**Why Countries rely on the system of Capitalism to prosper and how the law can interfere with the free market**The system of Capitalism essentially states that private individuals seek to achieve profit, and they will do this through trade that is beneficial to both parties. In the 21 century this system has come under a lot of scrutiny, its opponents state that it creates inequality, corruption and taking advantage of one another. However, in the first part of this essay, I seek to address and debunk these claims. The second part will be examples on how law can interfere with the free market and the consequences that arise from this.

Any first world country today has capitalism imbedded in their core system. Humans work because of incentives, most of us are at least to some degree selfish. Additionally, for someone to create work that is better compared to competitors consistently, they must be rewarded more than their competitors consistently to justify the increased expenditure of energy. For example, in a communist country where everyone gets paid the same for every job, there is no incentive for people to join university for 3 years after which they will not get a better paying job, even though the quality of the work they can provide has increased. Within the workplace the quality of work does not promise a pay rise, thus workers will do nothing more than the absolute minimum. This work ethic by employees will lead the company to create mediocre products and/or services, leading to its downfall. On the other hand, in a capitalist country such as New Zealand a postgraduate student can expect to earn a higher salary than a high school dropout because they are more qualified leading to a higher quality and faster output for the business. When businesses trade their products and services for money, they are not taking advantage of the customer. If a customer is treated badly by a company, they can simply switch to buying products and service from a competitor. One example for this is if the price Microsoft 365 increased from $100 to $500 a year, some customers would switch to google workspace as it is better value for money to them. Another common argument against capitalism is inequality. A common question is: why is Elon Musk worth $200 billion while people are starving in 3rd world countries? First, successful entrepreneurs like Elon Musk all made a product or service which consumers loved and were willing to pay for. Secondly, these entrepreneurs reinvest most of the income from business operations back into the business which improves their products even further, meaning consumers get an even better product or service. Thirdly, there is a big difference between liquid assets and net worth. The former refers to the amount of cash that an individual possesses now, which is less than 10 percent of the net worth for most entrepreneurs. The latter term refers to the theoretical wealth Elon musk possesses, which is the share price of his companies multiplied by the amount of shares he owns for each of these companies. Elon Musk would not be able to sell off 200 billion dollars’ worth of Tesla shares tomorrow because there would be no buyer, which is why those assets are not liquid.

Government institutions can interfere with the free market thought law. The concept of free market capitalism lets everyone make trade products and services with everyone else. There are positive ways Government institutions limit this free market. An example for a good law here would be how the trade of potent drugs such as heroin and fentanyl is illegal in New Zealand. However, sometimes government intervention is questionable. On the 29th of march in 2020, the former prime minister of New Zealand, Jacinda Ardern, ordered a full lockdown due to covid. This lockdown only allowed businesses “essential” for New Zealanders to operate, where the first problem of definition arises. While a supermarket was categorized as essential, the Warehouse which also offers food products needed to shut down. This indirectly hurts the consumer as there are now less retailers, creating a supply shortage, which raises the price of those scarce products.

To summarize, for a society to function correctly it must work with incentives. Capitalism encourages employees to work hard by promising higher pay. Entrepreneurs are incentivized by the huge payoff that their invention creates. The Government must be very careful not to hurt businesses that create value for customers when introducing new laws.