

## TOPIC: ECONOMIC SYSTEMS

### Capitalism



#### **Capitalism**

An economic system in which natural resources and the means of producing goods and services are \_\_\_\_\_ owned.

#### **Features of an \_\_\_\_\_ Capitalist Economy:**

- 1 Private ownership of wealth-producing property.
- 2 People operate on a \_\_\_\_\_ motive.
- 3 Competition and consumer \_\_\_\_\_ regulates supply and demand.
- 4 Concern that government involvement in economy reduces quality and quantity of goods.

#### **History**

Popularized in many countries during and after the Industrial Revolution.

#### **Modern Examples**

United States, Canada, Australia.

#### **Related Terms**

**Welfare Capitalism:** An economic and political system that combines a market-based economy with extensive social \_\_\_\_\_ programs (Ex: Germany, Norway, & Sweden).

## TOPIC: ECONOMIC SYSTEMS

### EXAMPLE

For each item below, place a check mark if the policy aligns with a core feature of capitalist economies.

1	Profits capped at a uniform national rate.	
2	Prices for goods are influenced by market forces.	
3	State approval required before new businesses can operate in certain fields.	
4	Factories and patents are owned by individuals and corporations.	
5	Quotas are established for the long-term demand of a good.	

### PRACTICE

Many Scandinavian countries, which have a welfare capitalist system, are touted for their very high quality of life. Which feature below could be expected in a welfare capitalist state but not in a capitalist state?

- a) Private ownership of property.
- b) Prices for goods and services based on consumer demand.
- c) Decommmodification of essential goods, such as food and housing.
- d) Access to extensive social welfare programs.

## TOPIC: ECONOMIC SYSTEMS

### Socialism



#### **Socialism**

An economic system in which natural resources and the means of producing goods and services are \_\_\_\_\_ owned.

#### **Features of an ideal Socialist Economy:**

- 1 Collective ownership of \_\_\_\_\_-producing property.
- 2 People operate under a collectivist orientation.
- 3 Decommodification of essential goods (ex: healthcare).
- 4 People in a society are \_\_\_\_\_ equal.

#### **Related Terms**

**Communism:** A hypothetical political and economic system in which all people in a society are \_\_\_\_\_ equal.

#### **History**

Popularized in some countries after the Industrial Revolution, but globally declined in the 1990s.

#### **Modern Examples**

People's Republic of China & Cuba.

## TOPIC: ECONOMIC SYSTEMS

### EXAMPLE

For each item below, place a check mark if the policy aligns with a core feature of socialist economies.

1	Profits capped at a uniform national rate.	
2	Prices for goods are influenced by market forces.	
3	State approval required before new businesses can operate in certain fields.	
4	Factories and patents are owned by individuals and corporations.	
5	Quotas are established for the long-term demand of a good.	



### PRACTICE

Many individuals use the terms socialism and communism interchangeably. How might you explain the difference between the two?

- Socialism focuses on protecting resources, while communism focuses on expanding access to resources.
- Socialism focuses on reducing wealth inequality, while communism aims to eliminate all inequality.
- Socialism focuses on increasing economic output, while communism focuses on increasing equality.
- Socialism focuses on financial operations, while communism focuses on political operations.

## TOPIC: ECONOMIC SYSTEMS

### Comparing Capitalism and Socialism

	 <b>Capitalism</b>	 <b>Socialism</b>
<b>Main Idea</b>	Benefit individuals, which in turn benefits society.	Benefit society, which in turn benefits individuals.
<b>Economic Output</b>	Typically have ____ GDP.	Typically have _____ GDP.
<b>Standard of Living</b>	More consumer choice may result in a higher standard of living.	Less consumer choice may result in lower standard of living.
<b>Distribution of Wealth</b>	_____ economic inequality.	_____ economic equality.
<b>Access to Basic Needs</b>	People may struggle to access basic necessities.	People have access to basic necessities.



**Note:** Keep in mind, most nations \_\_\_\_\_ these economic systems.

