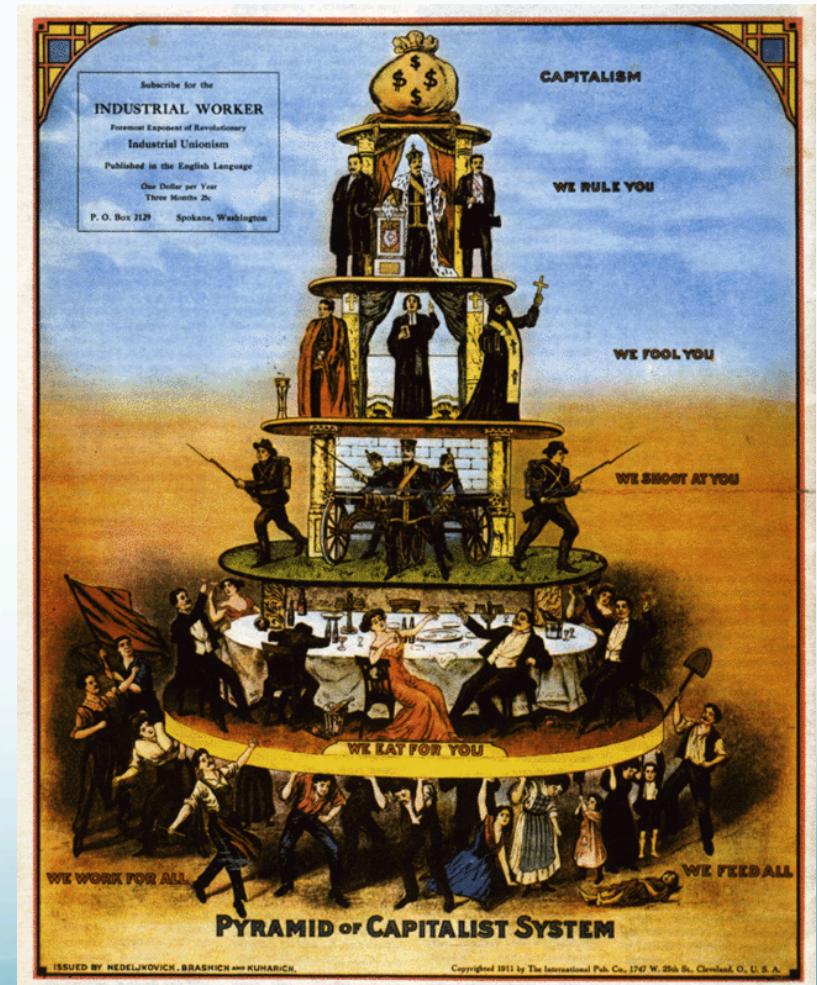


# New Economic Ideas

Capitalism, and the Reasons Against It

# Review: What's Happening During the I.R.

- Middle class is rising
- Landowners, factor owners increasing in power, wealth
- Immigrants, poor farmers, unskilled workers decreasing in power, wealth
- Gap b/w rich and poor is growing
- Labor unions are created
  - Bad working conditions lead workers to want more rights



# Capitalism

- Capitalism: factors of production (the “4 M’s”) are owned by businesses
- Laissez faire economics: Businesses make money without government interference – “Government, Hands Off!”
- Adam Smith: Father of Capitalism
  - Wrote *The Wealth of Nations* (1776)
  - 3 Natural Laws of Economics
    - Self interest – people work for their own benefit (selfish)
    - Competition – forces people to create better products
    - Supply and demand – the economy flows with what people want and what businesses have





# Pros & Cons of Capitalism

## PROS

People keep what they earn

People have incentive to work hard

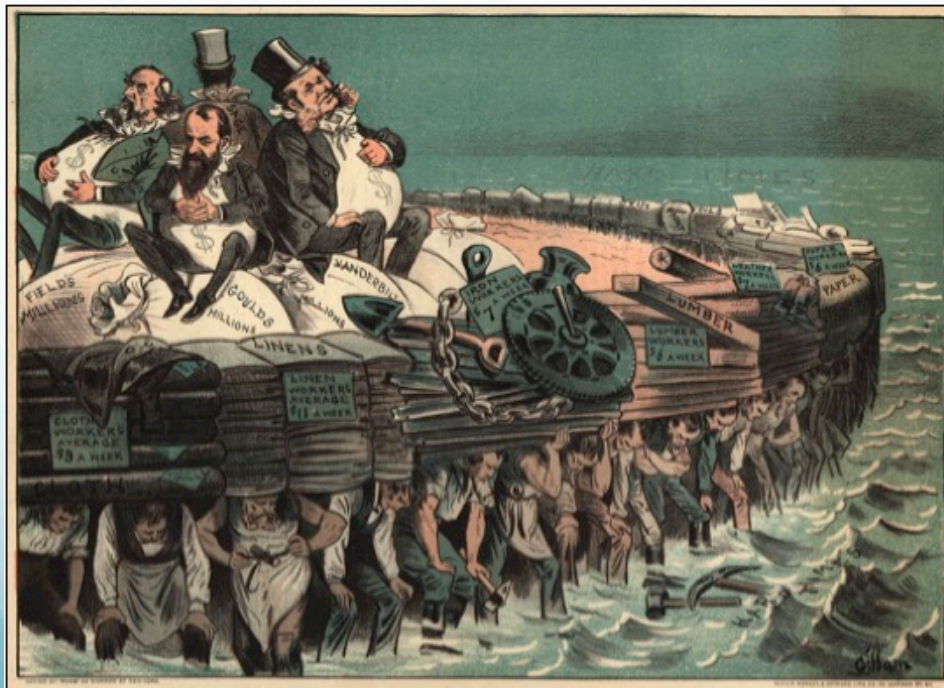
Competition leads to better products for the customer

## CONS

The gap between rich and poor grows

The poor do not receive help they need

“Survival of the Fittest” is the mentality of society



# Making Connections

- At your table, discuss the following question:
- Where do you see evidence of capitalism in the United States?



# Socialism

- Government owns property and factors of production
- Progress happens when people work together toward the common good
- Government prevents employers from taking advantage of their workers
- Government gives goods according to each person's need
- Popular idea for workers and poor



# Pros & Cons of Socialism

PROS	CONS
People are treated equally	Not fair for those who work harder
Everyone gets what they need	Innovation is slow (no competition)
There is no gap b/w rich and poor	Less incentive to work hard





# Making Comparisons

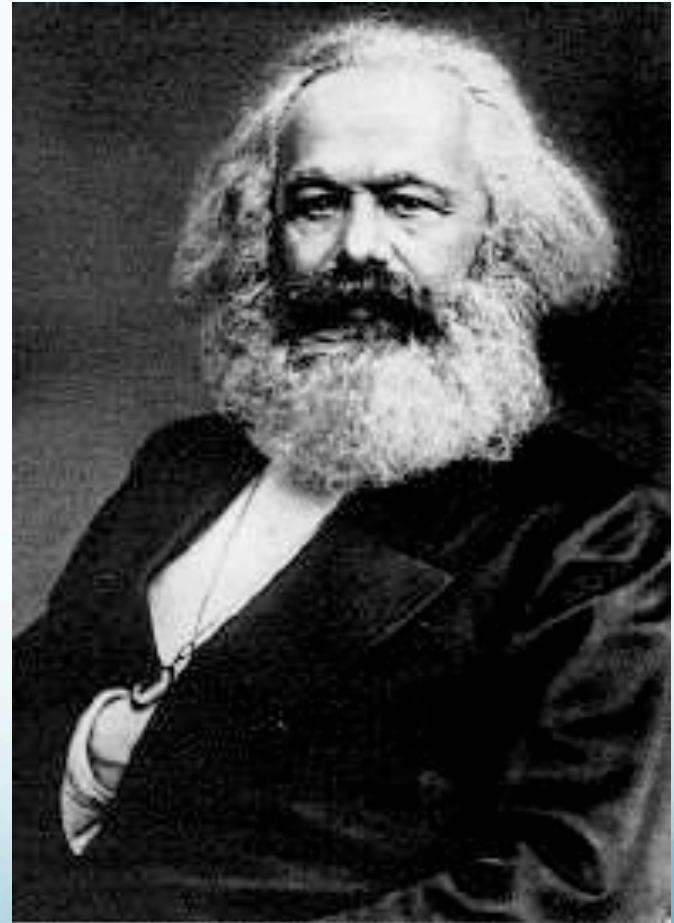
- Think about and discuss the following question with your shoulder partner:
- Which system sounds better to you? Capitalism or Socialism? Why?





# Marxism

- Karl Marx took socialism one step further (radical socialism)
  - Wrote *Communist Manifesto* (1848)
- Societies have ALWAYS been divided between rich and poor
- These social classes are always at war
- Called for the workers (proletariats) to rise up and rebel against the factory owners (bourgeoisie)
  - This is the only way to prepare society for Communism



# Communism

- In Theory...
- Communism: COMPLETE socialism; a classless society
  - The PEOPLE own the factors of production
  - There is no private property
  - Everything is shared equally
- In Practice...
- Communism never reaches the “classless” society where gov. is no longer needed
- Governments are run by a small group and/or dictator who tells everyone what to do



# Capitalism vs. Socialism

- Pick a partner
- One person will read Smith's *Wealth of Nations* and the other will read Marx's *Communist Manifesto*
- Answer the handout questions and share your findings with your partner
- Create a mini-poster that reflects the readings and the struggle b/w Capitalism and Socialism
- Include quotes from the readings to support your images