Write a 11 page report on the social impacts of economic theories and frameworks in two communist nations (Vietnam & Laos) and two capitalist nations (England & Canada)

Introduction

In the field of Macro economics, there are two big school of thoughts that is **Capitalist and Socialistic Economy.** Historical reference says, the eastern part of the world was predominantly influenced by socialism thoughts of Karl Marks and his followers. On the contrary western portion of the globe was influenced by capitalism. The two communist nations mentioned here were influenced mostly by the economic strategies that governed earstwhile Soviet Union and People Republic of China in the recent past. In comparison to that, England and Canada was on the drive of capital based economy. Blessed by the industrial revolution, England historically was the manufacturing hub of the world. Whereas Canada is the ninth largest economy in the world, and is one of the world's wealthiest nations. It is also a member of the Organization for Economic Co-operation and Development (OECD) and Group of Eight (G8). As with other developed nations, the Canadian economy is dominated by the service industry, which employs about three quarters of Canadians

The socialist economy and its impact over Vietnum and Laos

Vietnum and Laos are the two far east countries of the eastern part of the world. Over the past 20 years,Vietnam has made a shift from a **central planning-based economy** to a **socialist market-oriented mixed economy** *(this period named Đổi Mới- renovation)*. Over that period, the economy has experienced rapid growth. Nowadays, Vietnam is in the period of integrating into world's economy, as a part of globalization. Although, almost all Vietnamese enterprises are SMEs with some nationwide trademarks such as VNPT, Vinamilk, Trung Nguyen, Khanh Do and others, Vietnam has been rising as a leading agricultural exporter and an attractive foreign investment destination in East and Southeast Asia.

Laos is a landlocked country with an inadequate infrastructure and a largely unskilled work force. The country's per capita income in 2004 was estimated to be $1,900 on a purchasing power parity-basis. Agriculture, mostly subsistence rice farming, dominates the economy, employing an estimated 85% of the population and producing 51% of GDP. Domestic savings are low, forcing Laos to rely heavily on foreign assistance and concessional loans as investment sources for economic development. In FY 1999, for example, foreign grants and loans accounted for more than 20% of GDP and more than 75% of public investment. In 1998, the country's foreign debt was estimated at $1.9 billion

The Development of Communism influence

The values of *socialism* have roots in pre-capitalist institutions such as the religious communes, reciprocal obligations, and communal charity of Mediaeval Europe, the development of its economic theory primarily reflects and responds to the monumental changes brought about by the dissolution of feudalism and the emergence of specifically capitalist social relations. As such it is commonly regarded as a movement belonging to the modern era. Many socialists have considered their advocacy as the preservation and extension of the radical humanist ideas expressed in Enlightenment doctrine such as Jean-Jacques Rousseau's ***Discourse on Inequality***, Wilhelm von Humboldt's ***Limits of State Action***, or Immanuel Kant's insistent defense of the French Revolution.

Capitalism on the other hand appeared in mature form as a result of the problems raised when an industrial factory system requiring long-term investment and entailing corresponding risks was introduced into an internationalized commercial (mercantilist) framework. Historically speaking, the most pressing needs of this new system were an assured supply of the elements of industry - land, elaborate machinery, and labour - and these imperatives led to the commodification of these elements. Where the basic values towards the man and the nature was deteriorated. According to socialist economic historian Karl Polanyi's classic account, the forceful transformation of land, money and especially labour into commodities to be allocated by an autonomous market mechanism was an alien and inhuman rupture of the pre-existing social fabric. This rupture triggered natural counter-movements in efforts to re-embed the economy in society.

The Theory says

The first organized theories of socialist economics were significantly impacted by classical economic theory, including elements in Adam Smith, Robert Malthus and David Ricardo. **In Smith there is a conception of a common good not provided by the market, a class analysis, a concern for the dehumanizing aspects of the factory system, and the concept of rent as being unproductive**. **Ricardo** argued that the renting class was parasitic. This, and the **possibility of a "general glut", an over accumulation of capital to produce goods for sale rather than for use**, became the foundation of a rising critique of the concept that free markets with competition would be sufficient to prevent disastrous downturns in the economy, and whether the need for expansion would inevitably lead to war.

Malthus says, "*the power of population is indefinitely greater than the power in the earth to produce subsistence for man. Population, when unchecked, increases in a geometrical ratio. Subsistence increases only in an arithmetical ratio. A slight acquaintance with numbers will show the immensity of the first power in comparison with the second"*. However the implication of the famous theory was like: "*Yet in all societies, even those that are most vicious, the tendency to a virtuous attachment is so strong that there is a constant effort towards an increase of population.*" **This constant effort as constantly tends to subject the lower classes of the society to distress and to prevent any great permanent amelioration of their condition.**

The most important and relevant theory that explains the socio-political changes were taken place in the communist countries is the Labour theories of value, which was derived on the hypotheses of Adam Smith and David Ricardo. The significance of that theory is given below:

The **labour theories of value** (LTV) are economic theories of value according to which the Value of Commodities are related to the labour needed to produce them. There are many different accounts of labour value, with the common element that the "value" of an exchangeable goods or services is, or tends to be, or can be considered as, or "is to be measured as" equal or proportional to the amount of labour required to produce it (including the labour required to produce the raw materials and machinery used in production). Different labour theories of value prevailed amongst **classical economists** through to the mid-19th century. It is most often associated with Marxian economics, while modern mainstream economics replaces it by the marginal utility approach

Conversion of Vietnum

Until French colonization in the mid-19th century, Vietnam's economy was uniformly agrarian, subsistence, and village-oriented. French colonizers, however, deliberately developed the regions differently, designating the South for agricultural production and the North for manufacturing. Though the plan exaggerated regional divisions, the development of exports--coal from the North, rice from the South--and the importation of French manufactured goods stimulated internal commerce. When the North and South were divided politically in 1954, they also adopted different economic ideologies: communist in the North and capitalist in the South. This substanciate the Labour theories of value, the labour domited economy turns in to socialisic whereas land holding and Agri-capital dominated sociaty remains capitalist.

Laos under communism

Laos was a princely state near north Vietnam. In the 17th century Lan Xang entered a period of decline and the late 18th century Thailand established control over much of what is now Laos. The region was divided into three dependent states centered on Luang Prabangin the north, Vientiane in the center, and Champassak in the South**.** The Vientiane Lao rebelled in 1828 but were defeated, and the area was incorporated into Siam. Following its occupation of Vietnam, France absorbed Laos into French/Indochina via treaties with Siam in 1893 and 1904.Communists came into power in Laos in the year 1975. initially the govt imposed a Soviet-style command economy system. Which implies the replacement of private sector with the state enterprises, cooperatives, centralizing investment, production, trade, and pricing. Thus creating barrier to international and foreign trade

The Theoratical Explanation of these Phenomenon

The communism thought mostly driven by the "Das Capital", written by Karl Marx. Where he commented on some basic macro economic theories and hypotheses in the light of socialism. Both of these communist countries had witnessed the opression under french colonisation. The dark side of the profit driven, exploitative, capitalist financial system had been witnessed by the common people of these countries. The rapid evaporation of human values and the commodity like attitude towards working class by the foreigners leads to some revolutionary movements. The communist thought and system was like a fresh air to the people who was worst sufferer in World War II. Followings are the theories explaining this transformation.

The Law of Value - Capitalist production is the production of "an immense multitude of commodities" or generalised commodity production. A commodity has two essential qualities

- They are useful, they satisfy some human want, "the nature of such wants, makes no difference"
- They are sold on a market or exchanged.

Critically the exchange value of a commodity is independent of the amount of labour required to appropriate its useful qualities. **So the origin of the capitalist profit is not in cheating or theft but in the fact that the cost of reproduction of labour power, or the worker's wage**, is less than the value created during their time at work, enabling the capitalists to yield a surplus value or profit on their investments. **This deviates the theory of equality.**

Historical Property Relations Historical capitalism represents a process of momentous social upheaval where rural masses were separated from the land and ownership of the **Means of production**, the cultivated land by force, deprivation, and legal manipulation, creating an urban proletariat based on the institution of wage-labour, through the violation of Human Rights.Moreover, capitalist property relations aggravated the artificial separation between city and country, which is a key factor in accounting for the metabolic rift between human beings in capitalism and their natural environment, which is at the root of our current ecological dilemmas

Impact: In this contest it can be said that both Vietnum and Laos are predominantly agrerian society and mostly driven by the unskilled labour forces. The intruders like the europeans and other foreigners used their mussle power and skills of influencing people through bribe or through some other means to get hold of the "Means of production" in those countries. The earstwhile village based socisty started to be city driven one. The exploitative nature of the haves over the havenots makes the socialistic and equality theory popular over the time. In most of the cases it was a mass movement.

Commodity Fetishism - Marx adapted previous value-theory to show that in capitalism phenomena involved with the price system (markets, competition, supply and demand) constitute a powerful ideology that obscures the underlying social relations of capitalist society. "Commodity fetishism" refers to this distortion of appearance. The underlying social reality is one of economic exploitation.

***Economic Exploitation* -** Workers are the fundamental creative source of new value. Property relations affording the right of usufruct and despotic control of the workplace to capitalists are the devices by which the surplus value created by workers is appropriated by the capitalists.

Accumulation - Inherent to capitalism is the incessant drive to accumulate as a response to the competitive forces. The accumulated wealth which is the source of the capitalist's social power derives from repeatating the circuit of Money ↔ Commodity ⇔ Money, where the capitalist receives an increment or "surplus value" higher than their initial investment, as rapidly and efficiently as possible. Moreover this driving imperative leads capitalism to its expansion on a world-wide scale.

***Crises* -** Marx identified natural and historically specific barriers to accumulation that were interrelated and interpenetrated one another in times of crises. Different types of crises, such as realization crises and overproduction crises, are expressions of capitalism's inability to constructively overcome such barriers. Moreover, the upshot of crises is increased Capital centralization, the expropriation of the many capitalists by the few.

***Material Development* -** As a result of its constant drive to optimize profitability by increasing the productivity of labour, typically by revolutionizing technology and production techniques, capitalism develops so as to progressively reduce the objective need for work, suggesting the potential for a new era of creative forms of work and expanded scope for leisure.

***Socialization, and the pre-conditions for Revolution* -** By socializing the labour process, concentrating workers into urban settings in large scale production processes and linking them in a world-wide market, the agents of a potential revolutionary change are created. Thus Marx felt that in the course of its development capitalism was at the same time developing the preconditions for its own negation. However, although the objective conditions for change are generated by the capitalist system itself, the subjective conditions for social revolution can only come about through the apprehension of the objective circumstances by the agents themselves and the transformation of such understanding into an effective revolutionary program.

Socialist economies in theory

Robin Hahnel and Michael Albert identify five economic models within the socialist economics -

Public Enterprise Centrally Planned Economy in which all property is owned by the State and all key economic decisions are made centrally by the State, e.g. the former Soviet Union.

Impact : this is contrary to the decentralisation of power. The long term practice of this model might develop Autocratic power and which might generate secret exploitation. The fundamental rights of the common people will lies with the suprimo of the country.

Public Enterprise State-Managed Market Economy, one form of market socialism which attempts to use the price mechanism to increase economic efficiency, while all decisive productive assets remain in the ownership of the state, e.g. socialist market economy in China after reform.

Impact: Monopolistic nature of the economy and natural selection might leads to market failure. A major failure of the system if the price determination. In some cases efficiency might not be paid whereas inefficiency will be appriciated. The era of Licencing.

A **mixed economy**, where public and private ownership are mixed, and where industrial planning is ultimately subordinate to market allocation, the model generally adopted by social democrats e.g. in twentieth century Sweden.

Impact: the moderate ways of setting macro economic goals. Where selective liberalisation along with predominantly existance of the state owned enterprises will drive the market. The trade restriction imposition of tarrif and taxes is common. Though the sole decision making authority will gradually transferred to the management of the enterprises. This is the transformation phase of a communist country towards a social democratic country. Vietnum and Laos both are presently in this phase.

Public Enterprise Employee Managed Market Economies, another form of market socialism in which publicly owned, employee-managed production units engage in free market exchange of goods and services with one another as well as with final consumers, e.g. mid twentieth century Yugoslavia, Two more theoretical models are Prabhat Ranjan Sarkar's Progressive Utilization Theory and Economic democracy.

Public Enterprise Participatory Planning, an economy featuring social ownership of the means of production with allocation based on an integration of decentralized democratic planning. An incipient historical forebear is that of Catalonia during the Spanish revolution.

Impact: The newer concept of Public-Private Partnership is based upon this concept. In the most developing countries this model gains popularity as it is quaci market driven. Where Govt. control vis-a-vis investor money both works together. This increases efficiency as well as reduce the chances of exploitation.

The Aftermath of Communism

Vietnum

From the late 1970s until the 1990s, Vietnam was a member of the Comecon, and therefore heavily dependent on trade with the Soviet Union and its allies. Following the dissolution of the Comecon and the loss of its traditional trading partners, Vietnam was forced to liberalize trade, devalue its exchange rate to increase exports, and embark on a policy of regional and international economic capitalization. Between 1976 and 1986, the then-unified country had a planned economy. Though the government's Second Five-Year Plan (1976-1981) set extraordinarily high goals for annual growth rates for industry, agriculture, and national income and aimed to integrate the North and the South. The Plan's aims were not achieved. The economy remained dominated by small-scale production, low labor productivity, unemployment, material and technological shortfalls, and insufficient food and consumer goods. The more modest goals of the Third Five-Year Plan (1981-85) were a compromise between ideological and pragmatic factions. They emphasized the development of agriculture and industry. Efforts were also made to decentralize planning and improve the managerial skills of government officials.

Laos

After the inception of power and managing the economy in the socialistic line, the Lao Government realized these types of economic policies were preventing, rather than stimulating, growth and development. No substantive reform was introduced, however, until 1986 when the government announced its "new economic mechanism" (NEM). Initially timid, the NEM was expanded to include a range of reforms designed to create conditions conducive to private sector activity. Prices set by market forces replaced government-determined prices. Farmers were permitted to own land and sell crops on the open market. State firms were granted increased decisionmaking authority and lost most of their subsidies and pricing advantages. The government set the exchange rate close to real market levels, lifted trade barriers, replaced import barriers with tariffs, and gave private sector firms direct access to imports and credit.

The Economists says

In Keynes's theory, some micro-level actions of individuals and firms can lead to aggregate macroeconomic outcomes in which the economy operates below its potential output and growth. Keynes contended that aggregate demand for goods might be insufficient during economic downturns, leading to unnecessarily high unemployment and losses of potential output. **Keynes argued that government policies could be used to increase aggregate demand, thus increasing economic activity and reducing unemployment and deflation**. *Why deflation*? To Keynes, excessive saving, i.e. saving beyond planned investment, was a serious problem, which is encouraging recession or even depression. Excessive saving results if investment falls, perhaps due to falling consumer demand, over-investment in earlier years, or pessimistic business expectations, and if saving does not immediately fall in step, the economy would decline the socialistic economy restricts the opening up of domestic market to international competition as competition increases exploitation.

Neo Keynesian Approach

Two main assumptions define the New Keynesian approach to macroeconomics. Like the New Classical approach, New Keynesian macroeconomic analysis usually assumes that households and firms have rational expectations. But the two schools differ in that New Keynesian analysis usually assumes a variety of market failures. Excessive government control sometimes leads to market failure, which is a common legacy of socialistic structure of economy.

Wage and price stickiness, and the other market failures present in New Keynesian models, imply that the economy may fail to attain full employment. Therefore, New Keynesians argue that macroeconomic stabilization by the government (using fiscal policy) or by the central bank (using monetary policy) can lead to a more efficient macroeconomic outcome than a laissez faire policy would.

Besides sticky prices, another market imperfection built into most New Keynesian models is the assumption that firms are monopolistic competitors. As in most of the socialistic countries the state run firms does not face any competition. In fact, without some monopoly power it would make no sense to assume sticky prices, because under perfect competition, any firm with a price slightly higher than the others would be unable to sell anything, and any firm with a price slightly lower than the others would be obliged to sell much more than they can profitably produce.

Other microeconomic elements that appear in some New Keynesian models (though not so commonly as sticky prices and imperfect competition) include the following.

- Credit market imperfections

- Coordination failures, leading to aggregate demand multipliers and possible multiplicity of equilibrium
- Unemployment caused by moral hazard problems, or unemployment caused by matching friction - typical trade union problem

Transformation of the Nations towards open economy

Vietnum:

In 1986 Vietnam launched a political and economic renewal campaign (Doi Moi) that introduced reforms intended to facilitate the transition from a centralized economy to a **“socialist-oriented market economy.”**As a result of *Đổi mới* many free-market enterprises were permitted (and, indeed, later encouraged) by the Communist Party of Vietnam; furthermore, the push to collectivize the industrial and agricultural operations of Vietnam, previously the focus of intense efforts by the Communist authorities, was abandoned. This economic reform helped Vietnam establish diplomatic relationships with the West and East Asian Countries in the 1990's, such as the United States and Japan.
Doi Moi combined government planning with free-market incentives and encouraged the establishment of private businesses and foreign investment, including foreign-owned enterprises. By the late 1990s, the success of the business and agricultural reforms ushered in under Doi Moi was evident. More than 30,000 private businesses had been created, and the economy was growing at an annual rate of more than 7 percent, and poverty was nearly halved.

Laos:

In 1989, the Lao Government reached agreement with the World Bank and the International Monetary Fund on additional reforms. The government agreed to expand fiscal and monetary reform, promote private enterprise and foreign investment, privatize or close state firms, and strengthen banking. In addition, it also agreed to maintain a market exchange rate, reduce tariffs, and eliminate unneeded trade regulations. A liberal foreign investment code was enacted and appears to be slowly making a positive impact in the market.

In an attempt to stimulate further international commerce, the Lao Government accepted Australian aid to build a bridge across the Mekong River to Thailand. The "Thai-Lao Friendship Bridge," between Vientiane Prefectureand Nong Khai Province, Thailand, was inaugurated in April 1994. Although the bridge has created additional commerce, the Lao Government does not yet permit a completely free flow of traffic across the span.

These reforms led to economic growth and an increased availability of goods. However, the 1997 Asian Financial Crisis, coupled with the Lao Government's own mismanagement of the economy, resulted in spiraling inflation and a steep depreciation of the kip, which lost 87% of its value from June 1997 to June 1999. Tighter monetary policies brought about greater macroeconomic stability in FY 2000, and monthly inflation, which had averaged about 10% during the first half of FY 1999, dropped to an average 1% over the same period in FY 2000. The economy continues to be dominated by an unproductive agricultural sector operating largely outside the money economy and in which the public sector continues to play a dominant role.

Canada and England under Capitalist economic policies

As with other developed nations, the **Canadian** economy is dominated by the service industry, which employs about three quarters of Canadians. Canada is unusual among developed countries in the importance of the primary sector, with the logging and oil industries being two of Canada's most important. Canada also has a sizable manufacturing sector, centred in Central Canada, with the automobile industry especially important. Canada has one of the highest levels of **economic freedom** in the world.Today Canada closely resembles the U.S. in its market-oriented economic system, and pattern of production. According to the Forbes Global 2000 list of the world's largest companies in 2008, Canada had 69 companies in the list, ranking 5th next to France. International trade makes up a large part of the Canadian economy, particularly of its natural resources. The United States is by far its largest trading partner, accounting for about 76% of exports and 65% of imports as of 2007. Canada's combined exports and imports ranked 8th among all nations in 2006.

Predominantly being a high industrialised country, **England** is an important producer of textile and chemical products. Automobile, locomotive and Aircrafts are among the other important industrial products of this country. Since the 1990s, the financial services sector has played an increasingly significant role in the English economy and the City of London is one of the world's largest financial centres. Banks, insurance companies, commodity and futures exchanges are heavily concentrated in the City. The service sector of the economy as a whole is now the largest in England, with manufacturing and primary industries in decline. The only major secondary industry that is growing is the construction industry, fuelled by economic growth provided mainly by the growing services, administrative and financial sector.

The capitalist economic influence and comperative Impact study

Capitalism is an economic and social systemin which trade and induatry are privately controlled (instead of state-controlled) for profit. The means of production (also known as Capital) are owned, operated and traded for the purpose of generating profits by private individuals, either singly or jointly.

In a capitalist system (also known as a market economy) investments, distribution, income, production, pricingand supply of goods, commodities and services are determined by voluntary private decisions. A distinguishing feature of capitalism is that each person owns his or her own labor, and is therefore allowed to sell the use of it to employers. **In a capitalist state, private rights and property relations are protected by the rule of law of a limited regulatory framework.** In a capitalist state, legislative action is confined to defining and enforcing the basic rules of the market, although the government may provide some public goods and infrastructure.

The famous economic theories related to the capitalism are Austrian school of thoughts, Chiacago school of thought, Classical economic theories, Keynesians economics theory, New keynesian theory, Monetarism, Neoclassical economics, Marxian economics, Supply-side economics, Institutional economics and New institutional economics theory.

***Austrian school* of thoughts** says the spontaneous organizing power of the price mechanism. It holds that the complexity of subjective human choices makes mathematical modelling of the evolving market extremely difficult (or undecideable) and advocates a *laissez faire* approach to the economy. Austrian School economists **advocate the strict enforcement of voluntary contractual agreements between economic agents,** and advocate the smallest possible imposition of coercive force on voluntary commercial transactions.

Impact : Since england and canada are both driven by market forces, where as england depens more on industries mainly manufacturing and canada on service induatry. Market driven pricing system is very important there. The law of perfect competition and dynamic price mechanism substanciate the Austrian school in that economy.

The Chicago school is associated with neoclassical price theory and libertarianism in its support of radically lower taxation and private sector regulation, but differs from pure free-market economics in its support of government-regulated monetary policy.

Impact: In both the countries the govt pays the role of regulator, the leverage in taxation and deregulation in tariff might create unequal competition for the domestic firms in some specified sectors, so some regulatory restrictions are imposed by the govt.

Classical economics is associated with the **idea that free markets can regulate themselves**. Its major developers include Adam Smith, David Ricardo, Thomas Malthus and John Stuart Mill. Sometimes the definition of classical economics is expanded to include William Petty, Johann Heinrich von Thünen. Some historians of economic thought, in particular, Sraffian economists see the classical theory of prices as determined from three givens:

1. The level of outputs at the level of Smith's "effectual demand",
2. technology, and
3. wages

From these givens, one can rigorously derive a theory of value. But neither Ricardo nor Marx, the most rigorous investigators of the theory of value during the Classical period, developed this theory fully. The theory of wages was closely connected to the theory of population. The Classical economists took the theory of the determinants of the level and growth of population as part of Political Economy. In contrast to the Classical theory, the determinants of the neoclassical theory value:

1. tastes
2. technology, and
3. endowments

Impact: Classical economists developed a theory of value, or price, to investigate economic dynamics. Petty introduced a fundamental distinction betweenmarket price and natural price to facilitate the portrayal of regularities in prices. Market prices are jostled by many transient influences that are difficult to theorize about at any abstract level. Market prices always tend toward natural prices in a process of gravitational attraction. The theory tried to develop a par between land and labor and had what might be called a land-and-labor theory of value. Natural prices were the sum of natural rates of wages, profits (including interest on capital and wages of superintendence) and rent. The industrian labour dynamics, the growth of tradeunion and development of different class in the social structure explains the classical theory in th two reference country.

Monetarism is the view within monetary economics that variation in the money supply has major influences on national output in the short run and the price level over longer periods and that objectives of monetary policy are best met by targeting the growth rate of the money supply

Impact : Since this theory directly explains the flow of money and its related policies, the monetary policies of the capitalist or liberalised country can be explained by this. The supply of money is determined by Gold standard, one of the benefits of the gold standard is that the intrinsic limitations to the growth of the money supply by the use of gold or silver would prevent inflation, if the growth of population or increase in trade outpaces the money supply, there would be no way to counter-act deflation and reduced liquidity (and any attendant recession) except for the mining of more gold or silver under a gold or silver standard. Impact of this theory to the countries like UK and Canada is huge as the central bank of these two country are busy in setting the monetary flow, maintaining inflation and control the parity between import and exports of funds. The economy of both of these two nations are majorly export driven.

The typical policy recommendation of ***supply-side economics*** is to achieve the proper level of marginal tax rates, which, by virtue of what most supply-side economists believe to be the high rate of taxes in general, equates to the cutting of taxes. Maximum benefits are achieved by optimizing the marginal tax rates of those with high incomes and capital investments who are deemed most likely to increase supply and thus spur growth.

Impact: A perfect capitalist economy is highly market driven. Historically england and canada are market and industry driveneconomy. So the backbone of the growth of the country is the demand and supply equilibrium. The theory says economic growth can be most effectively created using incentives for people to produce (supply) goods and services, such as adjusting income tax and apital gains tax rates, and by allowing greater flexibility by reducing regulation. Consumers will then benefit from a greater supply of goods and services at lower prices. It is well known the service based economy is best driven on the basis of incentive and manufacturing based economy on tax facilities. England folowes the incentive structure to the new industrialists through taxholiday and other revenue related facilities. The spread across the world and their production and export always was influenced to achieve maximum benefit through trade deregularisation and low tariff and taxation facilities. The canada based outsourcing industry has grown today exclusively on the basis of incentive structure. So the class differentials had developed on the basis of greater achievement of incentive and tax exemption.

With the development of theories of asymmetric and distributed information an attempt was made to integrate institutionalism into main stream neoclassical economics, under the title **New institutional economics**. However, this latter variant of institutionalism failed to supersede the classical school, because heterodox economists argue it was heir to what they perceive as the flaws of neoclassical economics.

Impact : In new institutional economics and other fields focusing on public policy, economists seek to judge when and whether governmental intervention (such as taxes, welfare, and government regulation) can result in potential gains in efficiency. However this might results into market imperfection and market failure. In the two reference countries the institutional importance is much lesser than the socialistic countries.

Trade scenario under neocapitalist environment in canada

Agriculture : As with other developed nations, the Canadian agriculture industry receives significant government subsidies and supports. However, Canada has been a strong supporter of reducing market influencing subsidies through the World Trade Organization. In 2000, Canada spent approximately CDN$4.6 billion on supports for the industry. Of this, $2.32 billion was classified under the WTO designation of "green box" support, meaning it did not directly influence the market, such as money for research or disaster relief.

Manufacturing: Central Canada is home to branch plant to all the major American and Japanese automobile makers and many parts factories owned by Canadian firms such as Magna International and Linamar corporation. Central Canada today produces more vehicles each year than the neighboring U.S. state of Michigan the heart of the American automobile industry. Manufacturers have been attracted to Canada due to the highly educated population with lower labour costs than the United States. Canada's publicly funded health care system is also an important attraction, as it exempts companies from the high health insurance costs they must pay in the United States

Service sector : The service sector in Canada is vast and multifaceted, employing some three quarters of Canadians and accounting for over two thirds of GDP. The largest employer is the retail sector, employing almost 12% of Canadians. The retail industry is mainly concentrated in a relatively small number of chain stores clustered together in shopping malls.

The second largest portion of the service sector is the business services, this includes the financial services, real estate, and communications industries. This portion of the economy has been rapidly growing in recent years. The education and health sectors are two of Canada's largest, but both are largely under the purview of the government. The health care industry has been rapidly growing, its rapid growth has led to problems for governments who must find money to fund it.

<u>Class structure in canada</u>

Capitalist class - Subdivided into nationals and locals, whose income is derived largely from return on assets.

Upper middle class - College trained professionals and managers (a few of whom ascend to such heights of bureaucratic dominance or accumulated wealth that they become part of the capitalist class)

Middle class - Members have significant skills and perform varied tasks at work, under loose supervision. They earn enough to afford a comfortable, mainstream lifestyle.

Working class - People who are less skilled than members of the middle class and work at highly routinized, closely supervised manual and clerical jobs. Their work provides them with a relatively stable income sufficient to maintain a living standard just below the mainstream.

Working poor - People employed in low-skill jobs, often at marginal firms. The members of this class are typically laborers, service workers, or low-paid operators.

Underclass - Members have limited participation in the labor force and do not have wealth to fall back on. Many depend on government transfers.

<u>Trade scenario in england</u>

Agriculture: It is intensive, highly mechanised, and efficient by European standards, producing about 60% of food needs with only 2% of the labour force. It contributes around 2% of GDP. Around two thirds of production is devoted to livestock, and one third to arable crops. Agriculture is heavily subsidised by the European Union's Common Agricultural Policy and it is not known how large a sector it would be if the market was unregulated. The GDP from the farming sector is argued by some to be a small return on the subsidies given but is argued by others that subsidy boosts security among the farming community and therefore is justified in the same way defence spending is.

Manufacturing : Manufacturing continues to decline in importance. In the 1960s and 70s manufacturing was a significant part of England's economic output. However, a lot of the heavy manufacturing industry was government-run and had failed to respond to world markets. State industries were sold off and over the 20th century many closed as they were unable to compete; a situation largely reflected in other Western industrialised countries. However, manufacturing still accounts for some 26% of the UK's GDP.

Service industries*,* particularly banking, insurance, and business services, account by far for the largest proportion of GDP and employ around 80% of the working population.

<u>The capitalism influenced demographic class structure of england</u>

Upper class*:* Generally holders of titles of nobility and their relatives, some with substantial inherited wealth.

Upper middle class: Generally professionals or businesspeople with both good university degrees and professional qualifications, usually with a public school education. A significant proportion of their wealth is often from inheritance, but with earnings this class has the richest and most successful people

Middle class: Similar to the upper middle class but usually from a less establishment-based background and education. Generally professionals or businesspeople with a university degree, perhaps from a "new university". Will normally own their own home and earn well above the national average.

Lower middle class: May not hold a university degree but works in a white collar job and will earn just above the national average.

Upper working class: Generally does not hold a university degree and works in skilled or well experienced role such as supervisor, foreman, or skilled trade such as plumber, electrician, joiner, tool-maker, train driver.

Working class: Generally has low educational attainment and works in a semi-skilled or unskilled blue collar occupation, in fields such as industrial or construction work.

Lower working class: Generally works in low/minimum wage occupations, such as cleaner, shop assistant, bar worker. Often employed in the personal service industry.

Underclass: Reliant on state benefits for income, described by Marx as the *lumpenproletariat*

Conclusion:

In the above discussion we have seen the different economic theories their implications and the effect of the same at the different parts of the globe. The discussion was pivoted over socialistic structure and over capitalistic structure of the two reference countries. Moreover the recent policy roadmap and the political dynamics of Vietnum and Laos depict that the entire world is transforming from closed structured socislistic economy to mixed economy or gradually moving towards open economy. On the other hand in the capitalist countries like England and Canada, where open economy has taken its birth is also on the transformation phase. The special regulatory role played by the government, export subsidy, sector specific tariff structure etc. showing that the latent conservatism in the govt policies anticipating some hidden social risks of open competitive and exploitative market.