



การแทรกแซงตลาดของรัฐบาล มีเหตุผลอันสมควรหรือไม่?

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บทคัดย่อ

บทความนี้พยายามที่จะหาเหตุผลเพื่อพิสูจน์ว่าการแทรกแซงตลาดของรัฐและการนำเอาระบบเศรษฐกิจแบบผสม (Mixed Economy) มาประยุกต์ใช้กับระบบเศรษฐกิจของประเทศเป็นสิ่งที่ถูกต้องชอบธรรม โดยเฉพาะอย่างยิ่งจะสามารถช่วยสร้างสังคมที่ดี มีความยุติธรรม และความมั่นคงได้

ระบบเศรษฐกิจแบบทุนนิยมที่ปราศจากการควบคุมของรัฐหรือการแทรกแซงของรัฐจะก่อให้เกิดการฉกฉวยผลประโยชน์ต่าง ๆ มากมาย ทั้งด้านแรงงาน และผู้บริโภค นอกจากนั้นแล้วระบบทุนนิยมที่ไม่มีการควบคุมจะนำมาซึ่งการทำลายสิ่งแวดล้อมทางธรรมชาติ การผูกขาดของตลาดทั้งทางด้านอุปสงค์และอุปทาน เกิดการแข่งขันที่ไม่สมบูรณ์ การผิดพลาดในกฎแห่งอุปสงค์และอุปทาน โดยเฉพาะอย่างยิ่งจะเกิดการสร้างอุปสงค์ผ่านทาง การโฆษณาชวนเชื่อต่าง ๆ และในท้ายที่สุดสถานการณ์ที่เศรษฐกิจอยู่ในสภาวะถดถอย จะไม่สามารถฟื้นตัวได้เอง เนื่องจากขาดการเข้าแทรกแซงของรัฐ และสิ่งที่สำคัญที่สุดของผลลัพธ์ภายใต้ระบบทุนนิยมคือ คนจนจะจนลง คนรวยจะรวยขึ้น เนื่องจากคนรวยมีโอกาสที่ดีกว่าในการเข้าถึงทรัพยากรต่างๆ ได้มากกว่าคนจน และนั่นจะทำให้เกิดความไม่เท่าเทียมกันทั้งทางด้านสถานะ รายได้ และอำนาจ

ด้วยเหตุนี้เอง ในการที่จะสร้างความเท่าเทียมกันในสังคมนั้น จำเป็นจะต้องให้รัฐมีบทบาทมากขึ้นในการแทรกแซงกิจกรรมทางเศรษฐกิจ เพื่อปกป้องพลเมืองทุกคน และนำมาซึ่งความยุติธรรม โดยเฉพาะอย่างยิ่งประเทศที่กำลังพัฒนาจำเป็นต้องให้รัฐมีบทบาทนำในการกระตุ้นการเจริญเติบโตทางเศรษฐกิจ และการสร้างความเท่าเทียมกันในสังคม ด้วยเหตุนี้เองระบบเศรษฐกิจที่ดีที่สุดจึงได้แก่ ระบบเศรษฐกิจแบบผสมที่เปิดโอกาสให้รัฐแทรกแซงตลาด เพื่อความมั่งคั่งและมั่นคงของประเทศและเพื่อปกป้องพลเมืองให้ได้รับความยุติธรรมและความเท่าเทียมกันทางเศรษฐกิจ

คำสำคัญ: เศรษฐศาสตร์การเมือง, ทุนนิยม, การแทรกแซงแบบผสม, การแทรกแซงของรัฐบาล, ตลาด



Is Government Intervention in the Market Justified?

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Abstract

This article intends to provide justifications for government intervention in the market, particularly justification of the mixed economic system. This article argues that economic consequences of the alone capitalism without government regulation are the exploitation of labor and consumers, the destruction of natural environment, the monopolization of both demand and supply sides of the market, the imperfect market competition, the error in the law of supply and demand through want creation or advertisement or propaganda, and the delay in economic recovery while economic declining. In addition, an obvious problem with capitalist state is the inequality of wealth, income and power. The rich have a better opportunity to assess resources. Tendency appears that the rich get richer and the poor get poorer.

In order to solve those problems, the society needs to have a more interventionist role of the state to protect the people. State intervention is necessary where the market works poorly or fails. The objective is to bring economic and social justice to society as a whole. Particularly developing countries need strong government action in economic management to foster economic growth, to spur industrialization and to create social equality. Mixed economy, an economic system that requires strong government intervention in the market, is the best alternative for today's temporary social world, because it helps creating a good society with economic and social justice. The article ultimately argues that the government intervention in the market is justified.

Keywords: Political economy, Capitalism, Mixed economy, Government intervention, Market.

I. Introduction

If all essential resources for human survival were not limited, human beings would not compete against one another for scarce resources. But in the real world, resources are scarce. Often, war between nations and fighting among individuals occurs as a result. Because of this, there must be an approach to set these resources in order, and to fairly redistribute them. Many economic ideologies have been created to serve as blueprints for arranging the world's scarce resources. But no single economic view or model has been accepted as the best. Each economic ideology interweaves logical deductions from originating postulates with selectively supportive historical evidence in monumental intellectual constructs that are simultaneously impressive and intimidating (Petr, 1987, p. 1445). Hence, the question of what is the best economic policy is still a puzzle.

A permanent economic view that has been widely recognized and become dominant system of human fate is the capitalism. Capitalism is the economic form that is defined by: (1) private ownership and control of the economic instruments of production; (2) the gearing of economic activity to make profits; (3) a market framework that regulates this activity; (4) the appropriation of profits by the owners of capital; and (5) the provision of labor by workers who are free agents (Friedman and Friedman, 1980).

Another dominant economic ideology that was admired by anti-capitalist group – particularly during the 20th century -- was the Marxism. This economic view is the analysis of economic, political and social condition that class struggle, the oppression and exploitation of labor by the bourgeois will occur under capitalism, and this will ultimately lead to a proletarian revolution. Capitalism would then be replaced first by socialism, and then communism – a system which the productive power is in the hands of society. Under the communism, class differences would be abolished, and this classless society would lead to a withering away of the state (Abercrombie, Hill and Turner, 1988; Bogdanor, 1991; Scruton, 1982).

From the early 20th century through the early 1990s, it seemed that the Marxist school of economic thought was to be humanity's answer to help solving the problem of distribution, equity and poverty. This was viewed that capitalism fails to address these issues. Capital, under the capitalism, was accumulated and monopolized by a few capitalist groups. Exploitation of labor occurred everywhere because there is surplus value – the value of what the worker actually produces that is higher than value of their labor power -- accumulated as profit to the capitalist (Brown, 1984, p. 85).

Consequently, under capitalism, the rich get richer, and the poor become poorer. The gap between rich and poor grows wider. However, with the collapse of the Soviet Union and other Eastern European nations – so-called socialist countries -- during the early 1990s, the dream of the human beings living in a society with fair distribution seemed to come to an end. Nevertheless, many socialists believe that the destruction of socialism -- an economic ideology under Marxism -- occurred not because of the system itself, but due to the management of the economic systems, which were distorted by dictatorships of those nations. Marxists believe that the aspiration to live in the socialist society remains.

What about capitalism, is it the best economic system? No, it is not. But capitalism, accompanied by the development of materialism, can give human beings hope for a better life. They will have economic opportunity, but there is no assurance of fair distribution. Although capitalism is not able to solve these distribution problems, it would be hard to deny that the growth and development of world economies today derived from the capitalist development. Nevertheless, Schumpeter argues that the capitalism in fact has a self-defeating characteristic because its very success undermines the social institutions which protect it. This will ultimately create the condition leading to socialism (Schumpeter, 1976, p. 61).

If Schumpeter's argument is true, why do conditions that are to lead to the creation of socialism not exist yet? Actually, the development of capitalism today is not derived from a capitalist system alone. Economic performance under capitalism is a result of a combination of fortuitous circumstances and wise governmental action to counteract capitalist excesses (Rogge, 1979, p. 17). The present industrialized world is managed by the mixed economic system with a high degree of government intervention in the economy.

A Mixed Economy is an economy in which private enterprise and state-controlled (or socially owned) enterprises exist side by side, interacting and perhaps even competing with each other. The arrangement has been praised for its supposed flexibility, continuity, and responsiveness to social change, together with its ability to permit government action in times of crisis, and private enterprise in time of stability (Scruton, 1983, p. 301).

The mixed economy calls for role played by government to offer justice to its citizens. The government or state through legislation and administration has its main role and responsibility to protect and promote the basic well-being of all members of society. This includes laws to guarantee income maintenance and other kinds of support for individuals and families in cases of for examples occupational accidents and diseases, sickness, old age, and unemployment.

This article – through the surveying of views about capitalism and its results -- intends to provide justifications for government intervention in the market, particularly justification of the mixed economic system. It will begin with Conservative views of the market. In the third section, the Conservative views of the market system and capitalism will be criticized by the Radicalism. The next section will be about the critiques of capitalism by those Liberal political economists. The fifth section will include an explanation of mixed economy, the best and most practical economic approach to the contemporary social world.

II. Conservative Views of the Market

The revolution of 1688 destroyed the feudal character of landed property, separating the state from the sovereign. But the state retained its position as representative of the institutionalized power of the landed class, even though it was a class with an increasingly capitalistic way. The wealth of both state and land owners depended on the growth of trade because the interest deriving from trade and land owning could pave the way for those merchants to attain access to state power, including the domination of economic policy of the state. However, the interest of

capitalists was different from the state and landed class. Profit was the main interest of merchants, while the growth and wealth of nations that could keep the civil peace was the main interest of the state and the landed class. This kind of economic relationship was called mercantilism (Clarke, 1988, pp. 21 – 22).

The task of mercantilist economic theory was to advise the sovereign on how best to regulate the economy in order to enhance the wealth and power of the state and of its citizens (Clarke, 1988, p. 23). Its main theory was the argument that only foreign trade supported by the state with the establishment of monopolistic control of resources could generate surplus wealth for the nation, and for the growing of military power of the state, while domestic trade could only redistribute wealth within a nation. The theory of supply and demand was also a component of mercantilism. The market should be manipulated for generating high profits. The core objective of mercantilism was the accumulation of national wealth through the exchange of commodities.

Mercantilism provided the framework for the development of capitalism during the sixteenth and the eighteenth centuries, and it also became the foundation for the explosive growth of capitalism in the industrial revolution. However, during the 1770s, a great work of economic theory was created to challenge mercantilism. It was the economic theory of Classical Liberalism with an emphasis on division of labor, market exchange of mass-produced goods, and the functioning of the competitive market. Adam Smith was among the great Classical Liberalists of the eighteenth century that challenged mercantilism.

Smith's view was in contradiction with the mercantilist belief that money was an end, and the accumulation of wealth could be identified with the accumulation of money (Clarke, 1988, p. 28). Money, in Smith's view, exists only as a means of exchange, in which the value of exchange is the realization of the producer of the fruits of his or her labor in the form of consumable commodities (Smith, 1910 quoted in Clarke, 1988, p. 29). What the capitalists needed was not the accumulation of money, but rather the capital that could spur the growth of the wealth of a nation because no regulation of commerce can increase the quantity of industry in any society beyond what its capital can maintain (Smith, 1910 quoted in Clarke, 1988, p. 35).

Exchange should be conducted in the market where producers could truck, barter and exchange goods. The market, Smith argued, must be free from intervention.

“So long as the market is free, and property and the person are secured, each individual exchange that takes place will contribute to an increase in individual and social prosperity.... Free competition allows the individual to be the best judge of his or her own economic interest and provides the opportunities for each to act accordingly”
(Smith, 1910 quoted from Clarke, 1988, p. 30).

Since no one is forced to decide whether or not to make an exchange, the system of exchange works to the benefit of all. In a market system, Smith argued:

“Individuals are led, as if by an ‘invisible hand’ to serve an end which was no part of their intentions...The hand in the metaphor is competition, perceived as large numbers of sellers and buyers of any particular product, with mobility of resources and freedom to enter into competition in any particular area of the economy...The hand is invisible because it is unconscious and impersonal” (Smith, 1938 quoted in Elliott and Cownie, 1975, p. 4).

In the capitalist economic model, the market performs three important resource functions: (1) it has a fixed price which clears the market; (2) it encourages producers to reduce their costs in order to increase their profits; and (3) it allocates resources to those who can make the best use of them. Capitalists who profit produce more of the same; those who lose money change their behavior by reducing costs or going out of business. Land, labor and capital move in the direction the market is signaling (Brown, 1984, p. 26). As long as justice is not violated, market participants will behave freely for their own sakes in their own ways. In this sense, there is no justification for the state to intervene in the market.

Smith also states that any political or institutional interference to the freedom of exchange would limit the extent of the division of labor and thus the nation’s wealth, voiding all advantages of exchange. However, this does not mean that the state or government does not have any role in the national economic development. But its role is limited. There are but three roles of the state, according to Smith (1910 quoted in Clarke, 1988, pp. 39-43).

The first is the duty to protect society from violence and from invasion by other independent societies.

“It is only by means of a standing army...that the civilization of any country can be perpetuated, or even preserved for any considerable time...The needs of national defense also justify the navigation laws, although these impede the freedom of trade” (Smith, 1910 quoted in Clarke, 1988, p. 40).

The second obligation of the state is to preserve justice within society for all its members. Smith argues that:

“Justice is directed primarily against the treat to property presented by the poor...the ignorance of the poor prevents them from appreciating the benefits that eventually accrue to them from the security of property and the freedom of exchange...Where there is little property and little inequality there is little needs for a system of justice” (Smith, 1910 quoted in Clarke, 1988, p. 40).

The final role of the state is the creation and maintenance of certain public works and institutions which must benefit not only individuals and small numbers of individuals, but society as a whole. Nevertheless, since the state is responsible for

public works, the state has the right to collect taxes, but at a minimum rate and accompanied by a minimization of state expenses. This is because taxation divert revenue from productive to unproductive employment, impedes the growth of the wealth of nation (Smith, 1910 quoted in Clarke, 1988, p. 45).

Friedman's Free to Choose

Most adherents of a conservative view of political economy, like Smith, attack the unlimited scope of government involvement in economy. They view that the government interference in economic affairs erodes citizens' freedom. If the main components of economic resources are not operating under a free enterprise system, it is impossible to have a politically free society. One of the most eminent conservative publications is "**Free to Choose**", written by Milton and Rose Friedman (1980), which argues in favor of individual freedom and limited government intervention.

A concept with blur definitions is discussed in their book is "the equality". During the early days of the US Republic, equality meant equality before god, and liberty meant the liberty to shape one's own life. Then, after the Civil War, equality meant equality of opportunity or personal equality or equality before the law in the sense that no one should be prevented by arbitrary obstacles from using his capacities to pursue his own objectives (Friedman and Friedman, 1980, p. 119). Accordingly, equality has the same value as liberty.

However, since the end of World War II, the concept of equality of outcome has emerged as a challenge to the concepts of liberty and equality of opportunity. Equality of outcome means that everyone should have the same level of living or of income, should finish the race at the same time (Friedman and Friedman, 1980, p. 119). The goal of equality of outcome is fairness or fair share for all. But they argued that within the concept of fairness or fair shares, who is going to decide what is fair? There must be persons or groups of persons to decide what shares are fair. Certainly, the authorized person(s) must use force to answer these questions. Then the determination of fairness might not be justified. Furthermore, if what people get is determined by fairness and not by what they produce, where are the prizes to come from? What incentive is there to work and produce? (Friedman and Friedman, 1980, p. 126).

Nevertheless, Milton and Rose Friedman were not arguing against compassion for those less fortunate members of society. They suggest that there is no difference between the free market and the pursuit of broad social and cultural goals or between a free market system and a compassion for the less fortunate, regardless of the form of compassion. But there is a difference between two kinds of government assistance to the less fortunate: first, 90 percent of the people agree to tax on themselves in order to help the bottom 10 percent; and second, 80 percent vote to place the burden on top 10 percent to help the bottom 10 percent. There is no inconsistency between the first type of government assistance and the belief of equality of opportunity and liberty, but the outcome is not necessarily always an effective way to help less fortunate citizens. On the other hand, the latter type of government assistance aims at equality of outcome which is entirely in contrast to liberty (Friedman and Friedman, 1980, p. 131).

The consequences of equality of outcome – implemented by charging the higher rate tax for those of high income, and by providing many kinds of welfare to its citizens with the hope of redistributing wealth according to the concept of equality of outcome – is the creation of new classes of privileged individuals: bureaucrats who are secure in their jobs; trade union officials that are in theory representatives of low-paid workers, but in fact are highly-paid aristocrats of the labor movement; and the new millionaires -- citizens who are wise at finding the ways around the laws, the rule, the regulations that have poured from Parliament and the bureaucracy, who have found ways to avoid paying taxes on their income and to get their wealth overseas beyond the grasp of the tax collectors (Friedman and Friedman, 1980, p. 135).

Capitalism is often criticized for creating inequality -- i.e., the poor are always exploited by the rich. Milton and Rose Friedman on the other hand argue that:

“In fact wherever the free market has been permitted to operate, wherever anything approaching equality of opportunity has existed, the ordinary has been able to attain levels of living never dreamed of before...Nowhere is the gap between the rich and poor wider, nowhere are the rich richer and the poor poorer, than in those societies that do not permit the free market to operate” (Friedman and Friedman, 1980, p. 137).

Therefore, a society that puts equality -- in the sense of equality of outcome -- ahead of freedom will end up with neither equality nor freedom (Friedman and Friedman, 1980, p. 139). That is because at the end the one who benefits from the equality of outcome are those who try to use it for their own interests. On the other hand, a free society provides opportunity for today's less fortunate people to become tomorrow's privileged and, in the process, enables almost everyone, from top to bottom, to enjoy a fuller and richer life.

For Milton and Rose Friedman, government is the agency that is widely regarded as having a monopoly on the legitimate use of force or the treat of force as the means through which some of us can legitimately impose restraints through force upon other of us (Friedman and Friedman, 1980, p. 19). Whatever restrictions a government imposes on the economy occur at the expense of individuals' freedom to pursue their own objectives, and this will affect national economic progress.

It can be said that both Milton and Rose Friedman are successors of Adam Smith's Classical Liberalism. Like Smith, these Conservative economists believe that the role of the government must be limited. However, in addition to Smith's notion of the role of the state, the Friedman couple suggests one more role of the state:

“The duty to protect members of the community who cannot be regarded as responsible individuals...Freedom is a tenable objective only for responsible individuals...(but) we do not believe in freedom for madmen or children” (Friedman and Friedman, 1980, p. 24).

Hong Kong, Milton and Rose Friedman (1980, p. 25-26) argue, is a good example of a limited government role in economic development. In Hong Kong, there are no tariffs or other restraints on international trade, no government direction of economic management, no minimum wage control, and no price fixing. Its citizens are free to trade with whomever they want, to invest however they want, to hire whomever they want, and to work for whomever they want. Government obligations are for the most part those four duties suggested by Friedman. Moreover, as a result of Hong Kong's low rate of taxation providing incentives for economic and business development, and the free market system, businessmen can reap the benefits of their success but must also bear the cost of their mistakes.

The Friedman couple also provides case studies of government intervention in **Free to Choose** (1980) in which the results are negative rather than positive. In the case of consumer protectionism (Friedman and Friedman, 1980, pp. 179-217), they argue that all protectionist movements partly encouraged by government over the past few decades -- such as the ecology movement, the anti-nuclear movement, and the consumer movement -- have been the main obstacles to economic growth because they prevent the development of industrial innovation and the effective utilization of natural resources. The result has been a higher cost of production and the restriction of consumer choice.

For example, the US Food and Drug Act of 1906 (amended in 1962), which allowed government intervention supposedly to assist consumers, reduced the rate of innovation of new drugs by more than 50 percent. As the law requires that all food and drugs be approved by the FDA before they are placed on the market, many drugs were not allowed to be sold in the market, although some of them were proven effective in foreign countries. Friedman calls this the nationalization of drug development (Friedman and Friedman, 1980, pp. 193-200).

The creation of the Consumer Products Safety Commission in 1973 to protect the public from unreasonable risk or injury resulting from consumer products and to develop standards of consumer products is another example of the government's attempt to intervene in the market for the sake of consumer protection. Conservatives such as the Friedman couple argue that:

“The objective of safer products is obviously a good one, but at what cost and by what standard? How much extra cost to impose in order to achieve how much extra safety? Do safer standards produce more safety?...Protection is not of this world...There will always be shoddy products, quacks, con artists...but on the whole, market competition, when it is permitted to work, protect the consumer better than do the alternative government mechanism that have been increasingly superimposed on the market” (Friedman and Friedman, 1980, pp. 201-212).

The greater danger to consumers is not the product itself, but the monopoly -- whether private or government. Consumers should be free to choose goods they need by using their own consideration and judgment whether or not they want to buy them. The consumer is protected from being exploited by one seller by the other existence

of another seller from whom he can buy and who is eager to sell to him (Friedman and Friedman, 1980, p. 215).

Milton and Rose Friedman support the notion of international free trade and argue against protectionism that free trade not only promotes our material welfare, it would also foster peace and harmony among nations and spur domestic competition. Protection really means exploiting the consumer (Friedman and Friedman, 1980, pp. 31-33). Protectionist policies cause unfair competition resulting in international disputes and political conflict. This kind of unfair competition includes government subsidization of its citizens' products as government subsidization requires greater taxation of its citizens.

According to Friedman, the relationship between labor unions' struggle for better conditions for workers and higher wages and greater benefits is uncertain, whether higher salaries are the result of stronger labor unions or stronger labor unions stem from the higher pay of the workers. However, what is true is that the rise in pay of some workers is primarily at the expense of other workers. Because of higher wages, the costs of production and services increases; consequently less goods and services are sold. The end result might be the closure of the business. Moreover, higher wages mean lesser jobs for that kind of work and greater unemployment.

The wage fixing discriminates against persons with low skill. If for example the government imposes a minimum wage of \$3 an hour but in a market system unskilled labor is worth only \$2 an hour, employers will hardly hire inexperienced workers if they have other alternatives. Actually, instead of higher unemployment among unskilled workers, unskilled labor should be allowed to work at the market rate so they will be trained and acquire greater skills that will enable them to get better jobs in the future.

In order to protect the workers, competition in the free labor market is a must, although competition might not absolutely protect the workers. When the workers are free to be hired by anyone who can pay them more, they will be protected by their employers automatically. By the same token, employers are protected from exploitation by their workers by the existence of other workers whom they can hire. Consumers are also protected because there are many sellers in the market whom they can buy from (Friedman and Friedman, 1980).

Milton and Rose Friedman conclude their notions on the labor union that:

“Unions get higher wages for their members...are at the expense of other workers who find their opportunities reduced...Government pays its employees higher wages...at the expense of the taxpayer...But when workers get higher wages and better living condition through the free market, when they get raises by firms competing with one another for the best workers, by workers competing with one another for the best jobs, those higher wages are at nobody's expense”
(Friedman and Friedman, 1980, p. 236).

III. Radical Analysis of Capitalism: The Marxian Way

The word 'radical' derives from the Latin radix, a root. Radical is defined as those who wish to take their political notions to their roots, and to affirm in a thorough way the doctrines that are delivered by that exercise. The radical will tend to be hostile to the 'status quo', since the status quo generally expresses a balance between conflicting opinions and temperaments, and presents a loose imperfect order that lack the ready intelligibility of systematic ideas (Scruton, 1982, p. 391). Capitalism is seen by Radicals as an imperfect system that comprises both inadequacies and evils (capitalists). Only modifying some parts of capitalism does not move those basic components of the system that make the system imperfect. Hence, the contradictory economic order must completely replace capitalism.

Marxism is also called radical because capitalism is seen by Marx as an imperfect economic system in which capitalists try to maintain the status quo. Hence capitalism must be overthrown. In Marxist theory, capitalist society is characterized as: (1) production is generally organized by individuals for market exchange; (2) ownership of the means of production (natural resources and capital goods) is monopolized by a small minority of the population (capitalists); and (3) the vast majority of the population (workers) must work for the minority in order to gain access to economic necessities of life (Elliott and Cownie: 1975, pp. 51-52).

“Capitalism requires two very different kinds of commodity -- possessors must come face to face and into contact; on the one hand, the owner of money, means of production, means of subsistence, who are eager to increase the sum of values they possess, by buying other people's labor power; on the other hand, free laborers, the sellers of their own labor-power and therefore the sellers of labor...(consequently) Laborers under capitalism have been freed or separated from their means of production, and are now entirely dependent for their survival on the sale of their labor” (Marx, 1954 quoted in Zeitin, 1994, p. 142).

Hence, capitalist society splits into haves and have-nots, rulers and ruled, exploiters and exploited. Capitalists who have money as capital would buy commodities -- things that are produced for sale or rent such as land, labor, materials, buildings, plants, goods and machinery -- to produce goods in order to make more money, while labor does not have capital but the power to sell or exchange with only a subsistence wage to keep workers alive.

But the surplus value -- the difference between value deriving from the labor power with means of production to produce economic goods which have a certain market value, and the legitimate costs of producing goods such as wages and other material costs -- goes to capitalists in the form of profits, rent and interest. This profit is concealed behind the veil of money which the worker receives for selling his labor power (to spend or buy necessities for his survival). Labor will never have known the actual value that it added to the productive process.

However, according to the Marxism, exploitation is not determined by the rate of profit, but by the rate of surplus value such as the ratio of surplus value to variable capital. For example, if the value the worker creates in a working day is double the price of his labor-power, then the rate of surplus value or the degree of exploitation is one hundred percent.

Interest and rent are shares of surplus value. The capitalist will borrow money from creditors to invest in his production and to add value. He will share the profit with his creditor in the form of interest. Land itself does not have value. But there is a price on land as there is limited supply, and landowners will demand rent from industrial capitalists or farmers who use his land. Hence, land is equal to capital as an independent source of increased value, and rent has become a by-product of capitalism in that it creates sharing of surplus value made by wage-laborers.

Since the increase in surplus value derives from the sale of capitalist products, capitalists become wealthier, and they compete with other capitalists by accumulating money as capital and monopolize it. Capitalists seek measures that will make them wealthier by replacing labor power with new technology. The result is that (1) wages are kept down due to a state of relative overpopulation which forces workers to compete with one another, and the rate of unemployment increases due to the advances in technology, which consequently limits the power of workers to consume capitalist products; (2) there is greater exploitation such as a lengthening of the work day and lower pay than their labor power is worth; (3) the rate of profit decreases due to competition between capitalists to lower prices and due to the greater cost of improving technology; (4) an under-consumption crisis results due to decreased purchasing power; (5) bankruptcies of businesses occur due to over-production, exploitation among capitalists and the concentration of capital, as small capitalists find it harder to make ends meet and are swallowed up by big one (Kolakowski, 1978, p. 297); and (6) stagnation of economy emerges to replace economic expansion.

The state in the Marxism is not a positive interventionist force in the market. The state is the political apparatus of one class -- the ruling class or bourgeoisie -- to oppress another class -- the working class. The state derives from the division of class. The state arose from the need to hold class antagonism in check. It arose, at the same time, amid the conflict of these classes. It is the state of the most powerful, economically dominant class, which becomes also politically dominant, and thus acquires new means of holding down and exploiting the oppressed class (Kolakowski, 1978, p. 359). Referring to Marxist theory, the capitalist may give up his political power or parliamentary power, and entrust the direct exercise of political authority to a bureaucracy or the state in order to maintain its own economic position as an exploiter class.

IV. Free to Choose or Free to Exploit

In capitalist theory, the market, as the dominant model of capitalism, ensures that what is made is what we need. But with today's transnational companies, and the accumulation of capital by a few groups of capitalists leading to monopoly of capital, the hand in Adam Smith's theory is no longer invisible: decisions are no longer unplanned. Instead, the hand is in the hand of managers of a few giant companies

playing the market and planning the use of the world's resources to make money rather than to meet wants (Brown, 1984, p. 43).

The market, both domestically and internationally, is monopolized by a few visible hands of capitalists. These capitalists do not compete with each other in price but rather move in a line. The market no longer imposes the price. Instead, the capitalists who sell the same commodities decide on the price. Oil cartels are one example -- competition remains, but not in the form of price-cutting which would cause them to suffer. If they want to expand their sales, they do so at the expense of others outside the oil cartel.

Consequently, resources are not fully utilized; not all workers who wish to work are employed; there is failure to grow crops which all can enjoy; machines do not operate at their highest capacity; and the environment is destroyed. When market capitalism alone cannot maintain competition, which has a profound affect on society and particularly consumers, government intervention is necessary to preserve competition and to prevent consumers from being exploited. This can be done for example by imposing maximum prices on commodities so that the average consumer can afford them.

Another problem of market capitalism lies with Smith's assumption that capital will be switched into new lines of production if producers fail to compete with other producers.

“The problem is that the original capital was sunk in plant and machinery and cannot, without considerable losses, just be switched...The result is that they may be delays in recovery and stunted growth, particularly where many producers overestimate demand in the market at one at the same time” (Brown, 1984, p. 30).

In this case, if the government is limited in its economic management role, there would consequently be many bankrupt producers or businessmen. The collapse of national economics as a whole is a further negative result of market capitalism. Therefore, government intervention in times of economic crisis is a must. Government can recover these failed producers or capitalists by providing them with, for instance, low-interest loans for switching to new lines of products or for development of their current products.

Under capitalism, government interventionism is better-suited to growth of the national economy than is Conservative economics, and that economic growth under interventionism will not only benefit all members of society, but also protect the less fortunate members from being exploited by capitalists who are eager to make more money.

Another obvious problem with the market model in a capitalist state is the creation of inequality -- of wealth, income and power. For Smith, wealth derives from the accumulation of capital and the abstinence of capitalists themselves. But actually wealth could also be the result of inheritance. Two different people, one with

a rich family, and another with a poor family, would have different capital power for investment or purchase of necessities in the market. For example, if a rich boy with \$10 and a poor girl with \$2 go into the market to buy the same necessities such as milk, certainly the money left after buying a box of milk would be different for each of them, causing a difference in their capital saving. Moreover, if the price of milk increases, it would affect the purchasing power of the poor girl rather than the rich boy.

When people are born different, their economic, social and even political restraints are different too. Certainly, for instance, a man who was born in a rich family with properties as inheritance and with a greater opportunity to be educated will have more economic, social and political opportunities than a poor woman who was born without inheritance and without opportunities for education. Under the Conservative, the rich man has more opportunities to achieve his own objectives than a poor woman. So, the question is where the equality of opportunity lies, and how opportunity is to be equalized.

Regarding on the concept of equality of opportunity and liberty, in fact the equality of opportunity does not only mean freedom of the individual to use his own capacities to pursue his own objectives, but also the equality of individuals to use their own capacities -- in this sense physical, mental and economic capacities -- at the same level or at the closest level to pursue their own objectives. The government must intervene in order to narrow the economic gap between rich and poor, for example, by taxing the rich men's inheritances at a higher rate, and by providing more opportunities, including support of education -- i.e. the policy on free education service for a certain years and the policy on student loans for higher education -- and other welfare, to the poor to help them achieving their objectives. Their economic statuses may be different. But with the same level of education and a limited economic gap between them, their opportunities to pursue their objectives will be equalized.

Equality of outcome is actually a social protection for the less fortunate. A race that everyone must finish at the same time does not mean that at the end everyone must have the same economic status; it means that at the end of race, everyone must achieve his objectives to a certain level of satisfaction. At the end of the race although there are both winners and losers, all of them should be rewarded for their attempt because they have all contributed to the development of society. The winner might be rewarded in the form of higher economic status whether or not derived from his own capacities. The losers, whether they lost because of their lower capacities or because they were exploited by others, will be rewarded for their attempts in the form of social welfare and government protection. The government will be the institution to reward them and the decision will depend on their real economic status.

Although Milton and Rose Friedman argue that a free market system allows people to attain levels of living never dreamt of before, in practice the free market system causes less fortunate people not to dream of such levels of living. The only dream for them is to survive as long as possible in the modern capitalist society. The society that puts freedom ahead of equality will end up with more exploitation, a

wider gap between rich and poor, and ultimately chaos deriving from the anger of less fortunate people who have been oppressed. However, the proletariat revolution as Marx argues for is not the solution. Rather, it will make society and its economy worse.

Market systems are not always, in every respect, the best way of organizing economic and social life. The government has the capacity and duty to make good market imperfection when it can do so (George and Wilding, 1994: 51). The government -- in this sense democratic government -- must take action to prevent exploitation and to reduce the gap between rich and poor. Freedom of the individual must not damage other people's freedom or society. Also, freedom of individual to pursue his own interest must not at the expense of the public.

Hong Kong may be a good example of successful limited government intervention in economic development. But Taiwan and South Korea are good examples of successful government intervention in economic development and justification for the Liberalist argument.

“In Korea (and Taiwan), there is a widespread consensus that government played an active role, a far more active role than that of governments in most of developed countries...they created market-like institutions, such as bank...they controlled the allocation of much of the capital...they encouraged private firms to undertake certain activities...When the private sector did not undertake the desired activities, they undertook them” (Stiglitz, 1994, p. 254).

Both countries' achievements began with new government economic policy to replace a policy of import substitution with export promotion during the 1960s. In the case of both countries, economic planning structure and strategies led to economic stability and more fair income distribution. Central economic planning exists to predict the future economy, to prevent uncertainty in economics and to ensure fair sharing between members of society.

In Taiwan, improvement in the living standard of average people and greater fairness of income distribution derived from government intervention in economy by: (1) imposing land reform to promote income growth in rural areas; (2) supporting an increase in the level of education among its citizens; (3) creating more jobs for both skilled and unskilled labor; (4) imposing taxation policies aimed at redistribution; (5) designing social welfare programs to benefit especially lower income people; and (6) preventing exploitation and monopoly business by supporting small business (Lau, 1990).

Korea's success derives from the government's strict control of business, particularly in the case of international borrowing which is not allowed privately without government authorization. Businesses that do not follow government policy will find it difficult to get bank loans, and most Korean businesses depend on bank loans for their investment (Lau, 1990).

In case of consumer protection, the safety standards for consumer products -- for examples food, drug and vehicle products -- are justification for a government, to

prevent its citizen from being injured by poor products. Human life is worth more than the cost of safety standards. Moreover, with the higher expenditure on product advertisement, consumers no longer buy products due to urgent need, but because of want creation. This is as what John Kenneth Galbraith (1984, pp. 126-127) states that:

“If the individuals’ wants are to be urgent, they must be original with themselves. They cannot be urgent if they must be contrived for him. And above all, they must not be contrived by the process of production by which they are satisfied. This means that the whole case for the urgency of production, based on the urgency of wants falls to the ground. One cannot defend production as satisfying wants if that production creates the wants...So it is that...the urgency of the wants can no longer be used to defend the urgency of production”.

Therefore, government intervention is required to protect the people from being deceived by product advertisements. Consumers must have the right to know the real safety standards of the products; the real benefits and effect of the products; and if there is some problem with products, what the manufacturers or capitalists’ responsibility is for its own products. The government must use its legitimate force to implement policies of consumer protection.

Labor’s higher wages and stronger unions are not derived from either capitalist support or from labor union’s capacity. Rather, they stem from government’s responsibility to improve labor conditions. Consequently minimum wage policy and labor training courses for development of labor skills exist in many countries, both developed and developing countries. Competition in the free labor market is a must, but by the same token, the protection of workers from being exploited is required too.

V. Mixed Economy: The Most Practical System

A liberalist economist like Galbraith criticized capitalist system in the US on the grounds that it is now monopolized by oligopolistic capitalism – in fact this situation is able to be found not only in the US but also in other capitalist dominated countries. According to his work on ‘**American Capitalism**’ (1952), the competitive model has collapsed. Prices and the volume of goods produced are determined by the decisions of a few private persons in the management of large corporations. However, in order to protect consumers, there must be other powers to counter the power of private corporations in the market.

“In the competitive model -- the economy of many sellers each with a small share of the total market -- the restraint on the private exercise of economic power was provided by other firms on the same side of the market...Since competition had disappeared, all effective restraint on private power had disappeared...(But) in fact, new restraints on private power did appear to replace competition...But they appeared not on the same side of the market, but on opposite side, not with

competitors but with consumers or suppliers...call it Countervailing Power” (Galbraith, 1952, pp. 117-118).

While the sellers enjoy a measure of monopoly power, there is an inducement of those consumers or suppliers to organize themselves against exploitation. Chains of retailers which obtain the largest possible volume of sales with a lower cost of goods is an example of development of countervailing power. As large buyers they are in a position not only to bargain but also to command the best discounts from producers. Consequently, the consumers also benefit.

Another obvious example of countervailing power can be seen in the labor market: the creation of labor unions by workers to protect themselves from exploitation by the capitalists, in which the strongest unions are usually found in markets with the strongest corporations. Nevertheless, organizing countervailing power is not an easy task. It requires some assistance from persons or a group of persons who have legal authority over the big corporations. No one else can accomplish this task better than the state or government.

“All the matters...the restrictions on excessive resource use, organization to offset inadequate resource use, controls, action to correct systemic inequality, protection of the environment, protection of the consumer...lies with the state...(which) must involve the appropriate roles and protections for societal foxes and chickens as well” (Galbraith, 1973, quoted in Petr, 1987, p. 1449).

The groups that sought the assistance of government in building countervailing power sought that power in order to use it against market authority to which they had previously been subordinate (Galbraith, 1952, p. 142). This includes government assistance in making legislation supporting unions and fixing the minimum wage. Farmers are provided subsidies for their crops, and small businesses are also protected by fair trade laws. Hence, the government’s main function in society is to balance the market, which would otherwise be badly unbalanced resulting from the disappearance of competition.

However, countervailing power is not a restraint on market power if there is inflation with excessive demand. Consequently, bargaining power belongs to the sellers and the strong unions, not the buyers. Sellers and unions would enjoy the situation mutually and pass on the cost of wage increases to consumers in the form of high prices. In this case, Galbraith (1952, pp. 115-139) suggests that some slack in the economy is what keeps countervailing power from being converted into coalition against the public. A certain amount of unemployment and idle capacity is essential to reduce demand and turn the bargaining power back to the buyers. Those who are affected by this slack in the economy would be provided assistance by the government in the form of social security and other welfare measures. Furthermore, they must be re-employed in their regular occupations within a reasonably short time, or they must be able to find other occupations at any time.

“Countervailing power is in part a substitute for the regulatory mechanism of the competitive market...But it does not do all the things a competitive market is supposed to do, much less things it is not supposed to do...It does not allocate resources, regulate price optimally, result in efficient production, eliminate poverty, lead to the provision of amenities and public services, nor divide life intelligently between work and leisure...What it does is an economic sense in ensure that countervailing group has a larger share of income than it would have otherwise...In a political sense, it enhances a system of multiple centers of power, supporting what Alexis de Tocqueville called secondary institution which stand between the individual and the government or, in the case of modern capitalism, between the individual and the large corporation” (Galbraith, 1952 quoted in Sharpe, 1974, p. 19).

What Galbraith has explained seems to link with Jerry L. Petr’s notion on mixed economy that the pure capitalist system is not able to provide fair distribution to the people in the society. It really needs some kinds of regulations – like the government intervention -- to control the capitalist practices. Petr (1987) has described the mixed economy as the best alternative for sensible economic policy.

“Such an economy is an attempt to sensibly arrange economic institutions to utilize available technology to provision human societies in accordance with their own notion of a better life...the nature of the mixed economy is a complex web of private and public institutions and policies that seem best able, at a particular time, to move the community forward” (Petr, 1987, pp. 1447-1449).

Petr (1987) suggests four objectives of mixed economy which the state or government is the main user of economic power to redress economic issues. These are adequacy; sustainability, equity, and democracy.

Adequacy means that the economy must achieve the basic task of provisioning the community with an appropriate level of consumables, goods and services, public and private, proportionate to the level of productive effort expended. This requires the private ownership of the means of production, resource allocation through the market process to motivate power of self-interest, the demonstrated effectiveness of capitalist production capabilities, the information-handling facility of market interactions, and a degree of power diffusion through some decentralization of production decisions.

Sustainability is defined as maintaining adequacy over an extended period of time: while the community achieves its essential resources for survival, its approach or strategy must not threaten the long-term continuity of the society. This includes threats of economic instability and crisis, ecological decay and destruction, and both individual and collective economic and political insecurity. The major element designed for sustainability is economic planning.

Equity or equitable society in this sense means more equal access to the social and economic provisions by citizens. In an economic sense, a major objective of equity is the reduction of income inequality. It is because -- as Arthur Okun (1975 quoted in Petr, 1987, p. 1454) argues -- reduction of income inequality can also be seen to have a beneficial political effect in a democratic society.

If citizens are equally provided income, it will pave way for them to acquire more and better political access, legal representation, and public participation. Hence, income distribution in the mixed economy is, in part, an attempt to restore more effective political equality in the society...equity is an element in political as well as economic life (Okun, 1975 quoted in Petr, 1987, p. 1454). Certainly, equity or the equitable society is not to be found in a system of laissez-faire capitalism, so government intervention is necessary through (1) taxation policy -- progressive income taxes or inheritance tax, for example -- and (2) social welfare policies.

Democracy or democratization of society is at the macro level associated with broad participatory access to economic planning institutions and procedures as interest groups have exercised their political power to amplify their economic voice (Okun, 1975 quoted in Petr, 1987, p. 1455). At the micro level, democratization is seen as labor's participation in the decision-making of a particular firm -- so called sharing of economic power within a firm.

Apart from Petr's four objectives of mixed economy, James E. Meade (1975) also recommends eight principles of mixed economy to create a good society. Within the mixed economic approach, the efficiency of the system and of individual freedom is guaranteed. The free market mechanism remains to ensure workable competitive conditions. Meade (1975, p. 13-14) has explained that:

“Market rewards attract factors to produce at lowest possible cost what consumers most desire, but at the same time individuals remain free -- without any extraneous compulsion by State, monopolistic employers, or restrictive labor unions -- to purchase what they choose to purchase, to go where they choose to go, and to work at what they choose to work at...But...on the foundation of this market mechanism, there must be built a superstructure of governmental interventions and controls...to set a background of conditions in which free competition can work effectively...to replace entirely the mechanism of competitive markets, where that mechanism cannot be expected to operate effectively...to modify without replacing the operation of a market price mechanism”.

The eight principles of mixed economy which are essential for superstructure control and intervention begin with that the government should control inflation rate through the implementation of either financial or fiscal policy.

“A major disadvantage of inflation is that it causes inequitable redistributions of income and property so long as some forms of income and property remain fixed in money terms...so long as social

payments such as old-age pensions and family allowances remain fixed in terms of money, a continuing inflation causes them to receive less in real terms than is planned for them...In many cases, it is poor who lose and the rich who gain from inflation” (Meade, 1975, p. 22).

In order to solve the inflation problem, government is obligated to authorize financial policies that will affect the level of expenditures. The government can solve it on the demand side by cutting public expenditures, promoting public saving by raising interest rates and taxes in order to reduce consumption, delaying economic growth resulting from exports, and increasing productivity. Or government can solve it on the supply side by using fiscal policy to increase productivity through: (1) increasing government expenditures to produce goods and services; (2) lowering rates of interest and taxation in order to promote investment; and (3) devaluating its currency in order to encourage people to buy domestic products rather than imports.

The second principle of mixed economics is that in order to prevent unemployment and misuse of resources, the government intervention is needed to submit to appropriate social controls of the use of monopolistic powers of large corporate concerns, whether these be huge conglomerate industrial concerns or powerful labor monopolies (Meade, 1975, pp. 14-15).

Third, for some businesses that will inevitably be monopolized such as railway transport, electricity generation and water supply, the government must take action by creating state ownership and control.

Fourth, some goods and services that cannot be left to the individual such as the administration of justice and the maintenance of law and order must be controlled by central or local government.

Fifth, the state has an obligation to promote equality of opportunity. Matters concerning for example the provision of equal access to educational opportunities, and welfare to support low-income citizens must be promoted by the government.

Planning is an important element of the mixed economy, for protecting the economy from uncertainties of the future, those which market mechanisms cannot be expected to deal with effectively. Government intervention is necessary to indicate the future of national economic plans and the future of governmental expenditures for public purposes, and to play a central role between state and private firms, and between private firms themselves in the exchange of information about future supplies and demands. This is the sixth principle of mixed economics -- planning for an uncertain future.

Seventh, there must be central planning for large structural changes in economy.

“Because price mechanism can cope very adequately with decisions whether a little more or a little less of this or that product should be produced, but it cannot cope adequately with structural decisions when it is necessary to decide whether a particular product should be produced on a large scale or not at all” (Meade, 1975, p. 15).

The final principle of mixed economy is the need for controls and interventions in order to cope with important cases in which the market mechanism will otherwise neglect to take into account important items of social, as opposed to private costs and benefits (Meade, 1975, p. 15). The control of utilization of resources, scarce resources and environmental controls, must be supervised and even commanded by the state in order that they will be carried out effectively and efficiently.

John Maynard Keynes, the founder of Keynesianism, is called a supporter of mixed economy too because he has provided an economic theory that requires government intervention during times of economic crisis. During the 1930s, the world economy was in crisis following World War I. The market model in capitalism was not able to work effectively. Bank and stock markets collapsed through lack of confidence. Agricultural products were burnt and destroyed due to lack of a market. Millions of people were unemployed. Each country tried to solve its economic crisis by reducing its public spending, and cutting back its imports -- these were of course other countries' exports.

In such a situation, Keynes suggests that market model might always lead to a balance of sales and purchases but it could not guarantee at what level that balance might be achieved, and the chances of its being at the full employment level were evidently not very good. Once the downward spiral had begun, people out of work were unable to buy as much as when they were in work; and this had a multiplier effect putting even more people out of work (Brown, 1985, pp. 57-58).

From the above, it can be concluded that the main obligation of government is to manage demand through: (1) increasing demand when a slump threatens and decreasing demand when a boom gets underway; (2) influencing interest rates by borrowing and lending policies or running its own investment programs to balance private investment; (3) running a deficit or surplus on its income and expenditure account, spending more than it collects in taxes to offset a slump, collecting more than it spends to steady a boom.

The concept of mixed economy also links with the notion on the welfare state which is based on the premise that the government has the responsibility for the well-being of its citizens and that this cannot be entrusted to the individual, private corporation or local community. But welfare states typically protect people against poverty by means of unemployment benefits, family allowances, income supplements for the poorly paid, and old age pensions, medical care, free education, (and) public housing (Abercrombie, Hill and Turner, 1988, p. 269).

The welfare state is a part of a complex society, allied to the capitalist market economy and democratic political structure. The development of the welfare state was first existed in Germany under Bismarck during the 1880s, and began in England under Lloyd George during the 1910s. The growth of the welfare state resulted from: (1) the demand both for socio-economic equality and for socio-economic security; (2) the active mobilization of the labor movement that had the ability to exercise control of the policy-making structures of the state; and (3) the growing political consensus between major political parties on crucial goals of social policy -- i.e., in Australia the

promise of making a better social welfare policy put the Australian Labor Party into power during the mid 1980s through the early 1990s.

However, adherents of the mixed economic system believe that the development of the welfare state is a result of market failure in economies that could not provide an acceptable standard of living for particularly the lower-paid workers in industrial society. They support a balance between economic and social policy based on the notion that the market system cannot create social stability, which in turn will cause the market system itself to suffer. Hence, the government intervention is necessary not only to make social condition acceptable, but also to make market economies work (Gilmour quoted from George and Wilding, 1994, p. 42).

They also argue that the welfare state is a product of the relationship between citizens and the state.

“The state needs loyalty; voters want -- and need -- benefits and services...Loyalties have to be won; authority has to secure legitimating and respect...there be a partnership between state and people” (Gilmour, 1978 quoted in George and Wilding, 1994, p. 48).

Therefore, with the relationship between the state and its citizens in welfare state, it has become a necessary component of the mixed economy to create an equitable society or equity which is a major objective of mixed economy.

During the past decades, the mixed economy has been employed by many countries, both developed and developing countries. Accordingly, mixed economy is characterized as the followings:

(1) The private ownership of the means of production, and reliance on the market system for allocating resources as it is expected to make more abundant and efficient production of material adequacy;

(2) Having more complicated macroeconomic stabilization programs based on the Keynesian economic model of fiscal policy that requires government intervention during situations of economic crisis. Most programs are designed for bolstering the sustainability of the mixed economy;

(3) Promoting environmental and ecological awareness both domestically and internationally. As a result, many national and international regulations, laws and agreements are created to protect the world environment, according to the concept of sustainability;

(4) Having plans for national economic management to facilitate, channel, and shape the long-terms achievement of sustained adequacy;

(5) Creating welfare state policies including some policies for income distribution and other kinds of social welfare policies for making an equitable society; and

(6) Providing more opportunities for labor participation in economic decision-making, both on the macro and micro level in order to promote democracy and democratization in society.

(7) Protecting consumers from unqualified or non-standardized products and services through the means of state legitimate power – i.e. the issuing and implementing of consumer protection policy.

VI. Conclusion

Although the debate between capitalism and Marxism has not ended yet, in practice, it has been already completed. But neither of them will win the race. Capitalism fails because the system cannot protect its members, particularly those less fortunate citizens from poverty and being exploited. Moreover, in periods of economic crisis, the market model alone has proved unable to provide a balance between investment, savings and consumption. Therefore, government intervention in the market is necessary to make economics work perfectly, and to improve the social conditions of its citizens. Particularly developing countries need strong government action in economic management to foster economic growth, to spur industrialization and to create an equitable society. Mixed economy, an economic system that requires strong government intervention in the market in order to create a good society, is the best alternative for today's temporary social world. Its economic objectives -- adequacy, sustainability, equity and democracy -- are accepted world wide, and most countries both former socialist and developing countries are moving into this trend of economic system. It is because the past evidences have shown that the economic development of the world's economic power countries like nation members of G8, Korea, Taiwan and new coming industrialized countries in Southeast Asia, are deriving from employing of mixed economy to their economic systems. The main reasons for successful of mixed economy in practice are its remaining of competitive model, creating conditions for social protection, and having strong government intervention not only in time of economic crisis, but also in time of social crisis. Therefore, from the above discussions, reasons, and past economic evidences, this article concludes that **government intervention in the market is justified.**

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