

Capitalism or Socialism? Another Two-Pole Solution

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Abstract

Capitalism or Socialism? The perennial question which had been the cost of declared and undeclared wars. The answer to this problem lies in mathematics, namely, the Two Pole Solution that is useful in things such as Cosmology to Philosophy. Using this technique, we find that Government spending is optimized when it is 54.9% of GDP. This paper provides the to arrive at this result.

Keywords: Socialism; Capitalism; Gross Domestic Product (GDP); Cost; Benefits

Introduction

Yet another Two Pole Problem is, of course, the ongoing battle between Capitalism and Socialism. Modern politics is mostly about economics. The purpose of governments is to transfer wealth from the poor to the rich. In gives rise to the Social Contract -I won't disturb you and you won't disturb me and we all get ahead together. We won't go into that here, considering many western democracies actually do the opposite; they transfer wealth from the poor to the rich. But the question begs: how much government spending or transfers is appropriate? Is it best to leave the money in the hands of those who earn it as the capitalist, might argue, allowing Adam Smith's "Invisible hand" to do the rest? Some call this trickle-down economics. Or is it better for governments to tax and spend liberally as the socialist might argue? I present the solution to this pertinent problem using the Two-Pole Mathematics Optimization Solution.

The Two Pole Solution

We now well know that the sine curve and the cosine curve can be used to solve these two pole problems. If we allow the sine curve to represent Adams Smith's Invisible Hand of lassie fair economics; and we let the Government's Big Brother hand of a planned economy, there is the optimum balance where sine meets cosine. We know well by now that they so when time $t = \pi/4 = 45$ degrees which brings about the solution of $\cos t = \sin t = 1/\sqrt{2} = 0.707$

The GDP Equation

Now we know from the GDP Equation, that,

$$Y = C + I + G + (\text{Exports} - \text{Imports})$$

Where,

$$Y = \text{GDP} = \text{Gross Domestic Product}$$

$$C = \text{consumption,}$$

$$I = \text{Investment} = \text{Savings Rate,}$$

$$G = \text{Government Spending.}$$

{For simplicity sake, we allow Impost and Exports be equal.}

So,

$$Y = C + (15.8\%) + (100\% - 70.7\%)$$

$$G = 29.3\%$$

$$C = 54.9\%$$

So, consumption on things such as transportation, lodging, food etc. should not exceed 54.9% of income. Savings should be 15.8%. And Government spending, in any way that want to spend it (politics!) should be 29.3%. This is the optimum balance to strike so that the lassie-fair and the planned economies as benefits are maximized [1]. To maintain optimization, governments should rightfully balance their spending and taxation over their terms of power, including the cost of capital. Therefore should appear a balance between costs and benefits, for things such as decreasing crime in overly capitalist economies, and worker sluggishness in overly socialist economies.

Conclusion

There is an optimum amount of spending by governments, divided by all three levels of government. It is dependent upon the two-pole solution. The Government Spending should be no more or less than 54.9% of the GDP.

References

1. Cusack PTE (2017) Optimum Investment and Profit: The Two Pole Solution. Journal of Global Economics.