There is no choice for business enterprises but to emulate those practices. This economic imperative would bring us all toward similarity and standardization. Such a phenomenon is accelerating continuously because of increased global business activities. For example, Japanese companies popularized the application of the Just-in-time (JIT) production system. JIT would do away with inventory in the production process and make the final product's production cost much cheaper.

After the Japanese companies' success that had used the JIT, American counterparts quickly adopted it to remain competitive. (Fatehi and Franza, 2020).

Collaboration among nations and business organizations is nothing new. The past two decades have been marked with unprecedented intensity and global work growth. Global work's growth is attributed to a relatively orderly international relationship among nations, an integrated global economy, and dramatic technological advances (United Nations, 2001). Various statistics signify this trend. For example, there were about 39,000 global corporations at the end of 1993. This number increased to 61,000 by the end of 2003 and 82,000 by the end of 2008. During 1991-2001, employment at these companies in the United States increased by 34% and by 42% outside the U.S. (UNCTAD, 1996, 2004, and 2010). Interaction among these companies' diverse people introduces them to new and different ways, which could accelerate the adoption process, leading them to more homogeneity and similarity (Fatehi and Sanchez, 2018).

5. Diminishing the Effectiveness of National Borders. Slowly but steadily, national borders are losing their effectiveness in dealing with businesses. Although we are witnessing a rising national fervor among the subjugated people of the former Soviet bloc, there is evidence that certain new developments are evolving that defy the traditional description. For example, many Americans with dual citizenship have served in Armenia, former Yugoslavia, and Estonia. In 1998, a U.S. citizen, Vadas Adamkus, was elected president of his native Lithuania. Every year more U.S. citizens claim a second nationality. The number of countries that allow dual citizenship is on the rise. Overall, the requirement for gaining dual citizenship in these countries is simple. The persons seeking citizenship should meet two requirements. Either they should have been born there or have a parent or grandparent as citizens of those countries. On that basis, and based on U.S. Census data, some scholars estimate that at least 500,000 people in the U.S. are eligible for dual citizenship. This trend has spawned a burgeoning area of study that draws from such diverse disciplines as law, sociology, anthropology, and philosophy. These scholars call the new way of living "flexible citizenship" or "transnationals." According to them, the old nationality model is old-fashioned in this globalizing world (Zachary, 1988).

The top executives of some well-known American firms are foreign citizens. The number of international executives in American and European corporations is on the rise. Even staid Japanese firms have not been immune to this trend. After Renault, the French automobile company took over Japanese carmaker Nissan; it dispatched a Brazilian-born executive as its first foreign Chief Operating Officer (Thornton, 2001). For the first time, Sony, the famous Japanese electronic company, selected Howard Stringer, an American, as the Chairman and Chief Executive Officer (Shapiro, 2005). For many years European firms have been preparing for a border-less market in which managers' nationalities have no bearing on their selection, and cross-national career advancement is a norm. Many well-known European firms regularly promote foreigners to their top executive ranks.

An international agreement that created the World Trade Organization (WTO) and empowered it with enforcement authority is a clear indication that, slowly but inexorably, borders are vanishing. For the first time, we should note that the WTO rule could curtail the sovereignty of governments. As the critics of WTO argue, this is the first enterprise with a global reach in which the rules of trade and commerce and not the sovereignty of people and countries form its foundation (French, 2000). This reality indicates that trade has assumed a prominent position in our international perspectives. Such a view and the fact that the WTO rules could curtail some of the governments' sovereign powers suggests that, in the future, nations may face the diminishing effectiveness of national borders and loss of sovereignty. It appears that this phenomenon would push the people of the world toward more similarities regardless of their residence.

The five convergence forces could cause mutation of capitalism and drastically alter the future of humanity. The above discussion is optimistic speculation of the future of capitalism that suggests the future trend of changes would be beneficial to all. According to this view, changing capitalism would bring us prosperity and peace. Humanity would benefit from converging values and the fading away of the mistrust and conflicts

that are the byproducts of the "unknowns" and being different. However, in some opinions, the strength of capitalism is marred by some hidden flaws discussed below.

PESSIMISTIC SCENARIO AND FLAWS OF CAPITALISM

The future would be different from today. This assertion is self-evident. However, the pessimistic scenario suggests that unless we remedy capitalism's flaws, these deficiencies will magnify as we move into the future and make the economic system less desirable and valuable. The most glaring flaw of capitalism is the growing wealth and income gap that may create an undesirable future when coupled with technological development.

Wealth and Income Gap. Many people live in poverty, while a minority of humanity enjoys a comfortable life free of economic hardship. There is a wide disparity between the affluent society and the less affluent one. About 1.5 billion people earn about \$1-\$2 a day, while a few whose wealth keeps growing no matter the world's general economic conditions (The Guardian, 2016). It is true that the average income and wealth generally increase over time but disproportionately so for the top quintile (20 percent or one-fifth). In 2016 in the U.S., households in the top quintile had an average estimated income of \$398,000, compared to \$53,000 for the middle quintile and \$14,000 for the bottom quintile.

Globally, the six wealthiest persons are wealthier than the combined wealth of more than 2 billion people worldwide. In the U. S. from 2010 to 2020, 62 billionaires' wealth increased by 95%, from \$376 billion to \$734 billion. Among this group, several years ago, based on a suggestion by Bill Gates in 2010, some pledged to give away half of their wealth during their lifetime. However, such a wealth growth made their pledge of donating half of their wealth irrelevant. Another staggering statistic is that from March to June 2020, the net worth of 640 U. S. billionaires increased by \$2.948 trillion, while 45.5 million people filed for unemployment.

Additionally, there is a significant disparity between earnings growth for top corporations' CEO and the typical worker's wages. For example, in 2018, the average pay for the top 350 companies' CEOs in the U. S was \$17.2 million. This package included salary, stock options, and bonuses. Compared to compensation for a typical worker, this was a ratio of 278 to 1. Historical figures show this disparate increase more clearly. For example, in 1965, this ratio was 20 to 1, and 58 to 1 in 1989. From 1978 to 2018, the CEOs' average compensation package grew more than 1,007%, outstripping S&P stock market growth, which was 706.7%. Also, the average wage growth during the same period for the high earners was more than 339%, while the typical worker's wages grew by nearly 12% (Mishel and Wolfe, 2019). If we couple this extreme wealth and income gap with advancements in technology and science, we get a picture of a drastically different and less desirable future from what we expect.

Advancement in Technology and Science. Advancement in all sciences is accelerating, especially in life sciences and computer sciences. Previous medical breakthroughs mainly were to fix a problem or to heal an ailment. At first, the rich would enjoy the fruits of this progress, but others would eventually benefit. However, recent medical, biological, and technological progress is for upgrading the human body, such as organ transplant and genetic manipulation to eliminate various defects.

First, we deal with the medical case, and then we discuss computer advancement. All medical upgrades are costly. The wealthy people are the ones who can afford them. An example of such a situation was the case of Angelica Jolie. She found out about a genetic defect that could cause her to die of breast cancer. After learning about this possibility, she voluntarily had a double mastectomy (Jolie, 2013). The medical treatment, which included gene detection, surgery, and reconstructive surgery, had cost her plenty. Billions of people cannot afford to pay this considerable amount and have to live with such devastating defects.

In-vitro fertilization is another case of discovery and development and in the manipulation of human DNA. The progress in in-vitro fertilization has enabled many infertile couples to conceive babies. Previously, such couples either had to be without children or opt for baby adoption. Moreover, genetic sequencing

has enabled the elimination of some genetic diseases before the birth of a baby. All humans carry some harmful mutations in their DNA. Some of these are attributes of mitochondria DNA, a tiny organelle in cells, in which the biochemical processes of respiration and energy production occur. When a couple resorts to in-vitro fertilization, they can replace the defective mitochondria with a healthy person's mitochondria. Technically, this process creates three-parents' babies.

Such a case occurred in the year 2000. Sharon and Paul Saarinen of Bloomfield, Michigan, used this process for Sharon to give birth to a healthy baby girl. The girl's nuclear DNA came from Paul and Sharon. Her mitochondria DNA, however, came from another woman. Later on, this process was declared illegal in the U. S. due to ethical and safety concerns (Harari, 2017, p. 54). This process is not illegal in other countries, such as U.K. Therefore, there is nothing to prevent the wealthies who need it from doing so. The upgrades of humans eventually could produce a 'super' human or another class of different people who may not have the same opinion about others as today we have about all humanity.

Skeptics referring to these and similar cases suggest that a change in capitalism and maybe humanity could be due to the merger of two factors, the widening wealth and income gap plus advancement in technology. There are also developments and progress in computer and related software or algorithm that are thought-provoking.

Technological developments in computer science include vision, natural language processing, robotics, and data mining (Svenmarck, Luotsinen, Nilsson, and Schubert, 2018). Artificial intelligence (A.I.) has already taken over certain surgeries. In psychological practices, we use AI-assisted processes for clinical training, treatment, psychological assessment, and clinical decision-making. In the medical fields and pharmacology, the use of A.I. has proven to be very successful.

Primary care physicians must know about a million facts, and these facts are constantly changing. They must know "almost 10,000 different diseases and syndromes, 3000 medications, 1,100 laboratory tests, and many of the 400,000 articles added each year to the biomedical literature" (Davenport and Glaser, 2002, P. 5). Considering this necessity, A.I. can perform the job of a physician by making no mistake. It is very costly to pay for medical mistakes that lead to severe injury or death. The training for health professionals could include the use of A.I. For example, recently, the use of A.I. in South Korea provided physicians with a prostate cancer-detecting tool that provided a 100% accuracy rate, reducing medical costs. A 5% reduction in errors reduces hospital stays and redundant tests that could save about \$ 1 million annually for a \$700-bed hospital. A computer algorithm can eliminate these errors and the associated costs.

The benefit of A.I. use in other medical fields is impressive. We already have self-driving cars. Extrapolating this development and its application to other fields some speculate that many professionals may lose their jobs in the future. The probability of job loss in many professions in the next 20 years includes 99% of telemarketers and insurance underwriters. 98% sports referees; 97% cashiers; 96% chefs; 94% paralegal assistants; 91% tour guides; 89% bakers, and bus drivers; 88% construction laborers; 86% veterinary assistants; 84% security guards; 83% sailors; 77% bartenders; 76% archivists; 72% carpenters; and 67% lifeguards. (Frey and Osborne, 2013). Of course, we need to find a way of dealing with the consequences of A.I.s taking over many jobs. This job loss and job displacement could create a crisis requiring a creative solution (Halal, Kolber, and Davies, 2016).

The pessimists claim that these advancements would cause those at the bottom of the economic ladder to lose their usefulness. Either machines or minimal numbers of human-machine combinations could replace them. Today, in sciences and the military, we are observing the beginning of such a case. A.I. is on the verge of replacing humans in most fields. In 1996, 'Deep Blue,' the famous IBM computer, demonstrated its superiority over humans by defeating the world champion, Garry Kasparov. In 2015, DeepMind, a computer program by Google, learned how to play forty-nine classic Atari games without humans' help. A.I. has performed even more sensational feats. On its own, Google's AlphaGo learned how to play Go, an ancient Chinese game considerably more complex than chess, and defeated the South Korean human champion of

that game. In military fields, remotely controlled drones have already replaced much of the duties of piloted warplanes. There are plans to provide these drones with self-controlled A.I.s. Soldiers of the future could have AI-assisted partners. The successful application of such A.I. use could completely replace soldiers.

In not too far in the future, the use of A.I. and biological manipulation of genes may create a future unrecognized today. Such a future belongs to the wealthy. An economic system that caters to those people may not be desirable by our standards.

CONCLUSION

After the demise of international communism, no other economic system seriously challenge capitalism. Throughout the ages, capitalism has been altering itself to remain relevant and serve better those involved in the economic undertakings. The future of capitalism could follow the same trend. However, the features and attributes of this modification are not apparent. The two possible scenarios presented in this paper conclude that the future's capitalism would be different from the present in two specific ways. On that basis, it discusses two different scenarios, the optimistic and pessimistic ones. The optimists claim that because convergences forces nudge us toward more similarity, the sources of distrust and conflict will fade away. The future would be brighter, and the economic system could provide more benefits to people. The pessimists paint a bleak picture of the future. It claims that due to vast wealth and income disparity, a combination of new developments in life sciences and computer science could create a new class of very rich who would be different from the rest of humanity. Such development paints a dark picture of the future of capitalism. Both scenarios are speculations that, at present, we could not bet one against the other.

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ENLACE ALTERNATIVO

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