

THE POVERTY OF "MAINSTREAM ECONOMICS": A CRITICAL ANALYSIS OF CAPITALISM AS A CLOSED SYSTEM

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ABSTRACT:

This research paper critically examines the limitations of "mainstream" economics in its treatment of capitalism as a closed, isolated, and self-contained system. While acknowledging the mathematical sophistication of modern economics, the paper argues that the prevailing emphasis on the individual as the economic agent and the symmetrical treatment of production and circulation overlook crucial aspects of capitalist dynamics. By exploring three historical examples, the paper challenges the assumption that capitalist growth is tethered to the growth rate of the population. It highlights the role of imperialism in sustaining capitalist growth, the existence of massive labor reserves, and the perpetuation of poverty and income inequalities. Ultimately, this research calls for an alternative understanding of capitalism that incorporates demand-side factors and acknowledges the interconnectedness of the global economy.

KEYWORDS: Mainstream economics, capitalism, growth theory, labor reserves, imperialism, income inequalities, poverty.

1. INTRODUCTION

The dominance of "mainstream" economics and its conceptualization of the capitalist economy as a closed, isolated, and self-contained system is a subject of critique. This approach has its limitations in exploration and needs a more comprehensive understanding of capitalism. This paper delves into these criticisms, aiming to broaden our comprehension of capitalism. Through the examination of historical instances and the questioning of conventional wisdom, this paper here seeks to illuminate the deficiencies of "mainstream" economics in grasping the intricacies of the capitalist system. Specifically, it challenges the notion that economic interactions take place in isolation, detached from external factors. The argument asserts that real-world economies are oversimplified by mainstream economics, which overlooks the influence of social, political, and environmental contexts. Furthermore, it explores the predominance of neoclassical growth theory and its limitations, examines the concept of labor as a "rent good" in capitalism, scrutinizes the role of imperialism in sustaining capitalist growth, and investigates the perpetuation of poverty and absolute income inequalities. Overall, the research paper underscores the importance of adopting a comprehensive and nuanced approach to comprehend economic systems, surpassing the boundaries of mainstream economics. Hence, this paper basically identifies the fallacy of the assumption of closed system and poverty of mainstream economics thought.

2. THE CLOSED SYSTEM FALLACY

The assumption of a closed system in mainstream economics refers to the belief that economic interactions occur within the boundaries of a self-contained system, where the effects of external factors are either negligible or completely disregarded. This assumption implies