COMPARISON OF THE IMPACT OF THE IMPLEMENTATION OF THE CAPITALIST ECONOMIC SYSTEM ON COMMUNITY WELFARE BY THE UNITED STATES AND CHINA

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Abstract

Capitalist economics is an ideology introduced by Adam Smith as an economic system controlled by the private sector and the government does not play too much of a role in trading activities. However, if we look at the bad impact of the Capitalist economic system, there is a social gap between rich and poor people. Because in this system the private sector has the right to seek maximum profits in any way and has the right to increase its business. While ordinary workers can only work and receive wages from the rich, so that the rich get richer and the poor get poorer. So, this research will discuss the impact of the implementation of the capitalist economic system on the welfare of society in the United States and China, and whether the progress of these two countries can improve the prosperity of their society. This research uses a qualitative method based on existing literature and information discussing the case. The results of this research are that the United States and China as developed countries and dominate international markets cannot avoid cases of social inequality among their communities. The intensity of the phenomenon of inequality of opinion and even gender continues to narrow, facilities such as education and health in cities and villages are very different, many children in villages experience delays in receiving education compared to children who live in urban areas.

Keywords: United States and China, economic capitalism, social inequality, public welfare.

INTRODUCTION

Capitalism is an ideology introduced by Adam Smith and is one of the theories in the International Business Economics system. The ideology created by Adam Smith emphasizes private capital entrepreneurs, where the government does not really play a role in economic activities and is only a provider, the government has no right to make laws that can complicate the private economy. The government only plays a role in fulfilling and assisting in running a successful business, such as providing space. And capitalism is an economic system that has the aim of making a profit and giving full freedom to the business controllers.
In implementing the Capitalist economic system, it should have both negative and positive impacts. The positive impact is that in this system, the people who run the company are individuals and their goal is only to make a profit so that they can build the company to be even better. However, behind the positive impact that this system has, social inequality will emerge in society and a high level of individualism will emerge. So that the rich will get richer and the poor will get poorer, social inequality can occur because people who only have capital and are able to develop their businesses will live prosperously, but for the proletariat they are just workers in making the business of the bourgeoisie a success.

In the economy, capitalism guarantees three freedoms that can be obtained by individuals, namely, freedom to acquire property individually, freedom for all people or individuals to carry out economic activities because everything is private and on private responsibility, and because everything is regulated and controlled by the private sector, they have the right to have a spirit of competition and strong competitiveness among entrepreneurs.

The United States and China are two developed countries in the economic sector and both implement a capitalist or liberal economic system. If you look at the impact these two countries have, it is very good, namely that they can dominate and dominate the international market economy. In its implementation, each country has a different implementation system and the more specific impacts are definitely different.

The United States is a developed country and its currency is used as an alternative currency for all countries, making it play an important role in the world economy. And become an example for other countries in increasing state income. The state’s policy of improving the economy also does not make it difficult for business people to expand their economy to the international stage. Because the state’s job is to help, not take over the economy.

Likewise, China, which takes over in the international market and is the second largest country in the economic sector, makes this country a destination for other countries to carry out economic diplomacy in order to
improve their country’s economy. The strategy they created was very influential in increasing their country’s income. Businesspeople in China are very prosperous because they can expand their economy with the help of the government. They compete with each other to get higher income.

China, which before the Revolution occurred and was led by Mao Zedong as president at that time, implemented a Communist system and equalized everything owned by its people. In those days no one looked rich and no one looked the poorest either. At that time, the same dress system was applied to farmers, no one wore suits and ties because for Mao Zedong, this style had the characteristics of a Nationalist and Capitalist person. All house shapes are the same in terms of level and area of each house so that prosperity can be created without envy and social inequality. The policies made by the government show that during Mao Zedong’s era a socialist economic system was adhered to, and anyone who opposed this policy would be punished.

However, with the development of the times and now China is led by Xi Jinping who wants to change the system implemented by Mao Zedong to become a country that remains communist but has a capitalist system. Now many people wear uniforms of suits and ties and drive luxury cars. Because all of this aims to improve the economy and everyone’s income so that they can prosper. The capitalist economic system implemented by Xi Jinping brought rapid changes to the country and the income of each individual.

So based on what has been explained, the author will focus on several questions, namely, what is the impact of the implementation of the capitalist economic system in the United States and China on the welfare of society? Because seen from the bad impact of implementing a capitalist economic system, it will create social inequality among society. However, if we look at the United States and China from the progress of their countries’ economic systems, they can also make their people prosperous without social inequality.
Research Method

This research uses a qualitative method based on a literature approach, namely by collecting all data and information obtained from various journals related to the issue to be discussed and then connecting them with each other in order to obtain appropriate and relevant conclusions. The data obtained from this research uses secondary data by reviewing and studying existing literature.

DISCUSSION

The Capitalist Economic System in the United States

The United States as a country that dominates the world economy and trade and is known for its capitalist economic system makes it a symbol for other countries to look to this country as an example to advance their respective countries' economies. By embracing the capitalist economic system, the United States government provides the widest possible freedom for people or individuals to carry out trade and improve their business (Characteristics of the United States Capitalist Economy, n.d.).

Capitalism is a theory that originates from the west and is also a collection of ideas based on the theory of Secularism. The United States was able to become a superpower because of its Secularism system, which gives its people freedom to adhere to religion and religion also does not have the right to interfere in public affairs. So capitalism is a theory that is the same as Secularism, everyone has the right to hoard, increase business, and achieve whatever they want in various ways. This freedom is guaranteed by the United States government.

The progress of the United States in the industrial sector has made it the center of the industrial world, there are industrial centers in the United States such as the Hollywood area for films, Broadway theaters and also New York as a base for the music industry. With this, the United States can improve the economy, trade, finance, art media, fashion and research. Not only can the people of the United States see all of this industry, but everyone
in the world can see it, this could be one way for the United States to dominate world economic activity and carry out capitalism by taking maximum profits.

One of the products originating from the United States is Coca-Cola as proof of the implementation of the United States Capitalist Economic System. Which is trying to achieve real profits, the Coca-Cola company wants international class to be able to dominate the world economy. Even the Coca-Cola company is also trying to invest in other countries. (Nurmamurti R. A., Navila, Budi, Amanda P, Kholifah, & Rizky, 2022). As Max Weber said, the capitalist economic system is designed to seek profits in the market by carrying out exchanges in that market. and also the opinion expressed by Adam Smith that every individual must be given the freedom to carry out economic activities with perfect competition and also without any interference from the government in that country, either from regulations or policies.

Through this statement it can be concluded that in a country that implements a capitalist economic system, economic activities in that country will be controlled by individuals and private parties who prioritize their own profits and for the progress of their companies, can do everything freely and the government must not limit things like this. create regulations that hamper economic activities. The Coca-Cola Company is proof of the United States' capitalist economic movement which wants to dominate economic activities both in the country of origin and in the destination country.

The task of the United States Government in the Capitalist Economic system is that the government also participates in these activities as a supervisor of international market activities and also as a maker of regulations and policies that can support the economic activities of United States Capitalism. And also supports United States economic activities to obtain maximum profits possible through policies that have been made by the government (Nurmamurti R. A., Navila, Budi, P, Kholifah, & Rizky, 2022).

The economic characteristics of capitalism in the United States are (Characteristics of the United States Capitalist Economy, n.d.): (1) Every person has freedom and rights in carrying out the economic activities of each
company. (2) everything related to economic activities is carried out by all people in the United States (people, companies or private and international organizations, as well as the government). (3) the government makes little intervention to make it happen and improve welfare in people’s lives. (4) policies, and regulations made by the government are a form of government intervention in economic activities.

**The Impact of the Capitalist Economic System on the Welfare of the People of the United States**

**Image 1.** McDonald’s Workers Rallying for Minimum Wage

![Image of McDonald's workers rallying](image)

Source: Reuters

The United States is a superpower and is also a center for other countries to improve their economies. However, starting with the Covid-19 period, the poverty level of society has increased, in 2020 the poverty rate in the United States reached 11.4%, whereas previously in 2019 it reached 10.5% (Poverty in the United States in 2020, 2020). The existence of this level of poverty creates a social imbalance for the people of the United States. So United States public policy experts say that the inequality of wealth and income felt by US society is the main challenge for the government to overcome this problem. because this can solve social life in society.

And based on information taken from the Stanford Center on Poverty and INEQuality website in 2011, it was stated that there are several facts about social inequality that are currently occurring in the United States,
namely (1) there is wage inequality among workers, (2) CEO salaries are too much, even many times the worker's salary so this is considered unfair to the workers. (3) the large number of homeless people in the United States. (4) there is an education wage premium, workers who graduate from college will receive an average weekly income, while for children who drop out of school their salaries are reduced each week by up to 22%. (5) there is a gender pay gap, in the United States the gender difference is so visible that salaries between women and men are different. (6) differences in workers between women and men. (7) child poverty continues to increase. (8) Housing Segregation, namely rich people do not want to live in the same area as poor people. (9) In 2017, 8.1 million children aged 18 did not receive health insurance. And even children in poverty and Hispanic children are more likely to not get government health insurance.

The following is data obtained from the United States Census Bureau regarding children who do not receive health insurance from the government, especially children who are poor and also racial. And from this diagram it can be seen that children of Hispanic origin are at the highest level.

**Image 2. Children without Insurance**

Source: United States Census Bureau, 2007

Income inequality in working society in the United States has triggered divisions and social inequality. If you look at the wealth inequality in the United States, it is higher than in other countries, because the United States
is a country that only focuses its attention on advanced private companies so that people who live in villages and as workers feel discrimination both in terms of race and gender and this has been going on for a very long time, so that the pandemic that has hit since 2019 has become one of the triggers and strengthens divisions between society (Siripurapu, 2022).

If we look at the grouping of the increase in poverty rates from 2019 and 2020, that is, if we look at families of married couples, in 2019 the percentage of poverty reached 4.0% and in 2020 it increased to 4.7%, while in 2019 it reached 4.7% for families of married couples. 22.22% reached 23.3%. And if we look at age, children experiencing poverty reached 14.4% in 2019 and 16.1% in 2020, while for adults and working age it reached 9.4% to 10.4%. The Hispanic population reached 15.7% in 2019 and 17.0% in 2020 while the non-Hispanic white population reached 7.3% in 2019 and 8.2% in 2020. And the poverty rate among workers reached 4.7% to 5.0% while non-workers (aged 18-64 years) reached 26.4% and became 28.8% (Poverty in the United State, 2020).

This is also caused by disparities that exist in the United States, such as the wealth gap which favors families with a high level of education over those with a low level of education, families whose heads of families have at least a bachelor’s degree will earn an income of up to 77 % of wealth in 2019 with the average wealth reaching $310,000, while families without a college degree would only get $66,000. So heads of state who have a high level of education will get very large benefits and in this way the increase in their dollar income will also be large (Kent & Ricketts, 2020).

So, the existence of the Capitalist Economic system implemented by the United States greatly affects the income of its people, where entrepreneurs and elite groups continue to try to obtain maximum profits by using any means possible, while workers who only get wages from the results of their work always experience inequality, and injustice and ultimately led to an increase in the percentage of poverty in this country.
Many workers complain that their wages are not commensurate with what they do and even high-ranking workers such as CEOs who work in companies earn salaries many times higher than ordinary workers. Social inequality in the United States continues to increase as globalization increases, as entrepreneurs continue to increase their income.

**Image 3. Poverty Rate Based**

![Poverty Rate Based Image](source.png)

Source: Congressional Research Service, 2020

**Capitalist Economic System in China**

China is a country that previously adhered to a socialist system where everything was equal and there were no rich or poor. The ideology of Chinese socialism was based on Marx’s thoughts which spread in the Soviet Union. During the time of Mao Zedong, who really hated the Capitalist system, during Mao’s time people were not allowed to use cars wearing uniforms, suits or ties, because for him these were all habits of capitalist people. So during Mao’s era it was very difficult to find people wearing suits and ties, all the people used bicycles as their transportation. And the people’s houses were the same size and width so that there were no rich or poor at that time.

However, nowadays, the habits that were established during the Mao Zedong era are no longer implemented. Skyscrapers, people in suits and ties are often found in China. The road is filled with luxury cars. Currently, China has implemented the capitalist system itself, which was previously hated and opposed by capitalist people.
The emergence of the Capitalist system in China began with the emergence of Deng Xiaoping in 1978 who changed China by bringing about Chinese modernization in the fields of agriculture, industry, technology and even the military. These four things were done by Deng Xiaoping in modernizing China (Akbar, n.d.). This is what made the ideologies of Marx, Lenin and Mao Zedong eliminated.

Including changing the economic system to capitalism, which is stated in article 11 which was created during Deng Xiaoping's term of office in 1988, in this article it is explained that the government will give freedom to the private sector to carry out the economy and develop within the limits described by law. In other words, the state protects legal rights by prioritizing private economic interests and also provides the needs needed by society in developing a private economy, providing direction, supervision and administration (Jianfu, 2004).

With the amendment stated in Article 11, China's identity is established as a country that supports and improves the individual economy, the private economy, and the non-public ownership sector. This is a concern for many countries because China is a socialist country but implements a capitalist economic system in its country. Even in the second paragraph of the article it is also explained that the state will protect legal rights and also protect interests related to individual or private economic matters. The state will also provide direction, supervision and administration for individual economic interests (Balme & Lihua, 2008).

By introducing the concept of Modernization to China, Deng Xiaoping had several developments planned, namely (1) implementing a system of Socialism in China by freeing and developing productive forces. (2) uniting China while still implementing "one country with two systems" (N., 2008). These are just some of the thoughts and hopes that Deng Xiaoping wanted to achieve.

By introducing the Modernization Concept, it is hoped that this desire can be realized. and if seen clearly, the Modernization introduced by Deng
Xiaoping has become an important strategy through three stages which have been implemented starting from 1970. The strategy are: (1) by implementing this Modernization, China’s GDP must double from before in 1980. This aims to get the Chinese people out of the period of poverty that has plagued them for so long; (2) China’s economy must also quadruple by 2020. This aims to not only free China from poverty but also make its people prosperous; (3) and for the final stage in the 21st century it is hoped that China will become a *medium-developed country* that lives in prosperity and also has a democratic system (Utaminingsih, 2019).

During Deng Xiaoping’s reign, he created a program, namely repatriating Chinese people who were abroad, because it was known that Chinese thinkers or Chinese people living abroad had moved with the capitalist system. This aims to enable Chinese people living abroad to invest and build companies in China itself. And also during Deng’s time, he took back Chinese wealth that was abroad and this is why it is known that many Chinese investors who came from abroad were Chinese citizens themselves. So, the return of Chinese migrants brought changes to China itself, one of which was that the ownership status of Chinese companies was transferred to the private sector by sharing the level and type of ownership. With a strong desire and an impressive process, almost 4,000 companies owned by the government in the industrial sector in the micro or medium format have been transferred to private ownership and become private responsibility. This was done by the Chinese government within 20 years (Huchet, 2000).

This is what China continues to do now, many companies are privately owned and under private responsibility without any government intervention. The impact of Deng Xiaoping’s reign has had a positive impact on improving China’s economic sector. And making China the country that dominates the international market after the United States.

**The Impact of the Capitalist Economic System on the Welfare of Chinese Society**

China is the second country after the United States which dominates the international market. The application of the capitalist economic system in
China is no less than that of the United States, in fact the uniqueness of this country is that it can implement two systems in one country at once, namely socialism and capitalism. However, with the implementation of these two systems, social inequality in China cannot be avoided. And people who still experience poverty have even increased, especially during Covid-19. Even a Chinese journalist named Lili Pike said that economic inequality in China was worse than in the United States.

China uses the Gini coefficient as a measure of economic inequality. The Gini coefficient is a tool for measuring inequality that starts from 0 to 100. The number 0 indicates that everyone has the same income, while the number 100 indicates that elite people have a large income, meaning that the level of inequality is high (Jain-Chandra, Khor, Mano, Schauer, Wingender, & Zhuang, 2018).

Based on Gini, in 2018 it was detected that China’s economic inequality was greater than that of the United States. In 2018 the United States reached 0.41 while China at that time reached 0.52. However, overall inequality in the two countries is both at a high level. Then in 2020 the inequality figure in China decreased, namely 0.47, but this is also considered an unequal economy. Then in 2021 China will occupy a position below the United States, meaning that China’s inequality will continue to decline (Pike, 2022).

**Image 4.** China’s Comparison to the U.S.

Source: World Bank, 2019
In implementing the egocentric capitalist economic system. So, the intensity of the phenomenon of social inequality between rich and poor in China continues to increase. Where the wealth owned is not only seen from family or individual income but also seen through several assets such as shares, bonds and also property owned by the individual.

Then Xi Jinping as the President of China, realizing the widespread inequality that existed among his society, gave a suggestion with the slogan "Shared Prosperity" which aimed to overcome problems among society. For several years, Xi Jinping’s party succeeded in eradicating poverty in 2020 by focusing on the anti-corruption movement and eradicating poverty. However, in the following year, many also believed that these "shared prosperity" activities were not conducive. In 2020, children in rural areas experience delays in learning things and delays in thinking, unlike children who live in urban areas. It was also found that health facilities such as medical services
in rural areas were less adequate than in cities, especially in provincial cities. So the health costs in cities and rural areas are very different. However, both city and village residents tend not to visit places that have expensive medical facilities, except for employees and entrepreneurs (Yang, Acharya, & Liu, 2022).

From this, the gap between the rich and the poor is very visible. Starting from the facilities and income received by people, both those living in villages and cities, they still feel economic inequality. The large amount of income earned by entrepreneurs is the biggest factor in this inequality and makes this problem difficult to overcome. Trade is relatively developed and developing in big cities. This has resulted in restrictions by the Chinese government in channeling public funding such as health and education funding provided by the government for rural residents.

So, in overcoming this problem, China has several programs, namely: (1) making a policy that each regional head is responsible for providing facilities and adding facilities both in cities and villages for migrants, especially in health and education services. Because adding facilities is better than inhibiting rural-urban migration. (2) developing markets and rural land. Because so far land in rural areas cannot be developed and is only used by farmers for planting and cannot be sold. (3) ensuring adequate funding for education and health in rural areas. The same as the first strategy because the problem that exists is that many regional heads do not have sufficient funds to provide adequate facilities and costs for their communities (Dolar, 2007).

**Comparison of Community Social Welfare Levels in the United States and China**

The capitalist economic system implemented by the United States and China has caused inequality between their communities, so that social welfare is unequal and not all facilities can be enjoyed as a whole. Social disparities are very visible among society, such as income inequality, lack of education in remote places, and lack of health facilities in rural areas which are actually more in need. This happens because the government pays more
attention to and prioritizes urban areas so that facilities in rural areas are often neglected. The United States and China are countries that both implement a capitalist economic system and have a significant impact on society, so below is a comparison of the level of social inequality felt by the people of these two countries. In this comparison, several aspects will be looked at, namely, income or work wages, health and education aspects.

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<tr>
<th>Income Aspect</th>
<th>United States of America</th>
<th>China</th>
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<tbody>
<tr>
<td>1. The CEO’s salary is double the salary of other workers so this is considered unfair to the workers.</td>
<td>1. Based on the Gini measurement tool, the level of inequality in China in 2018 was 0.52, greater than in the US which reached 0.41. However, in 2020 it fell to 0.47.</td>
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<td>2. There is an education wage premium, for those who graduate from college they will receive an average weekly wage. Meanwhile, for those who do not graduate from college or drop out of school, their weekly salary will be reduced by 22%.</td>
<td>2. Based on a report from World Inequality in 2022, China is ranked below the United States.</td>
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<td>3. The gender pay gap between men and women.</td>
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<td>4. Poverty levels continue to increase.</td>
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<td>5. Upper class families earn an average income of US$639 thousand, an amount equivalent to seven times the median income of middle class people who only earn</td>
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US$96.5 thousand (Junior, 2018).

6. The unemployment rate for people of African descent in the United States is twice that of whites.

| Educational Aspect | 1. Black education levels are 40% lower than whites (Kesenjangan Ekonomi dan Sosial tetap Ada di AS, 2016).  
2. Children who grow up in poor families tend to experience delays in education and fall behind.  
3. Children with a high socio-economic level have much higher reading and mathematics learning scores than others.  
4. Social class influences the level of education in the United States (Gracia & Weiss, 2015) | 1. In 2020, many children in rural areas experienced delays in getting education compared to people in cities.  
2. Education gaps between villages and cities such as facilities and development. |
| Health Aspects | 1. In 2017, there were 8.1 million children aged 18 who did not have health insurance.  
2. Poor children and Hispanic children are less | 1. Health facilities are inadequate, especially in rural areas.  
2. City and village residents tend not to visit hospitals that |
likely to get government health insurance. have complete facilities because they are expensive and usually visitors to hospitals with complete facilities are employees and entrepreneurs.

CONCLUSION

The United States and China are countries that are both hit by problems of social inequality among their communities. Differences between rich and poor, income between workers, even education and health facilities are different between cities and villages. Even though it is a country that dominates the world economy and has good facilities, it cannot be denied that the intensity of social inequality among society continues to increase.

The income gap between average workers and CEOs in the United States continues to narrow. And the social gap between the bourgeoisie and the proletariat continues to grow. A family with higher education will have a more decent life than a family with a lower academic level. So, it can be seen that economic progress in the United States only applies to large entrepreneurs and those holding high positions who can enjoy the progress and enjoyment of their income. However, for ordinary people and those living in rural areas, they increasingly feel the gap between them.

Likewise, in China, implementing the Capitalist economic system and Socialist Ideology brought by Deng Xiaoping and continued by Xi Jinping can undoubtedly cause a gap between rich and poor people. Although it is not like the United States, China also has quite high levels of social inequality and inequality. There are very visible differences in life between city and village people. Even though the "Co-Prosperity" movement created by Xi Jinping and his party was to overcome this gap, inequality in China continues to increase.
However, as President of China, Xi Jinping and his party continue to try to deal with poverty and reduce the level of social inequality.

REFERENCES


