

Sample Term Paper
BCPM 0058: Economics

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ESSAY TOPIC

Critically discuss the institutions that constitute capitalism.

This note gives you tips on how to write a good essay for economics. The note sets out the basic structure and explains how you can turn an average essay into an exceptional essay.

Writing this essay requires an understanding of the following key concepts: capitalism and the *institutions* that constitute capitalism, i.e., *markets, firms, private property*.

While the basic framework for the essay can be found in Lecture 1 (Chapter 1), exceptional essays would explore the links with other Lectures 2-7 (Chapters 2-7).

Given below is an outline of the basic structure of the essay and hints on how to expand on it to make it an exceptional essay.

SUGGESTED ESSAY STRUCTURE

Define *private property* and critically analyse it.

- Private property is an ability to privately own property, i.e., exert ownership rights over something.
- Allowing private ownership of the “commons” can be detrimental for society.

Define *market* and critically analyse it.

- A market is an institution which allows people to voluntarily exchange products and services for their mutual benefit. Property rights in conjunction with markets play a crucial role in giving people incentive to produce things.

- If the market works, the price in the market equals the marginal cost and Pareto efficiency is achieved.
- If the market fails, the market price is higher than the marginal cost of production. With market failure, there exist some people/consumers who are willing to pay more than the marginal cost of production but are not able to buy the good due to its market price. Market failures are thus Pareto inefficient outcomes and can be detrimental for the society due to the resultant deadweight loss.

Define *firms* and critically analyse it.

- Firms are organisations that use inputs, produce outputs, and sets prices to maximise their gains.
- Firms require markets and ownership of private property to operate.
- Firms that acquire power charge prices above the marginal cost of production, lead to deadweight loss and can have a deleterious effect on society.

Explain how private property, markets and firms complement each other in creating the *capitalistic economic system*.

While the capitalist economic system conceptualises complementing each other perfectly, Lectures 2-8 explore what happens when these institutions don't work perfectly. The essay primarily draws on Lecture 1 (Chapter 1) but there are very interesting links to most other chapters. Exploring these links would differentiate an excellent essay from an average essay.

Exceptional essays would also point out that capitalism is silent on the role of the *government*.

- Some form of benevolent government is required to ensure that the detrimental impact of these institutions is kept to the minimum. Capitalism is thus shaped by not just the institutions it constitutes, but by institution beyond it. The postwar experience has been that we have seen countries across the world experimenting with combining capitalism with different forms of governments.