

# Economics Shapes the World

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## Abstract

Economics is a way of life. Everyone wants a better life with more goods and services than they already have. To improve their living standard, people from the very first day of their existence have been searching for ways to increase the production of goods and services with their resources at hand. In their long journey from the stone-age to the modern age, people have indeed made tremendous achievements in every conceivable field.

In the process, however, a few in the society became super-rich by expropriating more of the wealth for themselves and leaving others poor. The gap between the rich and poor grew so wide that currently, three of the wealthiest individuals own more assets than the poorest in the world and this process is continuing both in rich and poor countries. This article attempts to briefly outline the long progression of exploitation in society and its obvious fallout. For maintaining social coherence, developed, as well as developing countries, must find an equitable solution to this conundrum.

**Keywords:** *Rise of Democracy, Globalization, Inequality, Rise of Populism*

## Introduction

Economics may be defined in a number of different ways. All definitions would, however, invariably lead to its central theme that it deals with the art of accumulating material wealth. The main objective is, of course, to achieve a comfortable life for everyone. As such, the idea of economics is nothing new to people. Although Adam Smith, who published “The Wealth of Nations” in 1776, is regarded as the father of modern economics, the very idea of economics is as old as the human race itself. It was not by choice that people started to practice economics; their very survival practically forced them to engage in economic activities. The main difference between ancient and modern economics is that we have learned from our experiences how to practice economics in a more scientific and organized manner.

The very fundamental idea of economics is that at any given time, economic resources are limited, while human wants are unlimited. So, to get the greatest satisfaction of their wants, people always needed to utilize their limited resources in the best or most economic way. People constantly had to choose what would satisfy them most since they could not get everything they would want. The basic lesson of economics is that everything in life has a cost, and the true cost of what people get is what they actually give up. This concept of economics was as true when people lived in the cave as it is true today. Undoubtedly, people have come a long way from the time of cave living, and have made enormous progress in their living standard. They are now indubitably better fed, better clothed, better educated or informed. People are enjoying life more, and even living longer. In other words, there has been tremendous economic progress over time. More importantly, with the never-ending technological innovations, especially in regard to managing information, communication, and transportation, this progress is continually improving at a rate never imagined. Who could have ever thought that even after uncovering the mystery of the Moon, people would be aspiring to reach the distant planet - Mars - so soon?

Yet, while human society has been making such colossal progress, very unfortunately, not everybody in society is getting the opportunity to enjoy and share the enhanced or improved benefit or wealth equally. Indeed, the opportunity gap among the people in each country and across the nations is truly staggering – small numbers of people in society indubitably live in great luxury, while many others find it hard to even properly feed themselves.

As per the latest data of the World Bank in September of 2018, there were about 736 million people in the world who survived on less than \$1.90 per day in 2015 (in terms of 2011 Purchasing Power Parity). The Credit Suisse Global Wealth Databank 2017 report shows that the total wealth in the world grew by 6% over the past 12 months to \$280 trillion, of which more than half is owned by 1% of the world's population. At the other end of the spectrum, the world's 3.5 billion adults, who make up 70% of the world's working age population, account for just 2.7% of global wealth. The gap between the rich and poor can be illustrated by the fact that the 3 wealthiest individuals have more assets than the poorest of the world's population and this gap is widening instead of shrinking.

The latest survey of Oxfam International published ahead of the 2019 World Economic Forum in Davos, Switzerland, shows that the world's billionaires are growing \$2.5 billion richer every day, while the poorest half of the global population is seeing its net worth dwindle. The combined fortunes of the world's 26 richest individuals reached \$1.4 trillion last year — the same amount as the total wealth of the 3.8 billion poorest people.

Here's an example of a relatively poor Asian country named Bangladesh - the seventh largest country in terms of population. With the achievement of steady economic growth over the past decades, the country is no longer considered to be a least developed country. As usual, the main driving force behind its growth has been its industrious labor force - both at home and abroad. Yet, the general public seems to have benefited the least from this growth. With a per capita income of about \$1,517 (\$4,561 as per IMF's estimate in terms of 2017 Purchasing Power Parity) the majority of its people still continue to struggle to make ends meet, while the country is said to have topped the list of countries that witnessed the quickest growth in the number of ultra-wealthy people between 2012 and 2017, according to the World Ultra Wealth Report 2018 of Wealth-X.

On the other hand, the economic situation in a rich country like the United States where per capita income is about \$59,500 is not any better either. Some might find the disparity here even worse. According to The New York Times report in December of 2017, the inequality in the United States has grown so much that the richest 1% of people now own more wealth than the bottom 90%. This report also points out that in China, 15 percent of the income growth since 1980 flowed to the richest 1 percent of Chinese while 13 percent flowed to the bottom half. Even in egalitarian, social-democratic Europe, 1-percenters got 18 percent of the growth in the period, and the bottom half got 14 percent. In this way, income disparities are reaching levels not before seen in modern history.

What a shocking anomaly in the distribution of wealth in poor as well as rich countries! Now the obvious question is: how the rich obtained their wealth and how do they keep multiplying it?

We must remember that wealth is something that is created by people with labor. So, for wealth to be concentrated in the hands of a limited few, many others would have to be deprived of their due shares of that wealth. From such a point of view, the disparities that currently exist and their continual expansion in both poor and rich societies could only be achieved through the perpetration of economic exploitation. The origin of this disparity could easily be traced in the economic repression of one human being by another.

## Early Economics and the Role of Family

In the beginning, people basically relied on their bare hands to make a living. The initial economic problem they faced was how best to utilize their time to collect food or build a shelter. There was simply not enough time to do everything they wished done. For example, if they spent the whole day catching fish, they would have to forgo meat. The cost of having more fish would be meat. So, people had to decide what they wanted most – fish or meat. If they wanted both, they would have to allocate their time accordingly. The choice would be made based on the cost and benefit of each. Even after making a choice, people had to economize on their time and energy in order to increase their output. This theme or idea eventually led each person to do the things that he was best suited for. Thus, people learned things by doing and went on building things using their experience. What we see around us today, besides the gifts of nature, are indeed built by people with their bare hands. The learning process is continuing and more and better things are being built with new knowledge and experience gained.

In the early days of the human race, the two most significant elements of economics - production and distribution of goods and services - did not seem to pose too much of a problem for people. Typically, the head of the family would direct other members to a specific task, and he would also distribute the output among the family members in the end. The weak and the sick members would be provided for. The family was the center of every economic activity where each able bodied member had an active part. In this way, family economics applied all of the basic economic concepts such as production, division of labor, distribution and decision making.

After the family grew in size and age, it would disintegrate. But then each of its members would scramble to start a new family. The process would repeat itself, and gradually with the increase in population, communities began to form in different areas. The formation of communities may have brought changes to people's lives, but it has not quite dampened the spirit of a family. Even in modern times, the family continues to remain the main center of economic activities in many parts of the world. The economic functions of a family are, therefore, valuable for society. Since family units make up the institutions that run society, the absence of the family unit would weaken the economy. The family makes its members available to produce and distribute goods and services.

It's important to note here that people learned from their experience that their demand for goods and services would not end. The fulfillment of one demand was followed by the creation of demand for another. The more the people got the more they wanted. There was simply no end to their demand. So, their struggle for obtaining more goods and services simply went on. The involvement and cooperation of immediate family members might be sufficient in fulfilling certain parts of their demand, but with the increase in population, changes had to be made. Every new situation not only changed the nature and scope of their demand, but also brought new challenges. So, to meet those challenges, people eventually sought and made alliances with other community members. With the continual change in their circumstances, people went on to widen or rearrange their alliances from time to time. It was mainly through these kinds of developments in society that people gradually came to unite under the banner of one's clan, community, region, and finally came to form the state.

## The Rise of Social Ruling Class

Economics has, in essence, worked as the main motivating force for bringing together various segments of society. The purpose of each social alliance was in most part to accumulate wealth individually as well as collectively. But the outcome of that very process in which people made alliances for the production and distribution of goods and services affected the society in a most astounding way. Instead of the wealth accruing evenly in society, a few leading people found a way to gain more wealth than the others.

How the disproportionate distribution of wealth in society is likely to have materialized would not be difficult to follow. In every stage of their alliance, people were uniting under one leadership. This leadership customarily went to those in society who were very shrewd, manipulative, and at the same time, possessed organizing power. After having gained the leadership position, the leader insisted on getting a bigger share of wealth for himself. This process eventually elevated a class of people in society who came to be known as leaders and these leaders customarily collaborated with each other to accomplish their own goals. By way of collaboration, the leaders then succeeded in establishing a ruling class, which pursued the practice of accumulating extra wealth for themselves and their cronies. To accomplish their goals of accumulating wealth, the members of the ruling class began to perpetrate extortion, brutality, and oppression over their followers. This is basically how wealth in society followed power. And the stronger the power was, the more wealth it was able to accumulate, and then, of course, more wealth would bring more power.

The emerging ruling class also faced competition from other aspirants. As there were resistances, everybody had to establish his lead by defeating the competing forces in society. To be sure, human history is filled with tales of various warring factions and of enmity among different races as well as the fierceness of their conflicts. These conflicts eventually got resolved by the supreme law of the land – the law of survival of the fittest. Through this law, the feeble and the weak were eliminated, while the powerful continued to prosper.

One very remarkable outcome of this process was the rise of slavery in which people used to be bought and sold like commodities. In fact, slavery was not only considered to be the main pillar of economic society in the ancient time, it even became part and parcel of every civilization. The system of slavery developed and prospered on the very concept of oppression. As to the extent of brutality and oppression that existed during slavery, it is already well documented.

## The Rise of Kingdoms

Human society underwent many changes. Most of the changes were nevertheless initiated by the members of the social ruling class. Their intense desire to accumulate more wealth and to achieve greater control in society led them to continually undertake many new adventures. Among other initiatives, these adventures included the expansion of their power base from localities to regions and beyond. But success in such endeavors would depend on their consolidation of power. For this reason, society experienced power consolidation, which became an ongoing phenomenon. There were power struggles everywhere, and these struggles frequently put one society against another. In the end, it was the dominant power which prevailed and continued to excel.

In the not too distant past, society used to be ruled by Kings and Emperors. Trade was a major factor in the rise of kingdoms. Some of these kingdoms were small, while others were big and exerted extensive power. It depended mainly on which kingdom could amass how much wealth and power, and where each kingdom stood in relation to others. Here are some of the Greatest Empires in the history of the world: British Empire, Ottoman Empire, Mughal Empire, Mongol Empire, Russian Empire, Qing Dynasty, Umayyad Caliphate and the Roman Empire.

However, there should not be any delusion about Kings and Emperors as being mystical or supernatural beings. They were purely and simply products of the social ruling class. The emergence of kingdoms in society was the ultimate result of the consolidation of power. Every consolidation of power came through the process of elimination. Society continually experienced power successions. At each succession, the winner gained more power, which was then used to gain still more power. It was basically through this kind of process that the most manipulative and powerful emerged as the king or monarch, who ruled society authoritatively and created a family based dynasty.

As with everything else in life, every social struggle or conflict extracted a price. But it was the common people who always ended up paying the price. The bigger the consolidation of power the higher was the price they had to pay. The establishment of kingdoms in society involved a bigger mobilization and thus extracted a much heavier price. Again, it was the common people who took the full brunt of such cost. They not only paid for the establishment of each kingdom, but also for its maintenance. The kings and their cronies managed to lead a comfortable life at the expense of the common people. History clearly reveals the kind of brutality and oppression the kingdoms of the world perpetrated on mankind.

## Birth of Democracy and Capitalism

As many of the kings were ruthless rulers, resistance against them was slowly brewing in society. With the increase of awareness among people, it was only a matter of time before many of the kings would lose their power. Europe actually pioneered the movement to dethrone the kings of the world. In ancient Greece, there were city-states headed by *basileus* or hereditary kings. With growing discontent among the people, some of those kings were successfully overthrown in the eighth century BC. This was followed by a period of experimentation with a number of political alternatives like oligarchy, timocracy, tyranny, and finally with democracy. The idea of democracy in Greece was believed to have originated sometime in the sixth century BC. The Greek democracies, however, were not truly representative governments; they were governments run by free male citizens only and others didn't have any say.

After the fall of the Roman Empire in the fifth century AD, when Europe was practically thrown into disarray, various small-scale political entities began to form in the Roman held areas. From the fifth to the fifteenth century, a period known as the Middle Ages, Europe underwent numerous changes. With large-scale political organization broken down, the economic structure of Europe was rapidly changing. It eventually settled in a system of governance which came to be known as feudalism. Feudalism was primarily characterized by a political and economic system in which a king shared his power with the nobility, who required services from the common people in return for allowing them to use his land. In the country, the basic unit of economic organization was the manorial estate, where the noble was the lord. While in the town centers, there were the institutions of Guilds, which were basically the remnant organizations of various manufacturing and business units, such as trade, professional, and craft organizations, from the Roman era. There, the guild masters would run their own affairs. In any case, during medieval time, economics was not the most important aspect of people's lives. Religion pretty much dominated their lives, and the churches wielded the ultimate authority on all economic matters. The feudal system was, however, responsible for generating a middle class, which soon began to exert its influence on society.

By the 16th century, various democratic movements had begun to develop in Europe. These movements principally grew to challenge the entrenched power of the church and the feudal aristocracy. These movements eventually succeeded in transforming society from feudalism to capitalism. The ultimate transformation from feudalism to capitalism was thus the result of the struggle between the aristocratic elites and the emerging middle-class men, who clearly wanted to share power in society. The objective of the democratic movements was primarily to replace the autocratic regimes by the well-to-do middle-class men, and not necessarily by the public as a whole.

The next two centuries witnessed the effects of democratic revolutions that swept the countries of Europe and the British Colony of America, which declared its independence in 1776 and adopted the name - the United States of America. Different arguments are put forward for the proliferation of democratic movements in different areas. But the central argument remains that democratic ideas grew primarily to facilitate the growth of capitalism.

Capitalism itself has been defined in a number of ways as it encompasses a number of ideas. In common usage, however, it refers to an economic system in which the means of production are predominantly privately owned and operated for profit. In the beginning, the term capitalism was mostly used to describe a system that would promote private investment and industry with little or no governmental control. The prevailing feudal system in Europe was thought to work against the development and expansion of capitalism. The primary argument was that a free individual, as opposed to a serf bound to his landlord's land

in the feudal system, was essential for the growth of capitalism.

## Colonization and the Industrial Revolution

By the middle of the fifteenth century, the kingdoms of Europe were gearing up for various expeditions around the world. They were essentially being driven by the idea of mercantilism. Mercantilism has been defined as a system of political economy prevailing in Europe after the decline of feudalism, based on national policies of accumulating bullion, establishing colonies and a merchant marine, and developing industry and mining to attain a favorable balance of trade. The European race for expeditions went into full swing after Christopher Columbus accidentally discovered America in 1492. The initial voyages were taken in the name of trade. But when the opportunity for colonization presented itself, the Europeans immediately grabbed it. By the middle of the eighteenth century, most of the countries of Asia, Africa, South America as well as Australia were converted into their colonies. Having established their authority, the colonial powers were then engaged in siphoning off wealth from these areas. As these colonies provided lucrative jobs to many of their citizens, the system promptly gave rise to a strong bourgeois class, which in effect provided the last push needed to make capitalism the dominant system in Europe. Indeed, the colonies provided what was needed for the expansion of the capitalist system – a captive market and the source of raw materials.

Among the Europeans, the British clearly emerged as the strongest and largest of all colonial powers. At its height, their colonies were so widespread that the sun was said not to set in the British Empire. Thus, as a colonial power, they clearly reaped the most benefit. By utilizing their newly acquired wealth, the British forged the industrial revolution in the late eighteenth century. This revolution was brought on by the discovery of the steam engine, various spinning machines, the mechanical loom, and a whole series of other mechanical devices. By forging this revolution, the British achieved enormous economic success. Their vast colonies helped them to achieve their rapid success. The colonies readily provided them with the necessary raw materials and gave them a huge market for their manufactured products. It was only a matter of time when other powers would join the British bandwagon. In fact, while most of the world still remained colonized, the European and North American countries underwent swift industrialization, which immediately put their economies on the path to speedy growth. The economic growth that these powers achieved through industrialization later changed the scope of capitalism itself.

The colonial powers, by establishing a system of trade, brought raw materials from their colonies and then used them as a market for their finished products. With such a system in place, European capitalism continued to flourish through the end of the nineteenth century. Subsequently, American productivity began to outstrip that of Europe. The vast natural resources of America along with the exploitation of African slaves, the large-scale capture of Native American land by means of genocide and the expanding vibrant immigrant labor force quickly gave the country a great advantage over the European powers. As a matter of fact, with the rapid increase in productivity or wealth creation, America rapidly achieved its economic superiority over the rest of the world, and eventually emerged as the world superpower both economically and militarily.

The United States currently possesses the largest economy in the world - its total GDP is more than \$19 trillion as against the total world GDP of about \$80 trillion. The United States is clearly the benefactor of modern capitalism, while at the same time, the country has also earned the reputation of being imperialist. Imperialism would normally refer to a policy of extending control or authority over foreign entities as a means of acquisition and/or maintenance of empires. The United States does not, however, call itself an empire. It is being labeled as an imperialist country because of its exercise of superior economic and military power to maintain its dominance over distant lands to promote its capitalist policies.

## The Rise of Communism

While Europe was undergoing dramatic change as a result of the industrial revolution, cynicism about capitalism was also growing. This was mainly because the capitalist system was creating a disparity within society. The factory owners were gaining wealth and political influence, while the living conditions of the average urban industrial laborer were continually deteriorating. As the gap between the rich and poor was widening, many social thinkers began to imagine a more equitable society, and specifically on how to achieve such a society. The most famous of all such thinkers turned out to be the German philosopher named Karl Marx (1818–1883). Having observed the capitalist system first hand, he saw how capitalism was promoting exploitation by transforming the laborers into some tradable commodities, and through this process of exploitation, wealth was being concentrated in the hands of few.

Marx then envisioned a society where all wealth would be shared equally. The way to achieve such a goal, he thought, was by getting rid of private ownership of property, and by establishing a social system to protect the citizens from the exploitation and

instability of the market economy. His prescription was communism. Communism refers to a type of government where the main goal would be for workers to take control of factories and business, and to share things more equitably. Marx in collaboration with his friend Friedrich Engels published the basic ideas and principles of communism in the form of the communist manifesto in 1848. They had maintained that to achieve communism, a country would first need to become socialist.

The proposed system of Marx was later put to test. In fact, until quite recently, about half of the world population lived under the so-called communist rule. His original ideas were, however, modified to suit various political circumstances. Russia was the first country to try the system, though the country never became communist in the way that Marx and Engels described. China was another famed country that adopted the system. It largely tried to establish its own brand of communism. But neither system ultimately succeeded. Although the central planning system under the communist rule succeeded in transforming these and other distressed societies by putting their economies on the right track, the system came to stumble after a while. Modern communism thus failed to live up to Marx's grand ideas. Theories abound why these systems failed in the end.

From an economic point of view, communism would appear to have failed because it lacked procedures to motivate people to achieve efficiency that was needed for the production of goods and services with fewer resources. While capitalism promotes economic efficiency through competition, though it also creates a monopoly and widens inequality, communism tries to maintain social equality by creating an egalitarian or a classless society with less or no competition. The end result was that the communist countries failed to match the economic prosperity of the capitalist countries. In addition, communism faced steadfast opposition from capitalism. Ultimately, both internal, as well as external pressures precipitated the collapse of the communist system. However, it was capitalism that in effect brought communism, which, in turn, brought changes to capitalism. The emergence of welfare states in Europe where people clearly enjoy a better safety net in life proves the kind of change communism has brought to capitalism. The communist system may have collapsed, but the idea continues to linger. Whether communism will revive again as a viable system in some different forms depends entirely on how capitalism handles itself in the future.

## The Problem with Developing Countries

There are hosts of reasons why some countries continue to remain poor. The main problems may, however, be grouped into three categories—extreme poverty, lack of any political vision, and the level of corruption in these countries. Industrialization is the key to economic development, but its success very much depends, in addition to appropriate government policy, on the education and health of the country's workers. Now, without having met the basic human requirements of food, clothing, and shelter, how does a country proceed to industrialize or achieve success in industrialization? So, the situation of extreme poverty is quite a serious drawback for these countries. The roots of their poverty could be traced to the era of colonial rule. Many years of neglect and economic oppression by the colonial powers have created such an impact there that they find themselves in a serious deadlock from which they cannot easily break-out. In order to reduce the impact of poverty in these countries, what would then be needed is a revolutionary change both socially and culturally. But, to bring about such a change in traditional societies where most are illiterate would require very intelligent political guidance. This is precisely what some of these developing countries have failed to achieve.

These countries may be politically freed from their colonial powers, but most have yet to establish a political system for adopting the policies to reduce poverty, improve education, or nurture economic development. On the contrary, their corrupt leaders have engaged in siphoning whatever wealth they can muster for their personal benefit. Some of these countries are so poor that they depend on foreign aid for survival. But, since their corrupt officials also grab the lion's share of the money aid, the general public hardly benefits from such aid. Thus, the level of corruption has become another big impediment to their progress. What is more surprising, the members of their ruling class even fail to invest their money in the industrialization of their own country. They find it prudent to invest their ill-gotten money in a much safer environment in western countries. As a result, many of these countries' industrial bases continue to remain weak.

Countries such as China, India, Indonesia, Malaysia, South Africa, and a few others, which have succeeded in establishing a responsible political system or have taken right measures to modernize their production facilities are making progress. Though it is true that their industrialization is not benefiting everybody equally in the country, the hope is that any progress they make will bring some benefit to the poor. However, as evidence clearly points out, a number of Asian, African and Latin American countries, even after so many years of political freedom, have failed to adopt a political system for implementing the changes necessary. As a result, their economies remain very depressed and their people seem hopelessly trapped in poverty. While

economics rules the world in all other cases, for poor countries, politics seems to rule the world. Until such time that the political leadership of these countries is prepared to implement the changes needed, there will be no escape from their present predicament.

## Globalization and its Effect

The world today is known to be gripped in the process of globalization, and this process is influencing worldwide wealth distribution. The term 'globalization' refers to the changes in societies and the world economy that are the result of greatly increased trade and cultural exchange. In the context of economics, it is understood to refer almost exclusively to the effects of trade, specifically trade liberalization or free trade. Although trade between nations is not a new phenomenon, the term 'globalization' has come to be used extensively since the late 1990s as a result of the rapid increase of world-wide integration of markets of goods, services, and capital. With modern technology such as the internet, fast communication, and rapid transportation, money, as well as economic resources, can now move from one country to another practically in a flash.

The growth of capitalism depends on trade and the freer trade is, the faster capitalism would grow. As the benefactor of modern capitalism, the United States adopted the policy of free trade to basically promote and preserve the economic superiority it has already achieved. But, what is good for the United States economically may not be good for others, especially when it involves the economies of poor developing countries. By adopting the policy of free trade, a country openly subjects itself to the international competition for all goods and services. Since the economies of poor countries are weak, their outmoded industries could not withstand competitive pressure from outside. So, the race for business competition for these developing countries may be over before it could begin. Also, it is said that developing countries have an advantage in labor-intensive industries, but it has been proven that cheap labor is not quite a good substitute for capital goods. With capital goods, the developed countries have achieved much higher productivity per worker, and they are able to increase such productivity with better education, improved health care as well as modern amenities. In other words, the playing field for free trade is not leveled, and the developed countries come out ahead with such a system. So, instead of reducing inequality between nations, trade liberalization is actually having the opposite effect - it is widening the economic gap in the world.

However, some countries, especially China and India, seem to have turned the situation around. These two countries initially took different routes to development and kept their economies mostly closed from outside competition. But in so doing, they were able to put their houses in order and brought a kind of economic stability. When they finally embraced the capitalist bandwagon, they were pretty much prepared to take advantage of free trade that the United States was promoting. Today, with improved education and better technology, these countries are enjoying the status of fastest growing economies in the world. Though China's economy is currently experiencing slower growth, its economy has by now firmly secured the second position in the world after the United States. Yet, in the opinion of Professor Paul Kutasovic of New York Institute of Technology, India is more favorably positioned for long-term sustainable growth than China.

According to the eminent historian Peter Stearns, the economic trend has been successfully turned. He maintains that although the United States will still be a factor, the economies of China and India will become very dominant by 2050. Now, even if his prediction comes true, it must be noted that their growth is not benefiting everybody equally. As capitalism did elsewhere, a big gap between the rich and poor has already been created in these countries and this trend is very much likely to continue.

## The Rise of Populism

Like communism, another specter has been haunting Europe – the specter of populism. There is no single definition of the term populism. It is a range of political approaches that deliberately appeal to "the people," often contrasting this group against a so-called "elite." Populism can be seen on any political spectrum – left or right. But most successful populists seem to be on the right, particularly the radical right. In Europe, the Brexit (the impending withdrawal of the United Kingdom from the European Union) movement is considered to be a prime example of the effect of this phenomenon. However, the phenomenon is no longer confined to Europe. In the US, by tapping into popular discontent, Donald Trump, one of the few modern billionaires having been elected president, is defying the traditional democratic system and emanating all sorts of unpleasant and scary signals. He seems to be aligning with the autocrats of the world, like Vladimir Putin of Russia, Kim Jong Un of North Korea and Rodrigo Duterte of the Philippines. Beside the US, a populist in Brazil, South America, has also recently succeeded in getting elected as President.

On the whole, populism reflects deep suspicion of the prevailing establishment, and populists tend to be nativist and

suspicious of foreigners, skeptical of the facts as provided by the establishment press including the scientific theory on the cause and effect of global warming, and don't have much respect for the intellectuals. The populist leaders are inclined to dislike the complicated system of democracy – preferring instead direct democracy like a referendum, which rises to authoritarianism.

Some believe populism is not an ideology, but rather a strategy to obtain and retain power. Yet others see globalization and mass immigration to be the cause for the rise of populism in western countries. As globalization drew in once previously closed economies like China, India and other developing countries, and helped reduce world poverty, wealth became more concentrated in the hands of few. Meanwhile, middle class incomes stagnated as their work was driven out by a barrage of cheap imports. Furthermore, white people seem to suffer from an identity crisis when they face the influx of immigrants from the Middle East, Africa and elsewhere. As they see that the establishment political structure cannot stop terrorist threats or flow of immigrants, they look to support the populist leaders for a change. These are the reasons why politicians like Trump and his equivalents in Europe who launched their rages against globalization and immigration were able to gather the votes.

Populism may seem to be gaining some ground. But many believe as long as the European Union, the United States, China, India, and Japan continue to support policies that favor more integration, more extensive supply chain and see continued advantage economically by being part of a world market, the populist backlash should not be a big concern for at least now. Only the future will tell what actually lies ahead with populism.

## Conclusion

Human society has come a long way from the stone-age to the modern-age. Slavery and monarchy supposedly have ended in society (except may be in the Arabian peninsula!). After experimenting with various systems, society seems to have settled with democracy. Undoubtedly, society made tremendous progress in every conceivable field with ever improving technological innovations. It has even invalidated Thomas Malthus' theory of 'doomsday' by acquiring the technological know-how to produce enough food to feed the world of several billion. Yet, the problem of hunger, oppression, injustice, and inequality in the world persists. Although the governing system may have changed, the economic exploitation has continued, and with the advancement of knowledge, the technique of exploitation is also changing.

For example, economists consider rational behavior to be a key factor in economic activity. In a world of rational people, both buyers and sellers are to benefit from their exchanges. But, as we know, not all people in society are equally rational. Nobel Laureates, George Akerlof, and Robert Shiller clearly pointed out in their book “Phishing for Phools: The Economics of Manipulation and Deception” that the sellers in their pursuit of maximizing profits constantly innovate ways to systematically exploit the mental weaknesses of the less-rational or ignorant buyers through manipulation and deception to increase their sales.

Moreover, climate change due to excessive exploitation of the environment for economic gain is another looming danger facing mankind – the privileged few continue to refuse to accept this argument even though global warming is having a serious impact on the world climate. Shri Narayan Pandey and Alok Kumar have presented their report on the effect of climate change in the article “Exploring the Association between Environmental Cost and Corporate Financial Performance” that appeared in the NMIMS Management Review of November 2016. And on the expanding gap in wealth distribution, Simran Sethi presented an argument in her article “Trade Liberalization and Inequality” published in the NMIMS Journal of Economics and Public Policy of October 2018 that there has been an increase in inequality in both developed and developing countries.

Thus, it should be obvious that extortion, brutality, oppression, deception, and manipulation that the emerging ruling class had introduced in the early days have since been institutionalized under capitalism in the name of democracy. When the monarchs of the world lost power, a new breed of elites took over; they now control democracy everywhere with the help of their wealth. Today they are perpetrating similar acts of exploitation within society. There may be differences in the make-up of these elites, but their characters essentially remained the same. The economic power rests with them and they use that power to further their wealth. Earlier the wealth in society mostly followed power; now the power tends to follow wealth. At one time, colonization was used to accumulate wealth; now it is being accomplished in the name of the free market system. As a result, the gaps between the rich and poor of the world are not diminishing but continually widening.

As it has so far shaped the present world, economics is likely to shape the future as well. Capitalism is currently dominating. But, for reasons of inequality, it is also fueling the kind of social unrest the world never has seen before, such as the September 11,

2001, terrorist attack on America at the World Trade Center Towers in New York City and The Pentagon in Washington, D.C. area. As horrendous as these attacks were, they haven't brought any meaningful change to society other than making terrorism a part of modern day life.

The world has always experienced social unrests as it struggled with the law of survival of the fittest and social dominance. When religion was first introduced, it had a profound effect on human lives. But, since religious ideas fell short of fulfilling people's economic expectations, its dominance gradually diminished. The apparent revival of religious fervor among people may not necessarily mean that religion will dominate again. It should be seen, however, as a clear indication that people, especially in developing countries, are losing their patience with the existing system for change. For lack of any other viable system, people are simply falling back on religion to organize their resistance.

Many of the acute problems the world is facing today, such as the rise of fundamentalism, increased insurgency or terrorism, and the plight of immigrants, can be easily traced to the widening economic disparity between the rich and poor in each country and across the countries. These problems cannot be solved without addressing their root cause – the economic disparity. With advanced education and greater access to information, people are now learning more and more about the disparity that exists and is expanding in society. As technological innovations have greatly increased communication and awareness among people, every incident, no matter where it happens, has immediate worldwide effects. Therefore, unless the world moves to establish a more equitable distribution of wealth, enforces much greater accountability, provides equal opportunity for everybody, and institutes a better safety net for common people, the present unrest in the world is not likely to go away, but may intensify into a much bigger force. So, what lies ahead for mankind depends entirely on how capitalism meets these challenges.

Finally, the above is the briefest narrative of the history of economic exploitation in society and its obvious fallout. If we are to seek social harmony among people, our future research should indeed be focused on finding a way to reduce the huge economic disparity in society by establishing a more equitable distribution of wealth and enforcing better justice for all.

## Practical Implications

If history is any guide, one must realize that it would not be possible to achieve or maintain true equality in society. In fact, true equality in society may never be achieved. The most that one might hope for is somewhat better treatment of society's underprivileged by providing them with necessities of life and by opening up opportunities for them with access to education and healthcare. To accomplish this, the government could structure the country's tax system for the rich to help the poor. Ironically, some politicians in the United States have already started floating a proposal to impose a progressive wealth tax system on the super-rich, which idea seems to be gaining traction.

Arguably, globalization has helped reduce world poverty, but not to the level that could be justified, especially when one compares it to the accelerated rise of the super-rich class of people in the emerging economies. India as well as other South Asian countries could be cited as good examples of this situation. To uphold social coherence, these countries could thus set an example for other emerging economies by establishing a system whereby the underprivileged would be properly taken care of. To that end, they could certainly draw lessons from the egalitarian societies of Europe as well as Japan.

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