

CAPITALISM CAN REDUCE POVERTY

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Abstract:

To achieve better welfare for all society, the capitalist built cooperation among small and medium business entities with the aid of government would probably boost export-import process internationally, profitably for all parties and hence reduce poverty. Globalization of economy by practice of economic and political friendship or trading alliances is trending, nevertheless there are possibilities that the stronger country in politics, richer countries in economy, industry and culture dominate the laws of international trading in order to dominate trading practices and natural resources of their alliance trading countries for profits, this would result many of less powerful country trading alliance suffer of poverty.

Keywords: *Capitalism, liberalism, welfare, poverty, government, business, SME and society*

JEL Classification: *A12, A13, O01, O04*

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1. Introduction

Can capitalism reduce poverty? This is the interesting question to be raised and may be the answer depends on the willingness of capitalists to realize their crucial and central role in international business and is expected to be willing to participate to help alleviate poverty around the world. Actually, there are some facts in Africa and Asia that many liberal economy creates poverty gap due to monopolistic practices and weaknesses of the local state laws that benefit foreign investors cannot be avoided and additionally local governments most likely to favor foreign investors, but ruled out the welfare of the people, nevertheless it should be the task of the State Government concerned; the government usually local country convinced the good of liberal economic system, but the real sector is unable to absorb employment interferes with the development of small medium enterprises, thus forming a widening poverty gap. As consideration for the contemplated Indonesia is the experience of the 1997 financial crisis resulting in the deregulation of economic downturn due to the exchange rate, the Government of Indonesia invited the IMF to restore Indonesia's economy provides opportunities multinationals like Shell and the privatization of some state enterprises, including Indosat, Telkom, BNI, PT. Aneka Tambang (Dwijowiyoto, 2003). The agreement until now bind the Indonesian government and the Indonesian business community, especially SMEs have difficulty competing with imported products that are of high quality while the quality of the product of Indonesia has not been good, hence SMEs Indonesia found difficult to develop their business and creates less employment that could encourage poverty.

This paper is useful to improve the performance of capitalist economic system practice and the new philosophy of liberalism trade are willing to adopt the public interest their trading partners, as without trading partner definitely they also could not gain significant benefits. These conditions reflecting that in business there is a courtesy not only selfish but the philosophy is based on mutual aid to help build prosperity of the wider community without discrimination of race, class, caste, ethnicity and between groups. Noble and courteous trading system is a system of trade that seeks to enhance living standards community evenly without any discrimination. High civilized nation is a nation that willing to help each other within business dealings.

2. Is Capitalism Still Appropriate Today?

Basic understanding of capitalism of Adam Smith is the owner of capital can do business achieve maximum profit, the principle is assumed that the government cannot intervene in the market to the benefit of all, but government intervention performed massively profitable private interests that are often believed to understand classical capitalist uses an invisible hand regulator, the prevailing market laissez-faire or free from government intervention.

Basically, economic globalization is a process of economic geopolitical territory by expanding the economy through some efforts to open trade with the target state public mind that some parts of the country can be controlled through friendship for economic activity, the state members creativity power tend to be limited, hence, cannot defeat the landlord (Yoesoef, 2012). The same condition also occurs with the basic principles of capitalism or neoliberalism associated with the expansion of foreign markets through multilateral political activities through the management of the WTO or the World Bank's trade, using economic pressure, diplomatic, or military intervention (wikipedia.org) (Treanor, Paul, 2013) (Anter, 2013). Globalization means the removal of all barriers of international trade is actually good for the practice of international trade, but the ways developed countries push poor country trading partners especially in term of international trade agreements that harm poor countries should be revised (Apostolov, Joseph Stiglitz, 2013), this principle is consistent with the opinion that the process of globalization has suffered mismanagement (Apostolov, John K. Galbraith, 2013).

From the beginning capitalism aspires to develop economic and community rapidly based on the existence of economic achievement. But the ideals and practice of economic activities are sometimes unaligned, so that capitalism would possibly achieve prosperity when the people at the site are highly educated and care about each other, instead of capitalism would result in suffering and economic gap widening when the majority of the people and the government at the site did not help each other and even ignoring the welfare society. This condition is consistent with the principles of liberalism John Locke a philosopher of the 18th century who declared that liberals are the ones who have the right to life, liberty, and peace, free to work, taking any

opportunity, take advantage of any kind, free to live without shelter, independent living without work leads to poverty.

3. Capitalism Practices in Poor Countries Trading Partners

Capitalism in poor countries usually leads to differences in the ownership of wealth between the poor majority and rich minority that usually cause social jealousy. Some countries in the world despite different economic understanding of capitalism and socialism, but the state and its leaders have an important role prosperous society. Welfare is a right of all people of the state. Duty of the state is to welfare all of people without discrimination of color, caste, religion, social, cultural, political. People have the right of welfare as including health, education, housing and other social amenities. Capitalism failed to welfare of society in general instead of few people benefit the owners of capital. Capitalism has controlled the poor countries with illiterate inhabitants in various parts of the world; while the country has a different economic philosophy originated from their ancestor aims the general welfare of society.

There is domination of Law, when local governments in which liberalism has grown weak laws, the foreign investors will dominate the lucrative economic activities of foreign investors. In essence that such indication exists because foreign investors through economic liberalism was able to master the local state government and in cooperation with local governments created the weakness of local country laws aimed more favorable foreign investors. For example, in the case of Freeport Indonesia is not willing to comply with the new regulations imposed by the government of Indonesia, Government Regulation (PP) No. 24 Tahun 2012 requires that foreign mining companies to sell 51% stake to the Indonesian, now largely ignored, Freeport only willing to follow the laws of the old contract in 1967, now as much as 90.64% stake of Freeport Indonesia owned by the company of the United States Freeport Mc Moran (Aliya, 2012), this reflects Freeport reluctant to share its profits to landowners Indonesia and wanted to benefit themselves selfishly unwilling describe the mutually beneficial to both parties; some of these conditions demonstrates the power and success of foreign investors influence the making process of laws, thus benefit the investor greater bargaining power than the governments of Indonesia, this may also indicate a sign of foreign investors' reluctance in collaboration when their business less profitable, while a weak Indonesian government prioritize the personal and

group interests and helpless against the pressures of foreign investor's business strategy. Typically excess bargaining position is related to the political forces that affect interstate commerce. Capitalism government in poor countries hesitant and unable to regulate foreign ownership, especially in the banking sector as a source of investment finance reflects the weakness of local government, and moreover there may be a tendency of local government collaboration with foreign financial control of a particular country. The dominance of foreign ownership indicates the fact the financial sector and the foreign powers could lead to capital flight to foreign capital (Ali, 2013), reason for the arrival of foreign capital to another country normally for profit, not solely for the welfare of society (Radjagukguk, 2013), normally occurs when the economic turmoil of politics, the easy money will be pulled out of the country which would be detrimental to the local state. Many state banks liberal economic system transformed into a public company and partly foreign owned. For example, the stock of foreign-owned banks such as BRI Indonesia Approximately 84 percent foreign owned. Several other banks are majority foreign owned shares include BNI 40 percent market share of 50 percent foreign owned. While the dominance of foreign private banks Bank BII 90 percent foreign-owned shares, Bank Danamon, CIMB Niaga, UOB, Buana, OCBC NISP (Qosasi, 2013) most national banks belong to foreigners through mergers and acquisitions. The rampant of foreign banks ownership backed by Government of Indonesia Regulation No. 29/1999 regarding commercial banks shares purchase signed by President BJ Habibie in May 1999, permits foreigners to own shares of a bank in Indonesia, 99 percent, other liberal trading principle laws in Indonesia is Decree No. 10 of 1998. Then on July 13, 2012 Bank Indonesia issued share ownership rules through Bank Indonesia Regulation (PBI) No. 14/8/PBI/2012 prioritizing majority ownership of foreign-controlled capital (Sutaryono, 2013). The different condition when compared to some countries, the ASEAN region, Indonesia condition worse, as an example of Malaysia, foreign bank ownership limit to a maximum 30 percent, Singapore 40 percent, while in Thailand 49 percent. These conditions indicate the condition of the State's economy can still be managed either by the people themselves (Yustika, 2013).

Corruption is rampant, many corruption events in the capitalist state as people try to compete and want to be richer and prosperous than others, but by illegal means. Many corruption cases in court are not enforced impartially; corruption normally performed by a poor ruling liberal country will get a

lighter sentence or even impunity. This condition is influenced by law enforcement weakness and local culture weaknesses that influence judicial decision-making process. Due to corruption, a lot of quality development practice fail or low-quality development projects result in catastrophic accidents, thus the welfare of society tends to decrease, there is a specific local area constructed rapidly and modern while other areas are still poor. Money regional development projects of local corruption. Corruptors are normally the local state government officials and local contractors, in collaboration with foreign investors' landlord. Obvious example in Indonesia, many government officials, ministers and members of the legislature had been in jail for corruption. Many opportunities for corruptors form the corrupt life of luxury while many poor people suffer because they do not enjoy economic development physically.

Deteriorating Economic Life, the country's economic situation of liberalism economy that has low cultural and educational communities overall deteriorate, the difference in wealth between rich and impoverished is increasing. Many investors are moving their factories to other countries because too many demands of the workers led to high production costs and miscellaneous expenses as corruption or local government officials' extortion the burden of production costs. The state infrastructure and the clean water provision, sanitation, electricity and transport remain poorly. Poor nutrition lead to poor children's health capitalist country because food consumption is not nutritious, In the decades ahead potentially generate impoverished youth, mentally infirm, easily unnerved and illiteracy.

Privatization has its impact, privatization has occurred due to political and trade finance capitalists pressure, and there were privatized companies in the satellite countries trading partner. Privatization portrayed as weakening local companies' capability to trade competition, hence capitalist could enter the trade with the weaker trader in poor country relatively easy and won favorable foreign trade competition because they have a lot of capital and political power. Privatization of state enterprises weaken the bargaining position of member countries in world trade, they have to compete with foreign investors industrialists of modern capitalist country capable of mass production and machinery and conveyor belts even automated robotic system against poor company that does not have a system of mass production and production practices are not efficient, is like a heavyweight fight featherweight boxer definitely won by a heavyweight boxer, once at the poor traders will

pass out and then collapsed into bankruptcy and poverty.

Poverty grows up; some real conditions of poverty happened in Tanzania liberal economy, Afrobarometer Survey (2001) Poverty in Tanzania regarding public perception of the role of government to the provision of quality social services policy. The majority of respondents answered that Tanzanian government to their detriment, even disappointing the government's economic policy and only benefit a handful of people. The survey stated that Tanzanian government is less capable of creating food security, job creation, poverty reduction and has occurred rich-poor gap (Amon, Mattes and Bratton, 2001) (Cooksey, 2004). International trade imbalance happened between strong foreign businessmen with local small businesses typically encourage poverty occurs, if there is slightest economic turmoil, they will increasingly become poor due to dismissal of employees resulting from unemployment and poverty is increasing. The agricultural sector has turned into industry bring up many unemployed agricultural laborers have no work skills and not capable of working running the industrial machinery. So far there has not health insurance laws enacted for workers and various other worker protections led the life of the workers poorer and full of suffering (Tokimachi, 2012). Economic liberalization has changed the production, distribution, and consumption patterns are slow and detrimental in Indonesia, so as a consequence the public has a shortage of rice and now Indonesia a rice importing country, since originally as a rice-exporting country (Veco, 2008).

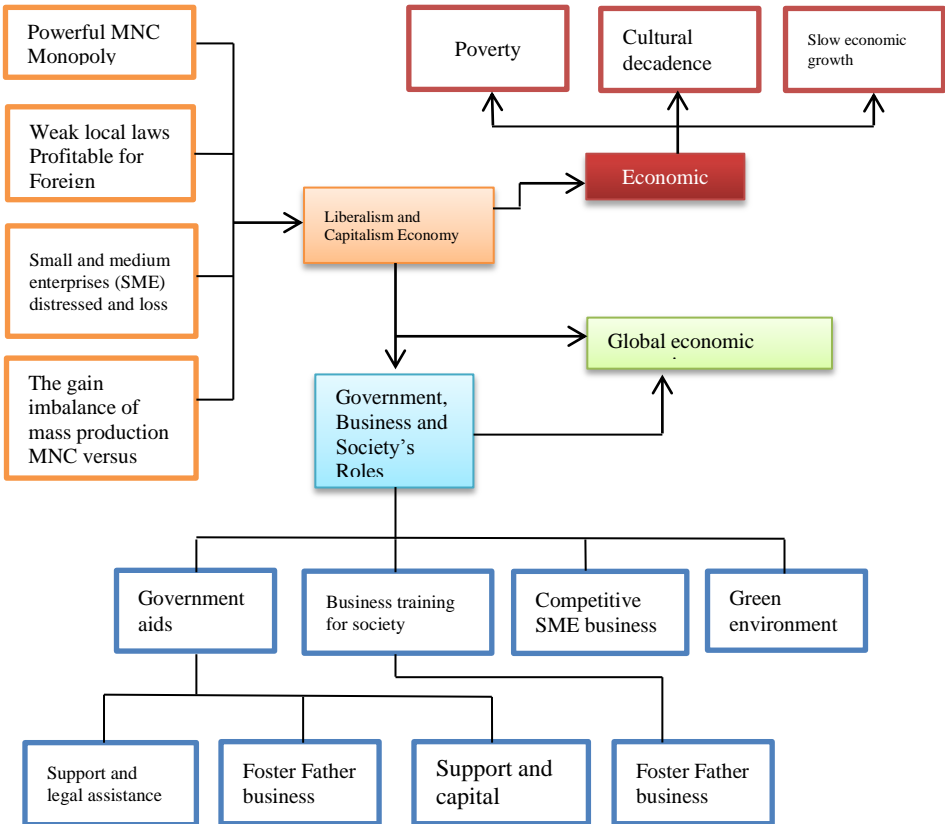
4. Can Capitalism Grow Better Welfare?

It has expected that capitalism would achieve welfare society; hence capitalism can change the entire society's layer of rich and poor. How wonderful if capitalism could build the whole society without a difference. It has found that capitalism needs to change (Kent, 2013), should provide a better solution in terms of financial, governance, trust, rather than just taking advantage of a moment through exploitation of resources for profit purposes only and ignore the welfare of community comprehensively, it is not evenly distributed, the only benefit the capitalists.

The government, both local and foreign businesses and communities need to join together to develop the economy. Driving force of the business executives began working with local small businesses assisted by the government (Kent, 2013), to perform a variety of production activities,

trading, distribution of mutual benefit to all economic actors, able to create new jobs. Compact economic cooperation like this never happen genuinely creating barriers and economic turmoil in the production process and trade between foreign and local satellite state.

5. A Model of Capitalism Grow Welfare



Capitalism and liberalism can remain capable of developing country economic progress around the world by applying the triangular base of economic cooperation, encouraging, engaging capitalist businesses, governments and society in a balanced and equitable finally able to establish a

prosperous capitalist economic liberalism all communities. Need to develop business programs foster father (Sukarno, 2012). The owners of capital raise and nurture small businesses and medium-sized businesses for mutually beneficial cooperation at the global level.

Business cooperation model should be introduced in the spirit of world brotherhood and mutual benefit. Logically the stronger should be willing to help the weak. The capitalists must be willing to cooperate to help and partner with small and medium enterprises. Building a spirit of cooperation should be as a family business, help each other when one party need assistance, economic activity trading business partnership or collaboration between small businesses with big business aided by the government, so that prosperity can be achieved by the small capital businesses with large capital businesses assisted by the government's economic and trade regulatory each country trade.

Expansion of cooperation based import export business with small and medium capitalists necessary to be able to achieve the level of world market (Schneider, 2013), researchers at the World Bank as Freund and Pierola also suggested that the practice of trade cooperation, small medium and large businesses need to be done to expand import export worldwide level.

All parties must have the spirit of trade reduce the number of the world's poor (Ravallion, 2013), so that the welfare of the people in the world would most probably achieved as evenly as possible and as best as possible. Political and economic state of international trade must have the same vision of not only the welfare of the world capitalist prosperity.

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